



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

Distr.: General  
28 November 2017

Original: English

**First regular session 2018**

22 – 26 January 2018, New York

Item 9 of the provisional agenda

**UNFPA – Recommendations of the Board of Auditors**

**United Nations Population Fund**

**Follow-up to the report of the United Nations Board of Auditors for 2016:  
status of implementation of the recommendations**

**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 2016 (A/72/5/Add.8).

The United Nations Board of Auditors acknowledges that UNFPA is in good financial health and provides opinion that the organization's financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2016 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 the further measures planned by the organization to implement the recommendations of the Board of Auditors for the financial period that ended on 31 December 2016.



## I. Introduction

1. Pursuant to decision 97/2 of the Executive Board, 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 (Board of Auditors) for the year that ended on 31 December 2016 (A/72/5/Add.8). The Advisory Committee on Administrative and Budgetary Questions 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 opinion that the organization's financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2016 and its financial performance and cash flows for the year then ended, in accordance with 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 of the management initiatives to enhance its operations by introducing new systems, such as the global programming system for managing workplans and the strategic information system, which has facilitated the documentation of risks and monitoring of results. UNFPA is committed to further improvements in the areas of risk management, a harmonized approach to cash transfer, workplan management, procurement and contract management and human resources management. UNFPA has also enhanced its response to the recommendations by adopting a comprehensive and systemic approach to strengthen controls and to ensure compliance with the recommendations.

## II. Status of implementation of the audit recommendations

4. The Board of Auditors made 18 new recommendations for 2016, compared to 24 for 2015. Tables 1 and 2 below summarize the status of implementation of the recommendations, for the financial period that ended on 31 December 2016.

**Table 1**  
**Status of implementation of main recommendations for 2016**

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Not accepted</i>	<i>Implemented or closure requested</i>	<i>In progress</i>	<i>Target date set</i>
Division for Management Services	1	–		1	1
Division for Management Services and Office of the Executive Director	1	–	1		
Programme Division	1	–		1	1
<b>Total</b>	<b>3</b>	<b>–</b>	<b>1</b>	<b>2</b>	<b>2</b>

**Table 2**  
**Status of implementation of all recommendations for 2016**

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Not accepted</i>	<i>Implemented or closure requested</i>	<i>In progress</i>	<i>Target date set</i>
Management Information Services Branch	2	–	-	2	2
Programme Division	2	–	1	1	1
Division for Management Services	3	–	-	3	3
Division for Management Services and Office of the Executive Director	3	–	2	1	1
Division for Human Resources	2	–	1	1	1
Technical Division	1	-	1	-	-
Division for Management Services and Division for Human Resources	1	-	-	1	1
Programme Division and Division for Management Services	1	-	1	-	-
Procurement Services Branch	3	-	3	-	-
<b>Total</b>	<b>18</b>	<b>-</b>	<b>9</b>	<b>9</b>	<b>9</b>

5. This report presents the status of implementation for all recommendations made by the Board of Auditors for both 2016 and prior periods. This report comprises ten sections addressing: (a) internal control system; (b) harmonized approach to cash transfer; (c) programme management; (d) procurement and contract management; (e) inventory management; (f) human resources management; (g) consultants and temporary assistance; (h) review of financial statements; (i) information technology and (j) other recommendations from financial periods prior to 2016.

#### **A. Internal control system**

##### *Evaluation of risk assessment process*

6. In paragraph 18, the Board recommended that UNFPA: (a) ensure country offices perform risk assessments effectively by documenting realistic justifications and causes and tailoring them to the specific field office's environment, as required by the guidance notes on conducting risk assessment in the enterprise risk management system; and (b) document possible causes, risk ratings, and justifications and allocate focal points for the additional risks identified by country offices.

7. The Strategic Information System (SIS)/myRisk application for enterprise risk management has been enhanced to include causes, impact and probability ratings along with a justification text box for each risk assessment. The guidance note on conducting risk assessments has been improved to include more examples covering different areas of risk. Similarly, the process for identification and risk assessment of additional risks by the business units has been revised to include the nomination of focal points.

*Use of risk matrices in assessing the risks*

8. In paragraph 22, the Board recommended that UNFPA: (a) ensure that country offices develop the risk score matrices for the identified and assessed risks to support the risk ranking process; and (b) continue training the personnel of country offices on enterprise risk management tools and concepts so as to ensure that the risk assessment process, specifically with regard to the application of risk matrices in risk ranking, is performed adequately.

9. The risk score metrics of impact and probability are now an integral part of the updated SIS/myRisk application and are used to calculate the risk rating automatically for any assessed risk. The business units' risk focal points will be trained on this new concept and usage of the tool when the next enterprise risk management cycle is launched in January 2018.

*Supervisory role on risk assessment*

10. In paragraph 27, the Board recommended that UNFPA: (a) ensure that country offices prepare supporting documents of the risk assessment process for review and easy reference by the regional offices; and (b) enhance the regional offices' risk assessment review and monitoring mechanism to facilitate achievement of the enterprise risk management corporate objective.

11. The SIS/myRisk application has been updated to include mandatory uploading of supporting documentation for review by the regional offices. The risk assessment validation workflow now includes regional offices' validation in the system after review of the uploaded supporting documentation. The guidance note has also been revised to reflect these assessment workflow changes and includes a template of the necessary supporting documentation.

**B. Harmonized approach to cash transfers***Assessment of implementing partners*

12. In paragraph 32, the Board recommended that UNFPA: (a) strengthen control over micro-assessment reports from the service providers to ensure that the reports are supported by details of the work done and provide a clear basis for their conclusions; and (b) ensure that implementing partners are given micro-assessments and that plans are established to follow up on the findings and recommendations of the micro-assessment with UNFPA implementing partners or implementing partners shared with other agencies.

13. UNFPA, in a joint procurement with UNICEF, has engaged qualified international firms under long-term agreements to deliver high-quality micro-assessments. For assessments conducted by local providers, the appropriate office undertakes quality control before accepting their reports. This may be a UNDP or UNICEF office for shared implementing partners. The Division for Management Services periodically performs quality assurance over samples of completed micro-assessments and is currently developing enhanced guidance for offices on the follow-up to micro-assessment recommendations to be issued in the first quarter of 2018. While justification for risk ratings are required in the template, supporting documentation and working papers are not generally required to be submitted with the report. Staff will be guided to the items where supporting detail may be necessary.

14. In paragraph 36, the Board recommended that UNFPA: (a) consider providing adequate training to spot checkers so as to improve the quality of spot checks; (b) ensure that the implementation of micro-assessment recommendations are followed up during spot checking and evidence to that effect be maintained by the spot checkers so as to provide supported assurance to UNFPA; and (c) ensure that the spot check activities are conducted effectively and efficiently, in accordance with established guidance.

15. UNFPA continues to enhance the spot checking capacity of its staff. Webinars held in 2017 emphasized the review of micro-assessment recommendations during the spot checks.

The Division for Management Services periodically performs quality assurance over samples of completed spot checks. More than 800 spot checks were completed for the financial year 2016, and an independent quality assurance reported that a majority of the spot checks were of good or satisfactory quality. The Division for Management Services is currently developing enhanced guidance for offices on the follow-up to micro-assessment recommendations to be issued in the first quarter of 2018.

### **C. Programme management**

#### *Use of the global programming system for workplan management*

16. In paragraph 40, the Board recommended that UNFPA: (a) ensure that the workplans are prepared and approved in the global programming system prior to being signed by implementing partners and before the programme activities commence in order to avoid discrepancies between signed workplans and records in the global programming system; and (b) perform periodic checks and reconciliations between the budgets of the workplans and global programming system records in order to correct and update information in the global programming system.

17. UNFPA continues to strengthen compliance with the policy and guidance relating to workplans and the global programming system. For that purpose, the workplan workflow has been revised to ensure segregation of duty and to introduce an additional operational review. UNFPA has also launched a dashboard to monitor exceptions and address deviations between workplan amounts and their related budgets in the global programming system as well as the disbursement of funds without a proper approved workplan. The exception reports will be made available to all UNFPA staff and communication will be sent regularly to the units where deviations are detected. The Programme Division also conducts an annual quality assurance review of all workplans.

### **D. Procurement and contract management**

#### *Need to improve evaluation of long-term agreements*

18. In paragraph 45, the Board recommended that UNFPA ensure that country offices provide information on annual supplier performance, business volume and savings achieved to the lead United Nations agencies for all long-term agreement holders that are piggybacked with other agencies so that evaluations can be conducted.

19. UNFPA agrees that it is important that vendor performance evaluation be performed by the lead United Nations agency for all long-term agreements. However, there are challenges in implementing this recommendation whenever UNFPA is not the lead agency, as UNFPA cannot impose another United Nations organization to undertake specific activities. UNFPA is therefore collecting feedback from all UNFPA country offices in United Nations Development Group (UNDG) Business Operations Strategy (BOS) countries as to whether it is feasible for the country Operations Management Teams (OMTs) in these countries to provide information on the annual supplier performance, business volume and savings achieved to the agencies which they are piggybacking for long-term agreements. Based on the analysis of the input, a decision will be made about how to go about addressing this audit observation and to potentially change the procurement procedures.

20. Another challenge is that there is currently no agreed United Nations methodology to measure procurement savings. At the last High-Level Committee on Management (HLCM) Procurement Network meeting in October 2017 it was agreed that UNOPS would take the lead in developing a commonly agreed procurement savings calculation methodology to be used by all United Nations organizations. Endorsement of the methodology by the procurement network is expected to take place in October 2018. Until then it will not be possible to measure the savings achieved through the use of piggybacked long-term agreements in a consistent and standard way.

*Non-preparation of procurement plans and unplanned procurements*

21. In paragraph 50, the Board recommended that UNFPA field offices adhere to local procurement plans when making procurements and ensure that all the procured items are included in these plans to facilitate the monitoring of procurement activities and efficiency in the use of resources.

22. UNFPA attaches great importance to procurement planning and will make every effort to ensure that country offices prepare and update procurement plans as required by the procurement policy. Procurement Services Branch (PSB) is adding a monitoring spot check for local procurement to ensure that it is in line with actual procurement on a yearly basis. UNFPA will also provide clarity on the procurement procedures so the plan will be in line with the actual procurement on a quarterly basis, and is of the view that a level of flexibility is needed to cater for unforeseen circumstances including force majeure.

*Improve documentation during receipt and inspection of goods and services procured*

23. In paragraph 55, the Board recommended that UNFPA improve its procurement procedures for documentation during the receiving and inspection of goods and services procured by keeping evidence of receipt even if goods/services are in good order.

24. UNFPA is in the process of finalizing its policy and procedures for the management of programme supplies including templates for receiving and inspection. Procurement Services Branch will thereafter update the necessary guidance in the procurement procedures to ensure full clarity for all receiving and inspection processes and related tools.

## **E. Inventory management**

*Inventory procurement planning*

25. In paragraph 61, the Board recommended that UNFPA country offices: (a) collaborate with the appropriate stakeholders to enhance needs assessments on regular commodities in the country for proper planning; and (b) increase country office involvement in the forecasting analysis of reproductive health commodities before they are incorporated in the inventory procurement plans.

26. UNFPA country offices are routinely engaged with their counterparts on the forecasting and monitoring of reproductive health supplies. Working with its global level partners, UNFPA always strives to improve the processes related to reproductive health commodity management. The new policy and procedures for the management of programme supplies are being finalized and will further standardize and define the planning process of reproductive health supplies.

## **F. Human resources management**

*Annual leave management*

27. In paragraph 65, UNFPA agreed with the Board's recommendation to (a) establish a mechanism that will enable the organization to capture the leave points balances as at the reporting date and not as at the payroll finalization date in order to report accurate leave days and liability; and (b) strengthen its internal controls over leave approval process by introducing a time limit on the approval of leave requests to ensure the timely and realistic capturing of leave points as at the reporting date.

28. UNFPA, in consultation with UNDP, will explore possibilities for a mechanism to run a separate leave reconciliation process at the end of the year to capture leave taken after the payroll finalization date. This will ensure that the report reflects accurate leave days and liability, for example, by running another payroll report in the first week of January for the purpose of payroll reporting. UNFPA has also strengthened internal controls over the leave approval process by revising its policy on leave recording and management, requiring that

supervisors approve leave within a reasonable period not exceeding 30 calendar days. Moreover, UNFPA is developing an additional ATLAS report to monitor exceptions.

## **G. Consultants and temporary assistance**

### *Non-assessment of individual consultants in the roster*

29. In paragraph 70, the Board recommended that UNFPA: (a) ensure that a profile in the roster is created before individual consultants are hired in order to facilitate online performance evaluation and references in the future; (b) update the contract periods of individual consultants in the roster and ensure that the contract periods recorded in the roster match those that are signed in order to enable the effective assessment of individual consultant performance; and (c) conduct an individual consultant performance assessment in the consultant roster immediately after the completion of an assignment and ensure that final payment of the fee is released only after the individual consultant's performance assessment has been completed.

30. The main page of the consultant monitoring tool (CMT) has been modified requiring mandatory entry and displays the consultant's roster ID number. Thus, the hiring approver and CMT monitor can readily see if a consultant has a profile and a roster ID number. UNFPA is in touch with country offices to provide necessary guidance and to emphasize the importance of ensuring contract-date accuracy.

31. UNFPA is also revising its roster application to build more controls such as (a) generating and displaying a post-assessment ID to be included in the checklist for payment; and (b) mandatory inclusion of contract dates in the online assessment document for ease of comparison with the contract documents. The contract period information will also strengthen the capacity of the country offices to improve their use of the consultant roster.

### *Use of service contracts in core activities*

32. In paragraph 74, the Board recommended that UNFPA: (a) expedite the recruitment process and conversion of service contracts to fixed-term appointments to support core operations that are held by staff with service contracts; and (b) comply with UNFPA policies and procedures on the use of service contract modalities in the implementation of country office programmes and operations with regard to the recruitment of service contract staff for not more than five years.

33. UNFPA has been expediting the recruitment process. In the past, the standard benchmark was 120 days from the time the vacancy closes to the selection of candidates. In the first quarter of 2017, this period was reduced to 90 days. The recruitment process was also expedited due to new initiatives such as the leadership pool, rotation exercise, decentralization of recruitment of technical positions to the regional offices and upgrade of the eRecruit system.

34. The use of service contracts at UNFPA is governed by UNDP's policy, which does not contain an explicit reference to a maximum period of service of five years or any other duration. At the time of new country programme development, the human resources needs plans are also submitted as part of country programme development documentation. During this review, the country offices will be advised to fill any service contract position following a selection process with the required terms of reference to match the timeline of the new five-year country programme. The Division for Human Resources is issuing necessary guidance to country offices in this respect.

## **H. Review of financial statements**

### *Lack of policy for the humanitarian response reserve*

35. In paragraph 79, the Board recommended that UNFPA: (a) formalize the policy and guidelines for the usage of the reserve; (b) review and justify the approved reserve amount of

\$10 million, taking into account financial projections of UNFPA; and (c) maintain the reserve at the approved amount.

36. UNFPA will update the humanitarian response funding policy to address the recommendation, including the preparation of a risk control matrix and identification of a second line of defense controls in this area. Based on 2016 humanitarian activities, the Division for Management Services has undertaken a quantification of pre-financing needs and proposed an initial allocation of USD 5 million to the reserve, which has already been reflected in the 2018 core resources distribution plan approved by the Executive Committee.

*Non-recovery of staff advances from separated staff*

37. 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 mechanism to ensure that the advances are recovered and cleared from active and separated staff.

38. UNFPA launched a salary advance module in March 2015 to ensure every salary advance request is approved by the Director of the Division for Human Resources. All requests are approved in accordance with the policy of salary advances. The Division for Management Services is issuing quarterly exceptions reports identifying (i) new advances not issued through the eServices process, and (ii) new outstanding receivables from terminated staff, for follow-up by the Division of Human Resources.

39. The Division for Human Resources is also preparing a guidance note on the check-out process for local staff and will release it to field offices concurrently with a webinar to be jointly presented by the Division of Human Resources and the Division for Management Services.

40. The Division of Human Resources in collaboration with the Division for Management Services, will complete the ongoing review of outstanding staff advances to (i) identify matters that should be considered in the design of the staff check-out process; (ii) initiate recovery actions, when feasible; and (iii) write off any outstanding balances for which recovery is not possible.

*Non-authorization of project cash advances*

41. In paragraph 90, the Board recommended that UNFPA: (a) ensure that the country offices obtain authorization from UNFPA headquarters for all project cash advances above the threshold as stated in the policy; (b) set the time limit for holding the project cash advance per activity per staff in the policies and procedures on project cash advances to minimize prolonged project cash advance balances; and (c) strengthen supervisory and monitoring controls at the level of country offices to ensure compliance with the established policies and procedures.

42. UNFPA's project cash advances policy already requires authorization by heads of offices for all project cash advances, regardless of their amount and additional authorization from the Division for Management Services for cash advances exceeding the policy thresholds. UNFPA will update the policy to reinforce the approval requirements and to incorporate a second line of defense controls that would allow regular policy compliance monitoring. Current policy thresholds may be revised based on the analysis of actual advances paid in 2016. Also, more precise guidelines regarding advances and payments made through third-party payment services providers will be built into the revised policy.

43. UNFPA will also develop and run various aging and exception reports to identify both cash advances made directly to its personnel and through third-party payment service providers not in compliance with policy requirements.



## **I. Information technology**

### *Inadequate assessment and monitoring of shadow information technology applications*

44. In paragraph 95, the Board recommended that UNFPA: (a) update the list of shadow IT applications to ensure it includes all regions; (b) conduct a review of shadow IT applications in accordance with policy; and (c) establish control mechanisms to determine risks associated with shadow IT applications.

45. UNFPA is updating the Shadow IT Policy in conjunction with the development of the Software Development Life Cycle (SDLC) Policy. Shadow IT information collected from all business units will be reviewed and analyzed. Associated risks of each shadow IT application will be determined based on its attributes and corresponding actions as suggested in the policy will be taken.

### *Inadequate enforcement of software policies*

46. 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.

47. UNFPA is also reviewing the Information and Communications Technology (ICT) Software Policy in conjunction with the development of the SDLC Policy. These policies, along with the above-mentioned shadow IT registration and review process, will support the monitoring and compliance of the ICT Software Policy.

## **J. Other recommendations from financial periods prior to 2016**

### *Report of the Board for the year ended 31 December 2014 A/70/5/Add.8*

#### *Establishment of decentralized offices*

48. In paragraph 23, the Board recommended that UNFPA (a) update the guidelines for decentralized offices, to clearly define and outline the different arrangements for decentralized offices for establishing and managing operations; (b) continue to develop comprehensive business cases and seek retroactive approval for the remaining decentralized offices; and (c) incorporate the organization chart of decentralized offices and its reporting lines into the organization structure of country offices.

49. UNFPA undertook a comprehensive review of its decentralized offices regarding the availability of business cases and approvals from regional offices and secured retroactive approvals, where required. The existing guidelines for decentralized offices have been retired, as all aspects of managing such offices are already included in existing operational policies (e.g., petty cash, real estate, and asset management) and programmatic policies (e.g., workplan, monitoring). Defining and outlining different arrangements as well as the rules governing the establishment of such offices are included in the draft organizational restructuring policy, which is in the approval stage.

#### *Performance assessment deficiencies*

50. In paragraph 28, the Board further recommended that UNFPA (a) ensure that monitoring and assessment visits are undertaken for effective evaluation of the implementation of activities at decentralized offices; (b) define the role of the focal points for decentralized offices and provide clear guidance on what support and oversight the focal points should provide; and (c) establish performance targets and set systematic monitoring and assessment criteria for the focal points, to ensure that they deliver according to the UNFPA mandate.

51. In response to this recommendation, the monitoring and assessment of the implementation of activities of decentralized offices form part of monitoring and evaluation policies and procedures. All human resources aspects of the decentralized offices are already

captured by the head office. In all realignments from 2015 onwards organizational structures are defined in which the managerial/supervisory roles are also identified in all sub-offices of a country office, and therefore there are no longer "focal points" in these structures. The performance targets and the monitoring and assessment of individuals are managed through the performance appraisal and development application, and for UNFPA business units through the corporate strategic information system. For each office, the country office Representative or Country Director is responsible for monitoring operations and programme delivery including of the decentralized offices.

*Inadequate monitoring of the workplans of implementing partners*

52. In paragraph 39, the Board recommended that UNFPA (a) strengthen its monitoring procedures for implementing partners to ensure the adequate performance of programme implementation activities, and (b) prepare monitoring plans that can be achieved within the time frame.

53. The Global Programming System (GPS) phase II functionality launched in the second quarter of 2017 includes reporting on workplan progress by implementing partners. Payments to implementing partners will be subject to adequate and timely reporting on implementation progress and results. GPS phase II functionality also requires timely submission of the funding authorization and certificate of expenditure forms, which is a prerequisite for making any payments to implementing partners. GPS includes mandatory workflow for the workplan progress reports.

54. UNFPA has reviewed the good practices observed by country offices on working with implementing partners. This will help develop relevant guidance to strengthen implementing partners' monitoring for a better reporting of results. The ongoing revision of the policy for programme and financial monitoring and reporting will reinforce necessary actions to be undertaken to follow up on field visit recommendations and develop proper documentation on their progress. To support this, a template for action plans for the follow-up on recommendations/observations will be provided in the policy.

55. In paragraph 60, the Board recommended that UNFPA (a) establish a robust supply chain mechanism to ensure that there is effective delivery and distribution of procured inventories to the intended beneficiaries by field offices; and (b) develop tools that will enable country offices to monitor the timeliness and effectiveness of inventory distribution, including regular tracking of key metrics, such as percentage of execution of distribution plans and inventory levels held at service delivery points.

56. UNFPA is taking a more proactive role with its Implementing Partners to show oversight on delivery and distribution of procured inventories. The policy and procedures for the management of programme supplies that outlines the reporting requirement by Implementing Partners on the distribution of received Reproductive Health (RH) commodities is in the process of finalization and will come into effect starting January 2018. Training workshops have been planned with countries in the last week of January 2018 for the effective roll-out and implementation of this policy. In addition, the Supply Chain Strategy is under review and will be finalized by the end of December 2017. Under the new policy countries will be required to report on a quarterly basis, regarding the inventory received, and distributed and any expired or damaged RH commodities.

***Report of the Board for the year ended 31 December 2015 - A/71/5/Add.8***

*Use of the global programming system for workplan and budget management*

57. In paragraph 31, the Board recommended that UNFPA (a) ensure that the correct budget information is updated in the global programming system and that reconciliation of budget information is made between the amounts to be sent to commitment control and the workplan amounts for such activities; and (b) consider introducing new features into the system to include non-financial information on the progress reports of implementing partners.

58. UNFPA has recently introduced a functionality in the Global Programming System (GPS) to alert users when the workplan amounts differ from the amounts being sent to commitment control. UNFPA has also created a dashboard highlighting the differences between the amounts that are sent to commitment control and the workplan amounts for such activities. UNFPA has also issued improved guidance on when the commitment control amount can differ from the workplan amount. The organization conducted additional analysis of the workplans to support users on an ongoing basis to identify all undesired discrepancies. The GPS generates and pre-populates the workplan progress reports (WPR) and implementing partners have online access to the system where they fill out the WPR. WPRs have set deadlines for completion and submission.

*Quality assurance in the workplan progress reports*

59. In paragraph 35, the Board recommended that UNFPA (a) continue with initiatives to improve capacity of implementing partners so that workplan progress reports reflect on the achievement of results at a particular period of time and clearly assess the progress made towards the proposed targets; and (b) conduct quality assurance upon receipt of the progress reports and address the noted weaknesses.

60. The updated guidance to country offices on the monitoring of implementing partners will specify additional requirements to improve the quality of the reporting by implementing partners. The quality of reporting will also improve with the implementation of the revised implementing partner selection process. Furthermore, during the training on GPS phase II functionality, implementing partners will receive GPS-related training. GPS phase II functionality also includes a formal acceptance by UNFPA programme personnel of all quarterly workplan progress reports.

*Purchase orders issued after delivery of goods and services*

61. In paragraph 45, the Board recommended that UNFPA (i) use the Atlas generated purchase order as the primary contracting tool for purchase of goods and for encumbering funds before delivery of goods and services, to minimize the risk of misstating commitments and to ensure compliance with the procurement procedures and internal control framework; and (ii) have the Procurement Service Branch monitor the country offices to ensure that they comply with procurement rules and regulations.

62. UNFPA has implemented this recommendation by addressing the issue at multiple levels. Procurement Services Branch (PSB) has sent reminders to the Heads of Offices of all country offices to reiterate that Purchase Orders (POs) in Atlas must be issued to encumber funds and to accurately state commitments. In parallel, a standard report has been developed to track the time taken for the procure-to-pay cycle (the period between requisition creation date and first receipt date). Based on this analysis the top 10 country offices have been identified to receive special oversight attention through the regular follow-up to ensure improvement in purchase order processes and timeframes. Furthermore, PSB will run this report on a bi-annual basis and follow up with country offices separately for potential non-compliances.

*Maintenance of recruitment of holders of service contracts*

63. In paragraph 59, the Board recommended that UNFPA (a) perform human resources needs assessment and review the existing service contracts so as to reduce the use of service contract modality for UNFPA core functions; and (b) monitor the recruitment process of service contracts holders to ensure that they are recruited for non-core functions that are mandated by UNDP Service Contract Handbook adopted by UNFPA.

64. The human resources needs assessments and the review of service contract holders are an integral part of the ongoing office realignment. Since 2015, 48 office realignment plans have been approved, 8 plans are under review at the headquarters, and 6 are being prepared for review by the end of the year. As a result of the approved realignments, at least 107

service contract positions were converted to fixed-term posts. The Division for Human Resources will prepare a summary table of service contracts reviewed in realignments since 2015, and report on the number of service contract functions converted to fixed-term posts. Moreover, effective this year, a human resources plan documenting human resources needs and changes is presented as part of the documentation for review by the programme review committee for new country programmes. This process is now a standard process of evaluating and assessing human resources needs at the country office level. Country office realignments include all staffing needs and changes as well as requests for any conversion or a request for new service contract positions which is reviewed and approved at the regional and headquarters level.

*Changing of the inventory management system before updating the inventory policy*

65. In paragraph 64, the Board recommended that UNFPA (a) speed up its updating of the inventory policy and procedure manual for consistency and uniformity of contents and directives in the new inventory system; and (b) ensure that in future system changes the updating of policy be done in line with the new systems adoption.

66. UNFPA has constituted an interdivisional working group on inventory management, with representatives from the Commodity Security Branch, Finance Branch, Humanitarian and Fragile Contexts Branch, Legal Unit, Management Information Services Branch, Programme Division, Procurement Services Branch and all regional offices. UNFPA is also in the final stages of completion of its new policy and procedures for the management of programme supplies. The interdivisional working group and change advisory board will collectively ensure policies are aligned with any new systems that may be implemented in the future.

*Roles and responsibilities of personnel involved in the inventory management process*

67. In paragraph 68, the Board recommended that UNFPA (a) clearly include the roles, responsibilities and scope of the oversight bodies and other personnel involved in the inventory management process; and (b) design a standard job description for the inventory focal point role with respective competence requirements.

68. The new policy and procedures for the management of programme supplies addresses the issues of roles, responsibilities, and scope of oversight bodies and all other personnel involved in the inventory management process. The policy also includes job descriptions for the logistics and inventory tracking focal point roles, which, going forward, will substitute the existing inventory focal point role, along with other competence requirements. A global training will take place for the above-mentioned focal points in 2018, after launching the revised policy.

*Valuation method of inventories*

69. In paragraph 74, the Board recommended that UNFPA (a) align the inventory valuation policies and guidelines so as to maintain consistency in determining the cost of inventory; (b) perform a comparison between cost and net replacement cost for all the inventories; and (c) establish mechanisms so as to capture current replacement costs of all inventories to improve inventory valuation during stock-taking and closure of accounts.

70. UNFPA has already performed a comparison between the carrying amount and current replacement cost for all inventory held at the end of 2016, as established in its accounts closure instructions. The Division for Management Services is in the process of updating the inventory valuation section of the policy and procedures for the management of programme supplies to reflect this requirement and the methodology used to fulfill it.

*Review of reserve for field accommodation*

71. In paragraph 78, the Board recommended that UNFPA (a) incorporate the cost projections on the use of the reserve for field accommodation fund in its Integrated Budget for

2018-2021; and (b) review the threshold amount of reserve for field accommodation with regard to a changing financial environment.

72. UNFPA reviewed and revised the threshold amount for the reserve for field accommodation and included a proposal of \$14.1 million for a Premises capital plan in its Integrated Budget, 2018-2021 proposal (DP/FPA/2017/10). However, given the resource constraints and following extensive consultations with member states who called for a reduction of the budget, UNFPA proposed to defer the establishment of the Premises capital plan requested by the Board of Auditors at this point and consider it at the next budget revision. The Executive Board approved this proposal in its September 2017 decision on the Integrated Budget, 2018-2021. (DP/FPA/2017/24).

*Review of information and communications technology policies*

73. In paragraph 88, the Board recommended that UNFPA (a) conduct information security risk assessment and review Information and Communications Technology (ICT) policies annually; (b) develop and implement an information classification policy; and (c) adopt internationally accepted standards in managing information security for controls that have greater impact on the organization.

74. UNFPA information security risk assessment was conducted as part of the overall ICT risk assessment, complementing the corporate risk management project ('myRisks'). UNFPA Management Information Services Branch has reviewed and updated the ICT Policies and Procedures Manual, explicitly following the suggestion by the Board of Auditors to include control tables illustrating when the policy was reviewed/approved, who reviewed/approved it, what the significant changes to the policy were, and when the next policy review was due.

75. The information classification is a part of the UNFPA Document Management Policy, which will now include three key components: information classification, document management and records management. The information classification policy will establish a formal sensitivity classification and handling procedure for any form of information produced in UNFPA. The document management policy will specify the process of storing and handling information of the relevant office document folders under iDocs, while records management policy will guide offices on how to manage official organizational records within iDocs.

76. Internationally accepted ICT security standards have been incorporated in the ICT Transformation project. A strategy is being developed that will outline a vision and implementation plan to adopt ISO 27000 standards.

*Information and communications technology project management*

77. In paragraph 94, the Board recommended that UNFPA (a) develop and implement a project management guideline which defines the basis for adopting Projects In Controlled Environments, version 2 (PRINCE2) and agile methodologies for ICT project management processes; (b) develop and implement ICT project prioritization criteria to be used by the ICT board in decision-making; and (c) establish a mechanism to capture costs of internally developed software.

78. The incorporation of project management guidelines in the ICT Transformation project has strengthened the broader governance approach. Similarly, issuance of the new policy entitled "Policy and Procedures for Information and Communications Technology (ICT)" clarifies the ICT governance including the delineation of the roles and responsibilities between the Executive Committee and ICT Board.

79. The ICT Board terms of reference and composition have been changed under the ICT Transformation project that also incorporates the management of ICT projects. The project approval criteria is defined in the newly developed "Software Development Life Cycle" policy. The project costing guidelines drafted earlier have been incorporated under the ICT Transformation project and are now being reviewed for further fine-tuning.

*Information technology disaster recovery plan*

80. In paragraph 98, the Board recommended that UNFPA (a) develop, document, test and implement a comprehensive IT disaster recovery plan that considers all critical business systems and their dependencies; and (b) review and test the disaster recovery plan regularly, and document the reviews and tests conducted.

81. UNFPA has prepared a comprehensive IT disaster recovery plan which is currently being reviewed by stakeholders before finalization and testing. The UNFPA disaster recovery site was moved to Copenhagen in 2015. UNFPA is in a process of migrating its intranet applications and portal infrastructure to the cloud. This migration is expected to be completed by end of 2017. The cloud hosting of applications and portal is expected to simplify the disaster recovery plan. The current draft of the IT disaster recovery plan will be revised in the fourth quarter of 2017 to reflect this cloud hosting.

82. Table 3 below summarizes the status of implementation of the 15 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 2016**

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Not accepted</i>	<i>Closure requested</i>	<i>In progress</i>	<i>Target date set</i>
Division for Human Resources	3	-	3	-	-
Management Information Services Branch and Programme Division	1		-	1	1
Procurement Services Branch	1		1	-	-
Management Information Services Branch	2		2	-	-
Division for Management Services	2		1	1	1
Programme Division	3		1	2	2
Technical Division	3		3	-	-
<b>Total</b>	<b>15</b>		<b>11</b>	<b>4</b>	<b>4</b>

### III. Conclusion

83. UNFPA welcomes the report of the Board of Auditors for the UNFPA financial statements for the year that ended on 31 December 2016. The organization continues to accord the highest priority to achieving a record of unqualified audit opinions and to resolving the concerns of the Board of Auditors. These will have to include measures to improve the risk assessment process and the quality of spot checks at field offices and follow up on the training provided for personnel at the field offices to enhance operational performance. As noted by the Board of Auditors, UNFPA has taken a number of initiatives in response to the identified deficiencies. UNFPA is committed to continue to strengthen and widen the scope of these initiatives.