

UNFPA Internal Audit and Investigation Activities in 2023

Informal Meeting with the
Executive Board



Outline



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- 1. About OAIS (Mandate, resources, independence)**
 - 2. Status of Internal Audits**
 - 3. Status of Investigations**
 - 4. Advisory services in 2023**
 - 5. Other OAIS activities in 2023**
 - 6. OAIS Opinion on GRC**

#1. About OAIS



OAIS Mandate

- UNFPA Financial Regulations and Rules (FR 17.1, 17.2, and 17.3); the UNFPA Oversight Policy and the Accountability Framework.
- OAIS is the sole entity to perform and manage internal audits and investigations UNFPA.
- Provides advisory service to the extent that its independence and objectivity are not compromised.

Statement of OAIS Independence and Conformance to IA Standards and Investigation Principles

- OAIS maintained its organizational independence in 2023. Within the resources made available by management and authority delegated to its Director, OAIS was free from interference in determining its audit scope and in performing and communicating the results of its work.
- OAIS conducted its internal audit work in conformance with the International Standards for the Professional Practice of Internal Auditing (the *Standards*) and the Code of Ethics of the Institute of Internal Auditors.
- OAIS conducted its investigations in compliance with the Staff Rules and Regulations of the United Nations, the OAIS Charter, the UNFPA Disciplinary Framework, the UNFPA Oversight Policy, and the Uniform Principles and Guidelines for Investigations, as endorsed by the 10th Conference of International Investigators.

OAIS Staffing

- **Office of the Director:**
 - Four Fixed Term Appointment (FTA) and three vacant Temporary Appointment
- **Internal Audit Branch (IAB):**
 - As of 15 May 2024, IAB had 13 FTA posts comprising 3 Chiefs of Units (P-5 level), 8 Internal Audit Specialists (P4 level), one Internal Audit Specialist P3 level, and one Audit Associate. [QA-P4; QA P2; 3 Audit Specialists]
- **Investigation (INV):**
 - As of 31 January 2024, INV comprised 13 positions in FTA.
 - Two P5 Chief positions (both positions filled), Three P4 Investigations Specialist positions (all filled), one P4 Head of Intake and Reporting as TA and one P4 Quality Assurance Specialist.
 - Three P3 Investigations Specialist positions (two vacant); and Three P2 Investigation Analyst positions (all filled).
 - Recruitment for the four vacant posts (i.e., 1 P4, 1 P4(TA) and 2 P3s) is underway.
 - OAIS currently contracted with 11 consultants primarily to work on investigations, digital forensics, and quality assurance. It also contracted a boutique investigations firm in September 2022, enabling additional investigators to work on incoming or backlog cases.

OAIS Budget

- The OAIS budget for 2023 to support its activities was \$9.9 million (\$9.8 million in 2022) consisting of \$0.9 million for the Office of the Director, \$4.9 million for the Internal Audit Branch, and \$4.1 for the Investigation Branch.
- Following recommendation by the UNFPA Resource Management Committee and approval by the Executive Director, unspent budget balances of \$2.1 million in 2022, occasioned mainly through savings from vacant posts and operational costs, were carried forward to 2023 bringing the 2023 budget to \$12.0 million (i.e., initial \$9.9 million plus \$2.1 million carried over).
- The Executive Director's approval included an additional \$2.7 million to fund the temporary posts to December 2025, included in the Integrated Budget MTR.

#2. Status of Internal Audits



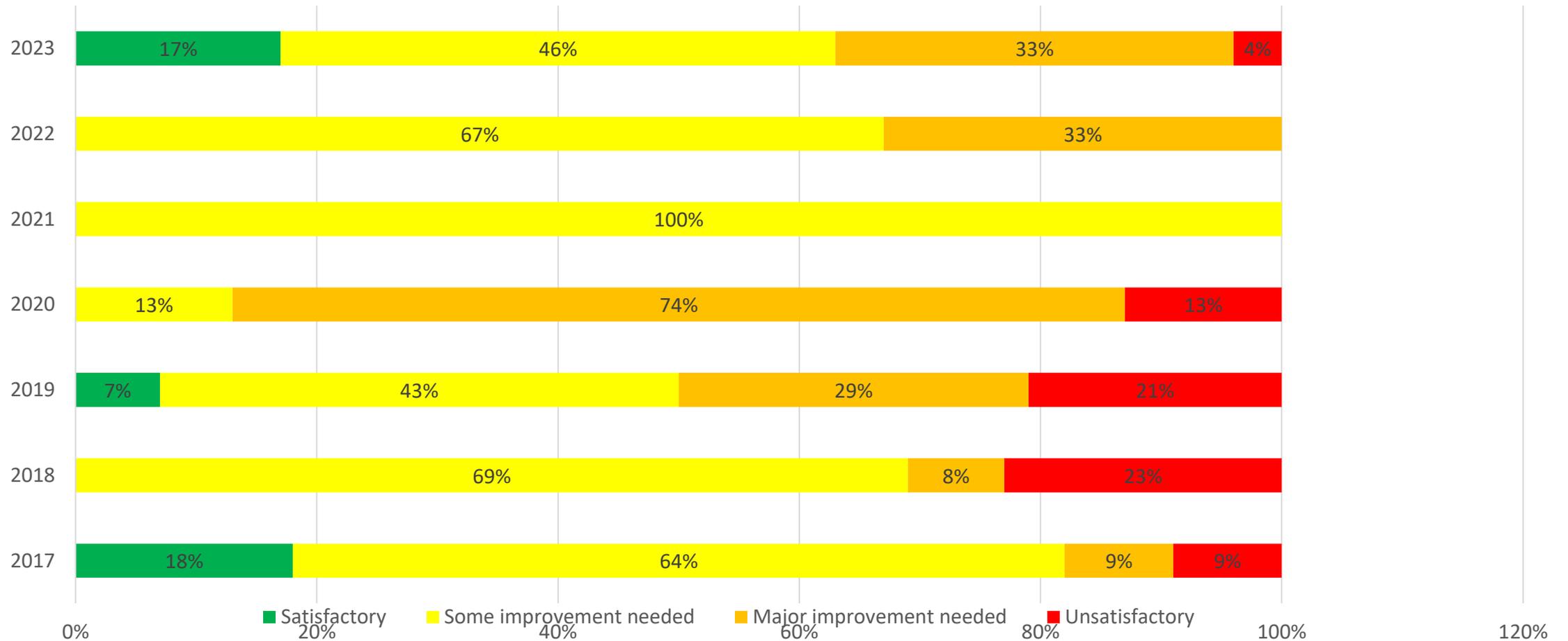
Implementation of 2023 audit plan

- The 2023 audit plan comprised 33 engagements, including 13 carried forward from 2022 or prior years and 20 new engagements, including a joint audit with UNDP and the UNWOMEN.
- Of the **13 engagements carried forward from 2022 and prior years**, 12 were completed/reports issued in 2023. The remaining audit (Fraud Risk Management) was still underway as of 31 December 2023
- The status of the **20 engagements planned for 2023** is as follows:
 - 15 engagements were completed, with the resultant reports issued within the year;
 - Contractual processes for a joint business process audit were completed in January 2024 and the audit is underway;
 - One planned audit engagement (Supply Chain Management and Procurement Strategy) issued an advisory note in July 2023, with the audit phase moved to the 2024 audit plan;
 - A process audit engagement (Headquarter Recruitment Process) is at the report drafting stage;
 - One country office audit (Myanmar) was replaced by another country office audit due to security concerns (final report for the new replacement audit (PNG) was issued in April 2024); and
 - One advisory engagement (Review of the UNFPA ICTX Project) was underway as at the end of 2023 and was concluded in early 2024.
- As of 31 December 2023, OAI had issued **24 audit reports pertaining to the 2023 audit workplan**, compared to **nine issued in 2022**. Of the 24 audit reports, the majority (15) were issued in the last four months of the year, following the appointment of a new OAI Director.

Distribution of audit ratings/conclusions

Audited area:	Number of audits	Satisfactory	PS – Some improvement needed	PS - Major improvement needed	Unsatisfactory
Country office audits:					
Arab States	2		1	1	
Latin America and the Caribbean	2		2		
East and Southern Africa	5		3	2	
Asia and the Pacific	4	2	2		
Eastern Europe and Central Asia	2	2			
West and Central Africa	3			3	
Regional Office - LAC	1		1		
Process audits:					
Audit of the UNFPA fast track policy and procedures for the procurement of humanitarian supplies	1			1	
Audit of the UNFPA prepositioning of supplies process	1				1
Audit of third-party procurement	1		1		
Audit of the UNFPA Spotlight initiative	1		1		
Audit of the UNFPA management of implementing partners	1		1		
Total	24	4	12	7	1

Overview of audit report ratings



IA activities and results – key control gaps

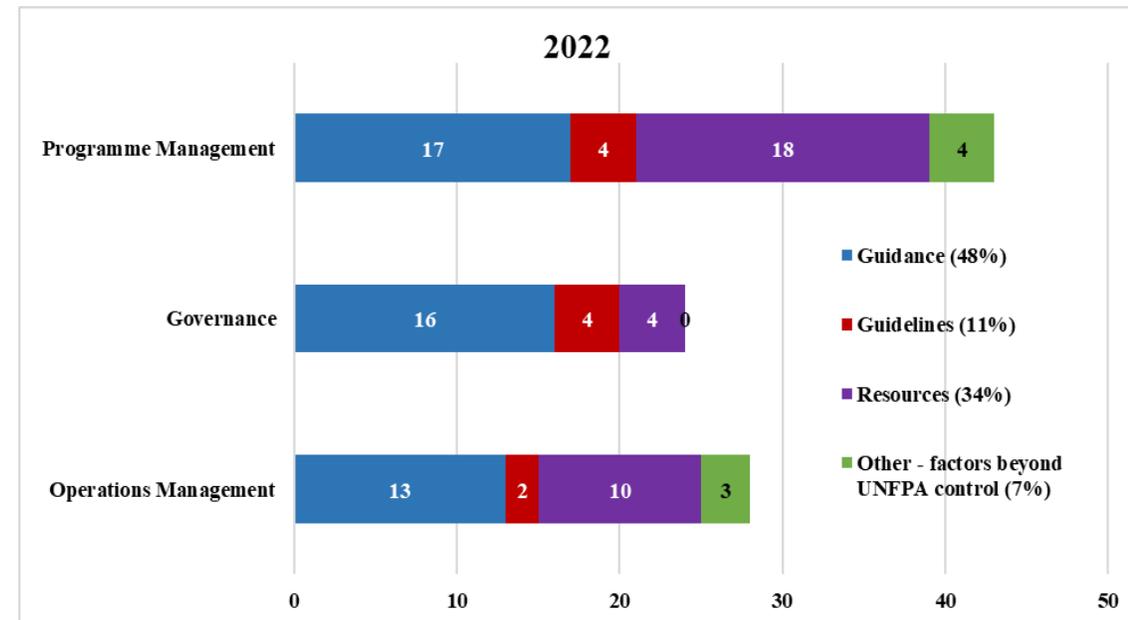
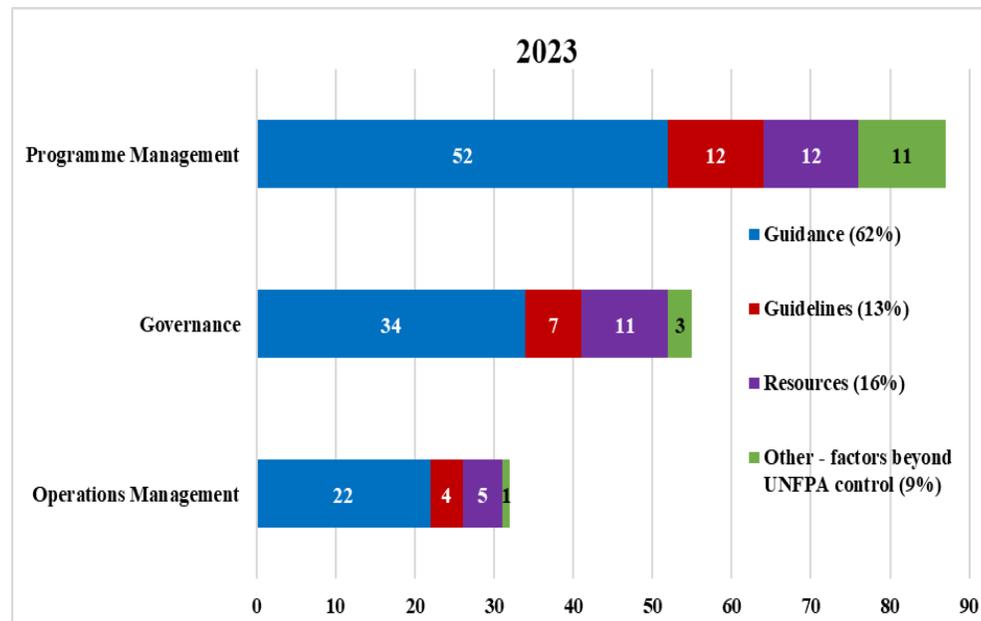
- UNFPA policies and standard operating procedures that guide **humanitarian response predominantly focused on actions that constitute an immediate response** at the start of emergencies. Subsequent to these audits, UNFPA has initiated a revamping of several policies including UNFPA’s Emergency Policy and Procedures, Priority Emergency Response Interventions, and Minimum Preparedness Actions (MPAs).
- **Inadequate results planning and reporting** was a pervasive issue that was noted in 15 of the 24 audits concluded in 2023, necessitating a strengthening of existing quality assurance review processes to ensure the formulation of quality results plans, improvement in programmatic monitoring and reporting, and better accountability for results by aligning staff members’ individual performance goals with office results plans.
- **Weaknesses in planning, assessment, management, distribution and monitoring of programme supplies** noted in 15 country office audits – lack of supplies-related outputs in office results plans, distribution of programme supplies based on needs assessments, & poor commodity storage conditions.

IA activities and results – key control gaps

- There were **significant gaps in implementing partner selection and management processes**, presenting a need to strengthen the process through use of competitive methods for the selection of implementing partners, effective use of the United Nations Partner Portal to register and manage implementing partners, and timely transfer of funds to partners. (Noted in 12 audits)
- In 8 of the 24 audits concluded in 2023, the **organizational structures and staffing arrangements of country** offices were not optimized for programme delivery and operations, owing to delays in the conduct of realignment reviews or assessments, particularly following the start of new programme cycles which typically necessitate such reviews or assessments to optimize human resources. The issue was exacerbated by prolonged recruitment processes that resulted in increased vacancies in key positions.
- Noncompliance with **procurement procedures** noted in 6 audits.

Analysis and Root causes of recurrent audit observations

Insufficient 'guidance' (supervisory controls) remained the main cause of issues, followed by inadequate 'resources' (human or financial, including training) which decreased in proportion in 2023. 'Guidelines' (lack of or inadequate policies) ranked third. The proportion of 'errors' (human or intentional) and 'other factors beyond UNFPA control' stayed similar between 2023 and 2022



Internal Audit Results and Recommendations

Overview:

- The 24 audit reports issued in 2023 resulted in **235 recommendations**, 123 (52 per cent) of which were ranked ‘high priority’.
 - Country Offices: **174 recommendations** in 2023 (95 in 2022). The **proportion of ‘high’ priority recommendations decreased** in 2023 (50%) compared to 2022 (59%).
 - Regional Audit: 13 recommendations were issued to a Regional Office
 - Corporate/Business process audits: 48 recommendations were issued in 2023

Implementation of Internal Audit Recommendations:

- The implementation rate of internal audit recommendations issued prior to 2023 was 78 per cent (86 per cent in 2022).
- Eighty-eight per cent of the recommendations issued in 2023 are due for implementation in 2024 and 2025.

#3. Status of investigations



Key highlights from 2023!

- OAS closed **160** cases in 2023 – or **64%** more cases than in 2022 and 10 more than the target in the 2023 work plan.
- OAS' Intake Unit became fully functional, reviewing and triaging more than 400 reports received.
- OAS contributed to the work of UNFPA's PSEAH Unit and interagency efforts improve SEAH investigative practice across the sector.
- OAS put in place key digital forensic capability, enabling remote forensic review of seized ICT assets and has started exploring the use of AI in investigations.

Investigations Categories

Fraud / financial irregularities	Sexual Misconduct	Other Wrongdoing	Prohibited Conduct	Retaliation
Bribery Coercion Collusion Conflict of Interest (if in connection with a procurement process / direct financial gain) Corruption Diversion of commodities Embezzlement Falsification of documents / Misrepresentation Entitlement Fraud Financial Irregularity Fraud Medical Fraud Procurement Fraud Travel Fraud	Sexual exploitation and abuse Sexual harassment Sexual Misconduct	Abuse of Privileges and Immunities Assault Conflict of interest (if unrelated to a procurement process / financial gain) Facts Anterior to Appointment Favouritism Gross Negligence Misuse of IT Obstruction of investigation Other wrongdoing Unauthorized outside activity Unauthorized disclosure Unfulfilled Personal Obligations	Abuse of authority Discrimination Workplace harassment	Retaliation

Investigations - Status of caseload

		YE 2019	YE 2020	YE 2021	YE 2022	YE 2023	Comparisons
A	Cases carried over from previous years	103	180	221	238	306	29% increase on opening balance 2022
B	New Cases	112	116	118	166	167	1% increase on YE 2022
C	Cases reopened from previous years	0	0	0	0	1	
D	Caseload (A+B+C)	215	296	339	404	474	17% increase on YE 2022
E	Cases closed after preliminary review	(26)	(53)	(72)	(69)	(114)	65% increase on YE 2022
F	Cases closed after investigation	(9)	(22)	(29)	(28)	(46)	64% increase on YE 2022
G	Closure of cases from 2018 and earlier	(25)	(21)	(22)	(10)	(14)	40% increase on YE 2022
H	Cases Closed (E+F)	(35)	(75)	(101)	(98)	(160)	64% increase on YE 2022
I	Ratio closed vs caseload (H/D)	16%	25%	30%	24%	31%	
J	Open Cases (D-H)	180	221	238	306	314	3% increase on YE 2022
K	Non-cases (for info/advice)	34	48	110	161	238	48% increase on YE 2022

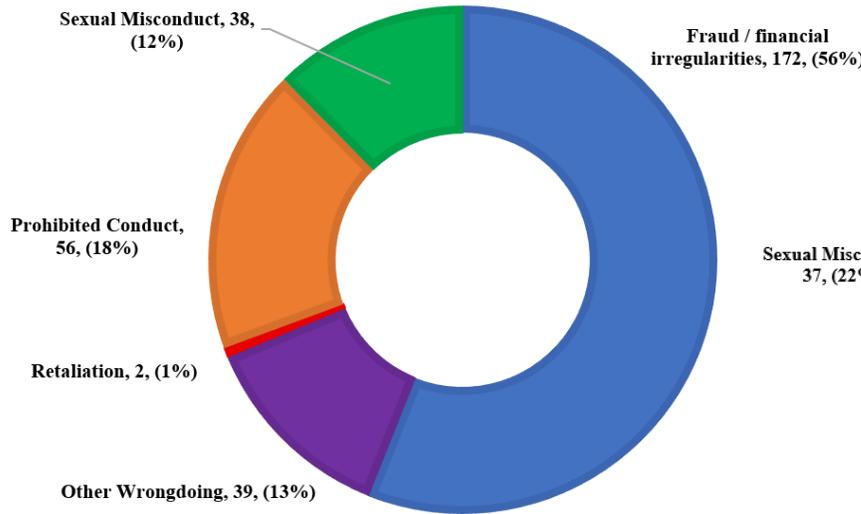
Case intake category, by year

Case intake, by category, for 2019-2023					
Allegation category	2019	2020	2021	2022	2023
Fraud and financial irregularities	62	58	45	63	77
Prohibited conduct	21	18	27	42	30
Sexual misconduct	19	23	20	27	37
Retaliation	1	1	3	8	1
Other wrongdoing	9	16	23	26	22
Total	112	116	118	166	167

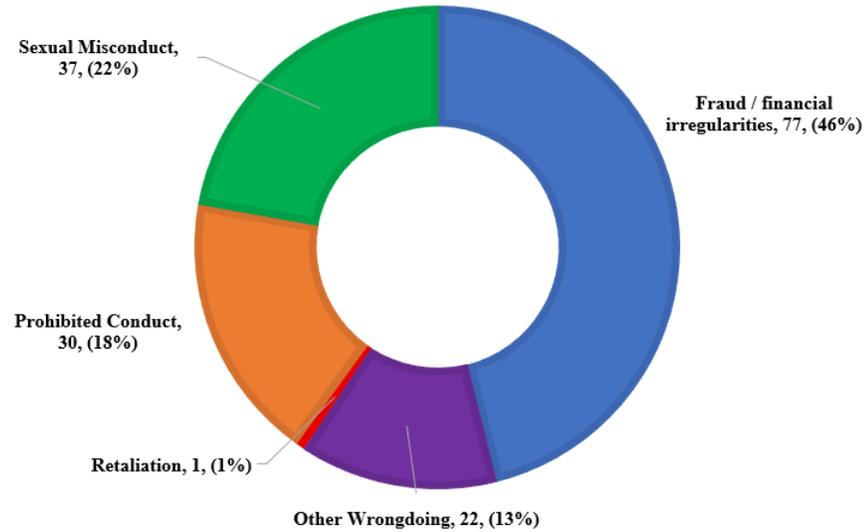
Investigations - Caseload by board reporting category in 2023



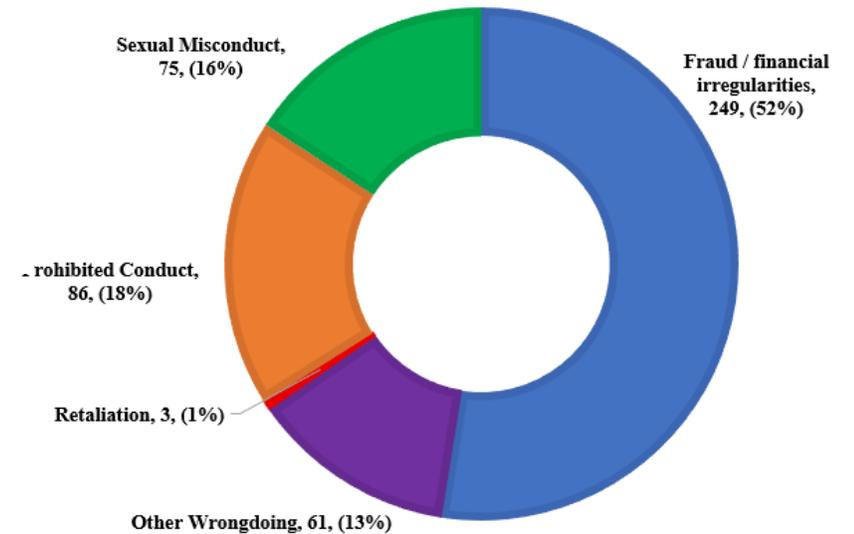
Cases carried over to / reopened in 2023 by Board Reporting category



Case Intake in 2023 by Board Reporting Category



Total caseload at YE 2023 (474)
2023 Caseload by Board Reporting category



■ Fraud / Financial Irregularities
 ■ Sexual Misconduct
 ■ Retaliation
 ■ Prohibited Conduct
 ■ Other Wrongdoing

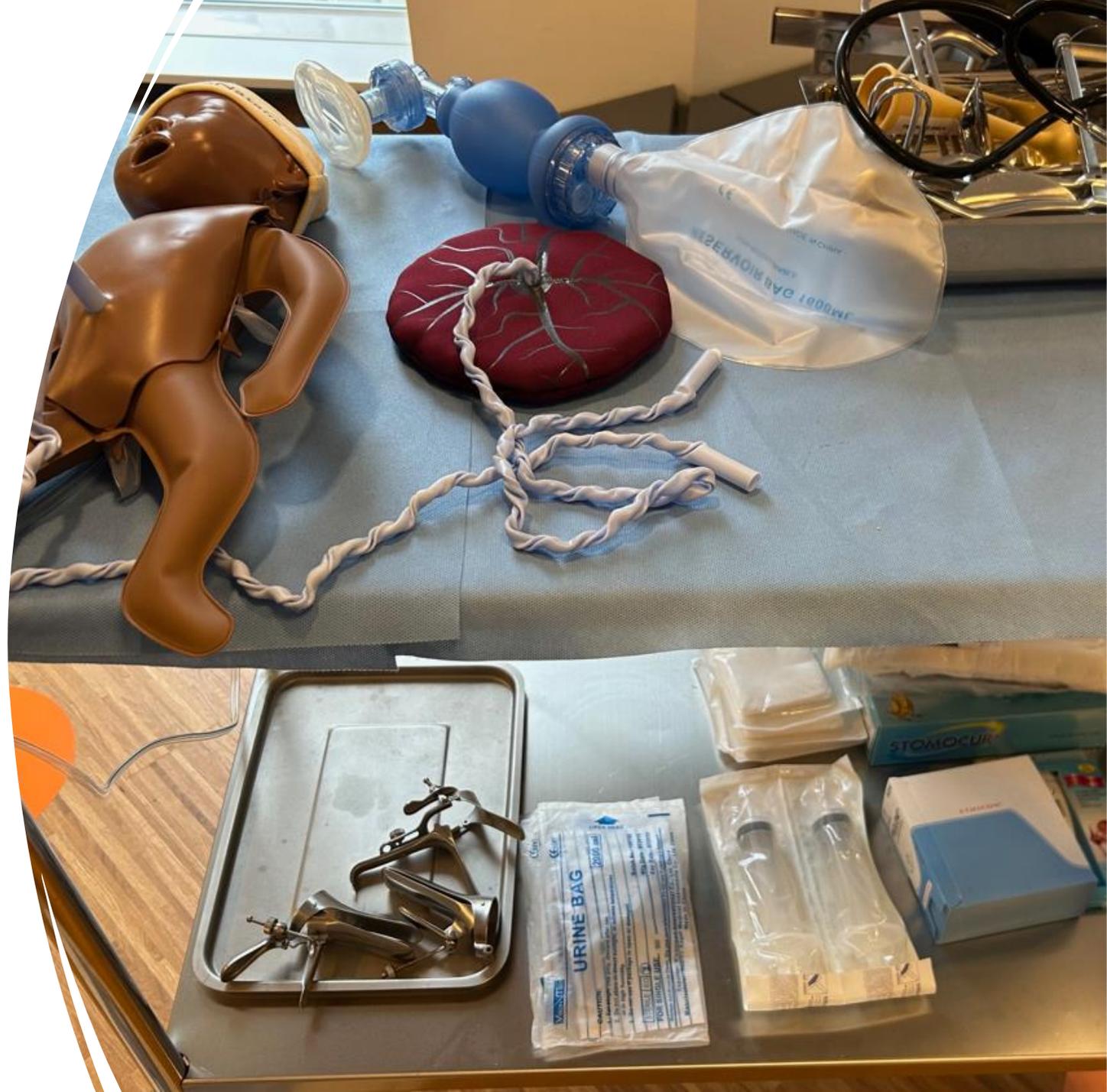
Status of investigations

- As of 31 December 2023, the types of cases in OAIS overall caseload (**474**) concerned allegations of fraud/financial irregularities (250 cases, **52%** of overall caseload), prohibited conduct (85 cases, **18%**), sexual misconduct (75 cases, **16%**), other wrongdoing (61 cases, **13%**) and retaliation (three cases, **1%**).
- Of the 160 cases closed in 2023, the top three types of allegations closed were workplace harassment/abuse of authority (29 cases, **18%**); implementing partner fraud (24 cases, **15%**); and proscribed practices (24 cases, **15%**).
- It is important to highlight that backlog cases include historical allegations against senior members of staff, often complex and challenging in nature, which require significant investigative resources.
- As of 13 May 2024, OAIS has already closed **33 cases** in 2024. Importantly, this includes the oldest of the OAIS backlog cases. OAIS remains on track to close its target number of closures in 2024.

Emerging trends and priorities in investigations

- OAIIS continues to receive allegations of commodity diversion and has unequivocally identified commodity diversion as a central focus of its investigative work in 2024. Already, OAIIS has convened a growing alliance of partners in this effort, notably donors and donor investigations offices (such as USAID and USAID OIG), suppliers, key Implementing Partners, local regulators and law enforcement offices, and other United Nations entities. OAIIS is firmly committed to not only developing an efficient framework and strategy to more efficiently tackle this issue but also to lead interagency efforts to do so.
- All of the above investigative work requires a full and strong staffing complement. OAIIS continues to recruit at all levels of the Investigation Branch, bringing the resources needed to addressing the large case portfolio.
- Recruitment fraud is an area of interest because of its long-term impact on the organization's performance and workforce.
- OAIIS is experiencing a growth of allegations from humanitarian settings which can involve investigative challenges/obstacles in evidence gathering.
- Multitude of online scams are being noticed, incl. fake invites to conferences, recruitments, etc.

#4. Advisory services in 2023



Advisory services rendered in 2023

- **Review of funding agreements.** OAI reviewed **23 funding agreements and 2 service contracts** in 2023. This is a service area that continues to grow in complexity as the shift from traditional structures of agreements to non-standard agreements continues, particularly regarding clauses on audit, sexual exploitation and abuse, sexual harassment, and general investigation.
- **Policies and other activities.** To improve the organization's risk management processes, OAI continued discharging its observer role on the Policy Committee and provided inputs in the review of **seven policies and procedures**.
- **Support to UNFPA senior management.** In addition to providing ad hoc advice to UNFPA senior management when called upon, OAI continued its participation, as an observer, in various committees.
- **General support to UNFPA personnel and management.** This continued to include ad hoc requests for information, responses to requests made through the corporate integrated service desk, and provision of monthly data for inclusion in UNFPA information dashboards.
- **Consultancy services.** OAI provided consulting services during implementation of the new ERP system (Quantum) following the system's 'go live' date in early 2023.
- **Joint advisory engagement.** OAI participated in planning and reporting meeting sessions held for an inter-agency advisory assessment of business operations strategies – BOS – led by the Internal Audit Division of the United Nations Office of Internal Oversight Services (OIOS), jointly with some members of UN-RIAS.

Advisory services rendered in 2023 (continued...)

- **Assessments of UNFPA by external parties and participation in donor visits.** In 2023, OAIIS provided inputs to reviews or assessments conducted by the Joint Inspection Unit and other stakeholders, including donor missions to UNFPA. OAIIS also participated in the 2023 United Nations System-wide Action Plan on Gender Equality and Empowerment of Women (United Nations Gender SWAP) and carbon footprint reporting.
- **Sexual exploitation and abuse and sexual harassment.** The Investigation Branch, continued to provide training support to management and participated in the review of sexual exploitation and abuse and sexual harassment clauses in donor agreements.
- **Lessons learned from investigations.** As part of investigative activities conducted in 2023, OAIIS advised specific UNFPA divisions, branches and country offices on measures to take for increased protection of the reputation, programming, funds, beneficiaries and staff members of UNFPA.

#5. Other OAIS activities in 2023



Other OAIS activities undertaken in 2023

- Adoption of more efficient report preparation and quality assurance processes, particularly through a now fully functional **Quality Assurance, Policy, and Reporting Unit**.
- Successful launch of a **client satisfaction survey** for internal audits undertaken by OAIS
- Adoption and integration of **data analytics** in internal audit work
- Updated the existing audit and investigation manuals (**new manuals issued in April 2024**) to reflect current practices and the development of standard operating procedures and report templates to realize efficiencies, some of which, like timely issuance of reports, are now coming to fruition;
- The **OAIS Intake Unit** became fully functional, reviewing and triaging more than 400 reports received in 2023.
- OAIS successfully concluded recruitments for Chief of Investigations Unit 2 and vacant P-4 investigation specialist positions.
- OAIS contributed to the work of the **UNFPA Protection from Sexual Exploitation, Sexual Abuse and Sexual Harassment Unit and interagency efforts** to improve SEAH investigative practice across the sector; and
- OAIS put in place key **digital forensic capability**, enabling remote forensic review of seized ICT assets, and started exploring use of **Artificial Intelligence** in investigations.

#6. OAIIS Opinion on GRC



Responsibilities of UNFPA management and OAIS

UNFPA management is responsible for adequately designing, implementing, and maintaining adequate and effective governance, risk management, and control processes to ensure that organizational objectives are achieved.

OAIS is responsible for independently assessing the adequacy and effectiveness of these processes, based on the scope of work it undertakes, as well as – where appropriately tested for operating effectiveness – reliance on second line controls instituted by UNFPA management and by third parties to whom UNFPA outsources some of its business processes.

Internal audit opinion on UNFPA's GRC processes

- **Basis of the opinion:**
 - Results of OAIS audits concluded between 1 January and 31 December 2023 and cumulative audit knowledge and experience stemming from OAIS audits completed in previous years, as considered relevant;
 - Status of implementation of internal audit recommendations;
 - Second line controls based on reports obtained from Management; and
 - Consideration of material deficiencies in the overall UNFPA framework of GRC.
- **Exclusions from the opinion:**
 - UNFPA functions outsourced to other United Nations system organizations;
 - ICT functions, including the hosting of significant systems (e.g., email, cloud storage, website hosting), to third-party service providers.
 - Excluded functions are subject to internal audit provisions provided for in the respective United Nations organizations' or third parties' policies and procedures.

Overall internal audit opinion

The overall opinion of OAI issued is that the adequacy and effectiveness of the UNFPA governance, risk management, and control processes were ***‘Partially satisfactory, with some improvement needed’*** which means that the assessed processes were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issues and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.

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every pregnancy is wanted
every childbirth is safe and
every young person's
potential is fulfilled



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Q&A

