DED (M) briefing note on OAIS informal session

EXBO Joint Segment

1 June 2015, Ecosoc Chamber

1. Thank you distinguished Executive Board members for the opportunity to provide management response to the OAIS report. Thank you Fabienne and her team for an excellent annual report on UNFPA internal audit and investigation activities in 2014.

2. I take note of OAIS annual risk assessment and resulting audit plan. I am also pleased with the movement of some high-risk business units from ‘high-risk’ to ‘medium-risk’ categories. I am sure that number of high-risk BUs will come down further to be at par with other UN agencies. Therefore, from risk management perspective it is incredibly useful to have that picture that OAIS presents to us.

3. I also welcome the overall conclusion of the OAIS report that Management is continuing to demonstrate commitment to the increasing effectiveness of the governance, risk management and control processes at UNFPA. UNFPA continues to make progress in addressing the 15 high-level internal audit recommendations delineated in an earlier OAIS report (DP/FPA/2011/5).

Three lines of defence model:

4. As you are aware, the Chief Executive Boards recently adopted the ‘Three Lines of Defence’ model in effective risk management and control for the UN system. The model is often used to communicate the roles played by management and independent oversight functions of an organization in providing assurance on internal controls. The first line of defence is the internal control framework, policies and procedures. The second line of defence are the
centralized business-enabling functions such as Budget management, Risk Management, legal and regulatory compliance, and Quality Assurance. The third line of defence is assurance that is independent of management, including internal audit and evaluation. These three lines of defence together represent how accountability and oversight are mainstreamed in the organization at all levels. **UNFPA took the lead in the High-Level Committee on Management, along with other UN agencies, to develop this model, recommended by the Institute of Internal Auditors, Inc, USA. All of its elements are currently in place at UNFPA, including the enterprise risk management currently being piloted.**

**Mitigation of identified risks**

5. Let me now just highlights few of actions taken by the management to mitigate some of the important risks highlighted in OAIS report.

a. **Programme management complexities** – We appreciates the acknowledgement of a partial mitigation of programme complexities through the focus on fewer outcomes, outputs and expected further mitigation of programming risk through an automated workplan management in the global programming system, launched in November 2014.

b. **Adequacy of governance arrangements**: UNFPA has just finalized the revision of the organizational handbook, which includes the terms of reference for regional and country offices and headquarters units. These TORs details roles, responsibilities and cascading oversight responsibilities.

c. **ERM**: Management acknowledges the initial delays in finalization of the internal control framework and implementation of the enterprise risk management (ERM)
process. The new initiative promises to be more pragmatic and scalable. Risk owners have been appointed at the Executive Committee level. It is currently being piloted, leveraging elements of the 2014 harmonized approach to cash transfers (HACT) and the internal control framework. All of these elements will be integrated within the ERM. The goal is to pilot a risk register in the second quarter of 2015, which will include corporate risks identified in the risk identification process of ERM development as well as fraud risk. Each assigned risk owner will chair a risk treatment working group, in line with the UN Secretariat risk management strategy. UNFPA is working on an internally developed tool to be integrated with the strategic information system to collect risk management data from all business units for the use of risk owners and Management.

d. **ICF:** We have just issued revised version 2 of the ICF which covers 7 business processes and language is aligned with COSO 2013 framework. We have already started working on version 3 which will cover all the programme roles and a differentiated approach linked with business unit risk rating.

e. **Recruitment issues:** The other area I wish to highlight is the considerable work we have done to restructure the way we do our Human Resource Management. We understand that vacancy rate is one of the risk areas, especially when we have an office without a Representative (for a year) but at times, it is due to external factors as delay in accreditation from the host government etc. We are systematically addressing issues related to country office organizational structure and staffing alignment (by DHR missions to Country Offices) and reduction in vacancies rate (by Leadership pool which will complement the annual rotation exercise contribute to speed up
selection and placement of candidates). I am pleased to report that we have brought vacancy rate down from 19.5 to 14.5 and average no. of days to recruit from 149 to 135.

f. IP Assessment: UNICEF and UNFPA have worked on merging their respective implementing partner assessment tools. The integrated, harmonized micro-assessment is expected to be launched in June 2015.

Key finding of the internal audit reports

6. Let me quickly discuss some of the key finding of the audit reports issued in 2014, in terms of sub-areas

   a. Office governance has improved, satisfactory in 70 per cent of the cases and paperless e-recruit project and placement of HRSPs in regional offices will further improve

   b. Operations management has also improved – with no unsatisfactory rating – further we have revised SC policy, introduced online performance assessment of SSC and therefore we expect further improvement in coming years.

   c. Programme management – bit of cause for concern as increased from 20 percent to 57 percent. IP contracting, inventory management and programme planning and implementation needs bit of attention this year.

Implementation of audit recommendations:
7. Audit Monitoring Committee successfully supported efforts in improving the implementation of the audit recommendations aimed at increasing accountability within business units. 87 outstanding recommendations prior to 2014 audit reports were successfully implemented and closed.

8. Management would like to highlight the substantial decrease in the number of outstanding internal audit recommendations. As of 31 December 2014, 26 recommendations (about 1%) remained unresolved for 18 months or more, compared to 41 recommendations in 2013. There has been substantial progress in addressing these recommendations; these aged recommendations are expected to be closed in the fourth quarter of 2015.

Investigations:

9. Let me now talk about the caseload of the investigation branch and management actions. We have taken note of the increased case load, and we like the fact that it now represents significant management culture shift in organisation that we are getting more cases on the table that have been investigated and very tough management actions have been taken as soon as the report is given with proven misconduct. Management would like to highlight that, as a result of fraud investigation reports delivered by OAIS to UNFPA management in 2014; the following disciplinary actions have been taken: one staff member has been separated from service; and one other staff member has been demoted. With regard to six other cases of fraud, action is ongoing.

Audit cycle coverage for high risk Bus and OAIS resources challenges:

10. To address this, Management, taking into account its available financial resources; will engage with OAIS and the Executive Board to explore the best possible solution. Let me
conclude by saying that UNFPA Fully supports and encourages the OAIS to continue to strengthen its investigative procedures and practices. We are in good relationship with OAIS at this stage; we have full confidence in the OAIS leadership (as trusted partner) in providing guidance and to support management in ensuring accountability of the organization.

Finally

11. I wish to thank the distinguished members of the Board for supporting us when it comes to Audit and Investigations and we also thankfully acknowledge the guidance of Member States in this respect.