EXECUTIVE BOARD OF

UNDP/UNFPA/UNOPS

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**UNDP management response to the:**

1. **Annual report of the Office of Audit and Investigations on internal audit and investigation activities in 2022**

**(DP/2023/12);**

1. **Activities of the UNDP Ethics Office in 2022 (DP/2022/13); and**
2. **2022 Annual Report of the Audit and Evaluation Advisory Committee**

# (Appendix to DP/2023/12)

## Introduction

1. This report is UNDP’s management response to the main findings and matters in the 2022 Annual Reports of the Office of Audit and Investigations (OAI) – DP/2023/12, Ethics Office – DP/2023/13, and the Audit and Evaluation Advisory Committee (AEAC) – Appendix to DP/2023/12.

1. UNDP management places the highest priority on addressing audit findings and implementing recommendations of the independent oversight offices. Audit recommendations are closely monitored and regularly reported upon. Further details on UNDP’s approach to addressing the recommendations of the independent offices are as set out below.

**A. Annual report of the Office of Audit and Investigations (OAI) on internal audit and investigation activities in 2022 (DP/2023/12)**

## I. General comments on audit performance and OAI’s overall audit opinion

1. Management acknowledges the annual report of the Office of Audit and Investigations (OAI) on UNDP internal audit and investigation activities in 2022 (DP/2023/12). Management welcomes OAI’s overall opinion on the governance, risk management and internal control (GRC) elements covered in the audit reports issued in 2022 that was, in aggregate, ‘satisfactory/some improvement needed’. This means that they were generally established and functioning but needed some improvement. Issues identified do not significantly affect the achievement of the objectives of the organization.

1. Management is committed to continuing its efforts to further improve policies, procedures, and systems to strengthen organizational governance, risk management and control practices at UNDP.

1. Pursuant to Executive Board (EB) decision 2021/11, UNDP management is pleased to comment on the general audit performance, as highlighted by OAI in DP/2023/12. Management would also like to highlight the actions taken to address key findings identified in the 2022 OAI Annual Report and the impact of such measures.

1. For a global, decentralized, country-based organization such as UNDP, 2022 has continued to be a challenging year, as the world is faced with global political tensions, uncertain economies, climate disasters and widespread worries and insecurity. In this environment, UNDP has continued to deliver on its programme and address the needs of countries in close partnership with the local governments and across the United Nations.

1. Management noted that COVID-19 travel restrictions continued to affect OAI’s audit work plan implementation during the first quarter of 2022. Most of the investigations were conducted remotely and there were some scope limitations in the audits, which were reflected in the audit reports they issued. Nonetheless, OAI succeeded in concluding their programme of work.

1. In some cases, the implementation of audit recommendations by UNDP has been impacted by external factors. For example, the recovery of long-outstanding Government Local Office Contribution (GLOC) and clearing the related audit recommendations are dependent on the host country. Further, challenges in recovering financial resources from partners and clearing related audit recommendations are dependent on cooperation of the partner. Management has however continued to prioritize addressing audit findings and enhancing key processes and systems, which has been reflected in our audit performance and continued achievement in closing audit recommendations.

## II. Country Office and Directly Implemented (DIM) Project Audits

1. Overall, 43 (71 per cent) of the 60 OAI audit reports issued in 2022 were rated ‘fully satisfactory’ or ‘satisfactory/some improvement needed’. One report (2 per cent) was rated ‘unsatisfactory’. 16 reports (27 per cent) were rated ‘partially satisfactory/major improvement needed’, an increase of 8 (14 per cent) compared to 2021.

1. For Country Office Audits, management notes that in 2022, the main areas of findings are in the area of programme/project management. UNDP’s performance improved in the areas of financial resources management and human resources management in 2022, while country office financial sustainability concerns and resource mobilization challenges led to an increase in findings in the governance area.

1. Management undertook several actions to address key audit findings as noted in paragraph 17 onwards. In addition, regional bureaus further strengthened the capacity of their country support and oversight teams in 2022, to provide programmatic and operational support to country offices and contribute to the regional bureau’s quality assurance and oversight.

1. Management notes that of the 27 Country Office audits undertaken, one audit report had an unsatisfactory rating in 2022 (similar to 2021). Management is taking appropriate actions to address the recommendations issued in the audit report, with the country office senior management leading the implementation plan with the support of the regional bureau. An external consulting firm has been engaged to ensure micro assessments are prepared for all applicable partners to mitigate the key risks identified with the management of the implementing partners. In accordance with standard OAI practices, a follow-up audit is scheduled before the end of 2023.

1. Regarding project audits[[1]](#footnote-2), management acknowledges OAI’s reporting of unqualified opinions on 45 (83 per cent) projects and qualifications of opinion on seven (13 per cent) of the 54 projects audited. No adverse opinion was reported in 2022, compared to one in 2021.

1. The qualified opinions are primarily the result of findings in the area of financial resources management, such as expenses not adequately documented, expenses recorded in the incorrect accounting periods; incorrect reporting of commitments; and weaknesses in payment processing.

1. Management further notes that the net financial misstatements resulting from the qualified opinions on the project audits [[2]](#footnote-3)has reduced to $24.2 million of the total audited expenses in 2022, compared to $35.5 million in 2021.

1. The OAI report notes that 94.7 per cent of the total financial misstatement relates to one project. Management notes that this misstatement is caused by a classification error[[3]](#footnote-4) in the Combined Delivery Report (CDR). This error does not represent a loss to the organization or misstatement at either project or entity level.
2. Below is a summary of actions taken to address key audit findings noted by OAI for Country Office audits.

1. **Programme/Project Management (PPM):** Management notes the recurring findings on programme and project management. UNDP is currently rolling out the portfolio initiation framework to integrate portfolio approaches in programme and project management policies and procedures with the objective of promoting holistic approaches to managing development interventions to achieve systemic change. In its first eight months of implementation, five workstreams have been rolled out in response to the feedback from the country offices, focusing on designing new programming and finance instruments, developing a new corporate portfolio competency framework, exploring new organizational design principles, and developing portfolio evaluation guidelines. The framework will be tested in more than 40 pilot country offices and aims to provide additional metrics to lift the quality assurance guidance and improve the targeting and measuring of impact on “leaving no one behind”.

1. The ongoing update of UNDP’s Results Based Management (RBM) handbook will be accompanied by support towards building staff capacities, skills and knowledge in order to effectively manage programmes. Building on the progress made with the introduction of the industry standard course, Managing Successful Programmes (MSP), UNDP is designing an RBM learning module to replace MSP as the corporate course on Programme, Portfolio and Project Management to help practitioners seamlessly navigate policies, functions, accountabilities, processes, procedures and programming systems. These measures are expected to yield further improvements in the programme/project management area in 2023 and beyond.
2. UNDP also launched a new Enterprise Risk Management module (Risk module) in Quantum+, which is part of UNDP’s corporate management solution, in a continued effort to strengthen organizational capacities for risk management in programming. The overall objective of the risk module is to strengthen how UNDP identifies, assesses and manages project and programme risks in order to make more risk-informed and timely decisions. The risk module will help integrate the project and programme risk registers with the risks identified through various risk assessment tools, providing management with a comprehensive overview of risks that require attention and timely action to achieve results.
3. In 2022, a concerted effort was undertaken to improve organization-wide compliance with Harmonized Approach to Cash Transfer Framework (HACT) policies and procedures. In coordination with regional bureaus, a number of webinars were delivered to country offices to reinforce their knowledge of the HACT framework, resulting in 51 per cent of country offices being certified as HACT compliant by the end of 2022, compared to 27 per cent in 2021.
4. In addition, the HACT Micro Assessment Questionnaire, a key tool used by offices to assess financial management capacity of partners, was revised in collaboration with the HACT interagency group. Some of the key changes to the tool include new and revised questions to reflect recent developments in risk management, including in the areas of electronic and internet transactions, a new sub-partnering section to allow separate risk scoring for sub-partners, and a more robust risk-rating scoring methodology. Six UN agencies (as compared to three previously) will adopt this revised tool from April 2023, leading to increased harmonization as this will enable each agency to rely on the micro assessments carried out by the other sister agencies.

1. **Procurement:** Management notes the recurring findings on procurement and continues to undertake several important steps, including those described below, to improve performance by putting in place more robust procurement systems which help improve planning, oversight, monitoring and compliance in procurement processes.

1. The roll out of the final modules of Quantum in January 2023 will further strengthen procurement at UNDP. Quantum and UNALL provide an end-to-end integrated procurement platform, covering planning to sourcing, contract management and performance evaluation, which is a first in the UN System. All procurement steps are now managed in the system and are interlinked, including for low-value transactions. This platform provides enhanced capabilities for planning and procurement strategy, efficiency gains, increased transparency, embedded controls, and improved risk management, reporting and monitoring capabilities for procurement at UNDP. Quantum roll-out has been supported by regional in-person training sessions and webinars for all business units to facilitate seamless adoption of the automated procurement processes.

1. Through the Global Shared Services Center (GSSC), UNDP continues to management of vendor registration for the five regional bureaus under. This service provides increased professionalization, transparency and enhanced controls in vendor management. The introduction of a global vendor database as part of the Quantum roll-out has resulted in a single repository of vendors being used across the organization. This has reduced duplicate vendors, improved due diligence and controls around vendor management, thus reducing potential fraud. The quarterly screening of vendor profiles has been automated, with the first quarterly report under review.

1. As part of the new procurement strategy, regional procurement advisors are engaged at an early stage of the procurement process, which will help address recuring weaknesses in the use of direct contracting modality.

1. In addition, Management continues to focus on further professionalization of the procurement workforce at UNDP. To this end, UNDP is providing procurement certification courses accredited by the Chartered Institute of Procurement & Supply to country offices, which include modules on risk management as well as procedures to combat fraud and corruption in procurement and operations. In line with the new procurement strategy for 2022-2025, procurement induction trainings will be rolled out to new procurement practitioners to effectively onboard colleagues and enhance their knowledge and compliance with procurement policies and processes. Thematic category-specific trainings will also be provided for high-risk procurement categories, such as construction work, specialized services, and incorporation of sustainability criteria in procurement.

1. **Financial Resources Management:** Management notes the recurring findings on financial resource management. UNDP continues to improve the quality and user-friendliness of its financial management policies, procedures, and tools while also enhancing compliance in country offices.

1. In 2022, UNDP issued a series of ‘Visual Guides on Cost Recovery’ to provide offices with clear step-by-step guidance on recovering UNDP costs for delivery enabling services, general management support, and UN agency services. UNDP also continued to refine its ‘Integrated Financial Dashboard,’ which includes real-time performance metrics for country offices on financial data quality, internal controls, financial sustainability, programme financial performance, and audit recommendation implementation, among others.

1. Regional and Central Bureaus are accountable for the performance of offices within their management purview and continuously engage with them to address performance issues identified in the annual representation statements, corporate dashboards and during senior management quarterly performance and risk management meetings.

1. Additionally, during 2022, UNDP further expanded the clustering of key business processes in the GSSC. With the first phase of clustering completed, UNDP initiated and completed a ‘GSSC service delivery optimization’ review, which identified several recommendations for continuous improvement, including on payment processing.

1. **Governance:** Management notes the increase in observations in this area compared to last year. Most of the findings are related to country office financial sustainability and challenges in mobilizing resources. To address the risks identified, regional bureaus and country offices continue to develop and implement financial sustainability strategies in line with available opportunities. Overall, as emphasized by the UNDP Administrator in his address to the Executive Board at the first regular session in 2023, the drop in core funding is particularly problematic for UNDP and across the UN development system.

1. Recognizing the challenging funding environment, compounded by the sluggish economic recovery from COVID-19, the worsening war in Ukraine and deepening cost-of-living crisis, UNDP has been closely monitoring the funding situation by regularly gathering partner intelligence, conducting funding sensitivity analysis and forecasting to inform discussions at the senior management level. UNDP continues to look at specific measures to protect and build back UNDP’s core funding base as well as ensure financial sustainability. In 2022, UNDP continued to accelerate efforts to engage with traditional and non-traditional donors, to expand and deepen partnerships, maintain current funding levels as well as seek growth opportunities.

1. In addition, the war in Ukraine has shifted partner priorities, by redirecting Official Development Assistance and prioritizing budget spending on humanitarian aid or domestic matters. UNDP proactively engaged with partners to make the case for core and non-core resources, mitigating potential cuts.

1. UNDP continues to engage with Member States through the Structured Funding Dialogues (including during the Second Regular Session) to address the prevailing funding challenges and secure the political and financial support needed to achieve the results set out by its Strategic Plan (2022-25). UNDP launched the second phase of its #PartnerAtCore campaign, published a brochure on the case for core resources highlighting UNDP’s work in crisis contexts and providing visibility to key core donors. UNDP is stepping up its engagement with non-Development Assistance Committee partners and International Financial Institutions to promote thematic/pooled funding. UNDP is expanding alliances with the private sector.

1. It is therefore critical that Member States fulfill the Secretary General’s Funding Compact commitment to bring core funding to the 30 per cent target level. Being the most flexible funding source, core funding allows UNDP and the UN development system to be strategic, respond to country needs better and faster, address underfunded areas, and leverage additional financing.

1. **Administration:** Regarding the weaknesses noted by OAI in asset management, travel management and lease management, key actions undertaken by management include:
   * Training sessions;
   * Local Standard Operating Procedures were reviewed and reinforced; and
   * Additional spot checks were introduced to improve the quality of asset information.

1. **Human Resources Management:** Management notes the reduction in findings in human resources management. UNDP continues to monitor and follow-up on the completion of mandatory trainings. More broadly, a proposal on the applicability of individual mandatory courses to personnel on different contractual modalities has been developed. Quantum features automated notifications for the completion of mandatory training as part of the Learning Management system, which went live in July 2022. UNDP is also strengthening its compliance monitoring for mandatory courses through its new talent development team in the GSSC. A dashboard with training completion status has been created for managers to help monitor and ensure completion of required trainings by their direct reports.

1. Pursuant to the People for 2030 strategy, UNDP is undertaking a comprehensive transformation of the talent acquisition and recruitment function, including a new delivery model, business process changes, new assessment and selection methods, and leveraging new technology solutions to increase efficiency. A dedicated action plan on transforming talent acquisition and recruitment in UNDP with concrete indicators continues to be implemented.

1. In 2022, UNDP launched the second phase of its People Strategy, which will run concurrently with the organization’s Strategic Plan 2022–2025. Several new policies and tools have already been implemented such as the introduction of a new Organizational Restructuring Policy, a Performance Management Dashboard that allows for transparent monitoring of annual performance reviews, and a first-of-its-kind UNDP-wide Capacity Mapping exercise.

## III. Global Fund Audits

1. UNDP is partner of choice for the Global Fund in in challenging operating environments. In 2022, UNDP was the Principal Recipient of Global Fund grants in 20 countries and implemented two regional programmes covering another 14 countries, with total budget of $1.54 billion. More than half of the countries where UNDP implements Global Fund grants are classified as Challenging Operating Environments by the Global Fund.

1. Management continues to make substantial investments to continuously and systematically refine risk mitigation and prevention measures that address the operational realities that arise from working in challenging operating environments. These interventions specifically respond to OAI’s audit findings and recommendations and are reviewed periodically. Management developed a Risk Review Action Plan (RRAP to strengthen the risk management framework for UNDP’s Global Fund portfolio. The RRAP was informed by a systematic review of all OAI audits and sub-recipient audits over a five-year period (2015-2020). Implementation of the key management actions in the plan, included Quarterly Performance & Risk Reviews (Quarterly Reviews) with the aim of systematically reviewing key performance indicators and risks for Global Fund grants. These reviews have proven to be extremely valuable in providing increased visibility of key performance issues and risks, while also providing an opportunity to develop solutions to effectively manage and mitigate such risks as they arise. Taken together the Quarterly Reviews have also helped to significantly strengthen oversight and accountability for Global Fund grants.
2. The six audit reports related to grants managed by UNDP as Principal Recipient (PR) contained 23 recommendations (11 ‘high’ and 12 ‘medium’), nine (39 per cent) of which were for the procurement and supply chain management area. Of the six reports issued, one was rated ‘fully satisfactory’, three were rated ‘satisfactory/some improvement needed’, and two were rated ‘partially satisfactory/major improvement needed’. Of the 23 recommendations raised in 2022, 39 per cent were implemented as of April 2023.

1. Management notes recurring findings in procurement and supply chain management, sub-recipient management and programme management for Global Fund projects. In 2022, management introduced targeted measures to address these recurring risks in line with the RRAP, including new tools and guidance for Procurement and Supply Management of Health Products, SOPs for Sub-recipient Expenditure Verification and the introduction of new Standard Operating Procedures (SOPs) for Asset Management. These measures complement the range of tools, guidance and technical support, as well UNDP’s global oversight and monitoring processes. However, residual risks remain due to UNDP being requested to be a PR of Global Fund grants only in countries facing significant capacity constraints, crisis contexts and sanctions. The Global Fund continues to acknowledge that UNDP delivers above average results relative to other PRs despite the challenging operating environments where UNDP implements Global Fund grants.

## IV. Headquarters (HQ) Audits

1. Management welcomes the recommendations made in the 11 HQ audits issued in 2022. Management notes that six of the audits were performance-based, focusing on efficiency and effectiveness of systems and procedures. UNDP is pleased with the ‘fully satisfactory’ ratings of the performance audit of the Regional Bureau for Arab States, the Bureau for Management Services’ Office of Human Resources, and the management of the risks posed by the COVID-19 pandemic, as well as the audits of the Executive Office and United Nations Volunteers (UNV) information and communications technology (ICT) infrastructure. Management also notes the ‘satisfactory/some improvement required’ ratings received for the audit of UNDP clustering process, vendor management, audit of UNV, as well as the audit of GSSC IT infrastructure services.

1. While no ‘unsatisfactory’ reports were issued for HQ in 2022, management noted the ‘partially satisfactory/major improvement required’ rating for the audit of the management of implementing partners. To address the identified risks, regional bureaus are strengthening their country office oversight capacity as noted in paragraph 11. Following the 2022 year-end close in Quantum, management will also begin integrating the Partner Capacity Assessment Tool (PCAT) and HACT into the new corporate management solution, with a view to further strengthening the regional bureaus management of PCAT and HACT related assurance activities.

## V. Audit Recommendations

1. **Implementation rate:** UNDP acknowledges the overall implementation rate of internal audit recommendations at 85 per cent as of 31 December 2022 and reaffirms the organization’s commitment to continuing to work towards closing audit recommendations in line with agreed timelines. Management is monitoring the implementation of recommendations regularly and all offices and HQ units with open recommendations are working hard to close the recommendations.

1. **Long-outstanding audit recommendations:**  There were six long-outstanding recommendations (not fully implemented for 18 months or more) as of 31 December 2022, similar to 2021. Three (50 per cent) of these six recommendations were related to the recovery of long-outstanding GLOC. As of 31 March 2023, two of these six recommendations have been closed and one was withdrawn by OAI. These include two audit recommendations ranked as ‘high priority’ by OAI. Management will continue to monitor the closure of long outstanding recommendations with a view to reducing them to zero as soon as possible.

## VI. Audits of projects executed by Non-Governmental Organizations (NGO) and/or National Governments

1. Management recognizes the role and importance of the National Implementation Modality (NIM) as a way of ensuring national ownership and sustainability of projects at the country level and is pleased to note the increase in ‘satisfactory’ ratings (84 per cent in 2022 compared to 71 per cent for audits conducted in 2021) in the Review Letters issued by OAI. This is a reflection on the work UNDP has undertaken to enhance the oversight of implementing partners and HACT.

1. Management is carefully monitoring the level of financial misstatement to ensure that it does not pose a financial risk to the organization. Total net financial misstatement for fiscal year 2021 was $2.37 million, which is 0.4 per cent of the total audited expenditure.

## VII. Investigations and complaints received and response to Executive Board decision 2014/21, 2015/13 and 2017/17 (requesting disclosure of financial loss recovery)

1. Management notes that in 2022 the overall investigation case load was 630, compared to 566 in

2021. Management takes note of the increase in sexual misconduct-related opened cases in 2022 (31 cases) compared to 2021 (25 cases). Management reaffirms its commitment to zero tolerance to harassment, abuse of authority, retaliation, and all other types of wrongdoing, including fraudulent and other proscribed practices. In support of the priority given by the Secretary-General as a system-wide issue, management has facilitated reporting on sexual harassment, exploitation and abuse since 2018. In 2022, the UNDP Task Force on the Prevention of Sexual Harassment and Sexual Exploitation and Abuse (SH/SEA) presented a comprehensive report to the Executive Board on the implementation of the UNDP SH/SEA Strategy and Action Plan. The report highlighted six new mandatory results related to organizational effectiveness and efficiency, including building an inclusive working culture that is free from discrimination and exploitation and/or abuse. The performance of Bureaus and Offices against this mandatory result will be reviewed as part of the annual reporting process. The completion rate of mandatory training courses on Prevention of Sexual Exploitation and Abuse (PSEA) of the Local Population and Prevention of Harassment, Sexual Harassment and Abuse of Authority was 85 per cent and 83 per cent, respectively, by the end of 2022. A total of 18 UNDP PSEA focal points were trained through an inter-agency training for PSEA focal points and an additional 75 PSEA focal points participated in a webinar session. A survey on Preventing Sexual Exploitation, Abuse and Harassment (PSEAH) was conducted with 117 Country Offices participating. The next survey's results will be presented during the annual Executive Board session in June. Guidelines for Country Offices on working with implementing partners on SEA issues were also developed.

1. Management notes that procurement fraud[[4]](#footnote-5) remains the highest category of newly reported cases in 2022 (19 per cent) and substantiated cases in 2022 (33.9 per cent). To provide context, management highlights that a large proportion of the procurement fraud cases pertain to vendors reported by Country Offices which indicate that UNDP compliance and other oversight measures are effective at the process level to identify instances of fraud when it occurs. In addition, a surge in the number of cases in the past few years is concentrated in countries coming out of conflict with weaker commercial and government structures and where UNDP has large recovery programmes. Many of the fraud cases involving vendors in these areas involve misrepresentation and fake documents, often presented to implementing partners, and not necessarily financial fraud against UNDP; however, these weaknesses were identified by UNDP. Management’s action plan continues to be one of ensuring increased ethical awareness through the mandatory fraud training course, special training courses to procurement staff, sharing of lessons learned, the Anti-Fraud Strategy and the related Anti-Fraud Action Plan; and timely response and adaptation when fraud is substantiated.

1. Anti-fraud clauses continue to be included in all agreements with implementing partners and responsible parties. Many of the current and planned initiatives, as mentioned above under the procurement section, have the potential to mitigate the risk of fraud. These will yield results over a period of time.

1. As shared with EB Members in January 2023, the following sets out a comprehensive analysis of losses and recoveries in line with Executive Board decision 2017/17:



1. As seen from the above table, UNDP recovered approximately 40.6 per cent of the estimated losses and 46.2 per cent of the recoverable amounts between 2013 and 2022.

1. Management would like to re-emphasize that while it remains a challenge, UNDP pursues full recovery of funds lost to fraud based on the actions proposed by an inter-bureau standing board established to provide transparency on the collection process, ensuring rigorous follow up on the substantiated losses.

1. UNDP primarily relies upon the national judicial systems to pursue recovery of funds for cases of substantiated fraud within the country. Effective partnership and collaboration with the national authorities and Member States is critical to the success of management actions. Most of the fraud recoveries take place in future years, as opposed to the year in which the case was closed, as recovery efforts can only commence after the fraud is substantiated and the case is finalized. As such, recoveries continue to be made in 2022 for losses that occurred in prior years.

## VIII. Conclusion

58. Management reaffirms its commitment to the ongoing, excellent working relationship with OAI and will continue to implement audit recommendations to improve UNDP’s governance, risk management and control processes. All offices and HQ units with long outstanding recommendations are working to close the recommendations and senior management is monitoring implementation on a regular basis.

# B. Activities of the UNDP Ethics Office in 2022 (DP/2023/13)

**I. Management response to matters highlighted in the 2022 Annual Report of the Ethics Office**

1. Management notes the 2022 achievements of the Ethics Office, including its contributions to the development of policies and standard setting at UNDP, and commends the Office for its wide outreach. It is pleased to note that in 2022 there were no management recommendations, a testament to the importance that management has placed on dealing with issues raised by the Ethics Office during the year.

1. Management appreciates the strong practices of the Ethics Office that were also recognized by JIU in its report JIU/REP/2021/5, that identified UNDP’s Code of Ethics as the most comprehensive document among the organizations reviewed and commended the UNDP Ethics Office for the particularly fast response time in providing ethics advice.

1. Management notes that, in 2022, live non-mandatory ethics training sessions have seen a new record of 3,599 participants and the Office’s intranet site had 7,952 page views by personnel. It is evident that the Ethics Office’s use of social media channels is an integral part of the communication strategy of the Office, and management welcomes the planned development of the awareness and communication strategy in 2023.

1. Of all the important work carried out by the Ethics Office, Management would like to particularly note the work of the Office in the following areas:
   * The pivotal role the Office continued to play as a member of the UNDP Task Force on Prevention of Sexual Harassment and Sexual Exploitation and Abuse and its contribution to the development and implementation of UNDP’s 2021-2022 and 2023-2024 Strategies and Action Plans on the Prevention of Sexual Harassment and Sexual Exploitation and Abuse (SEA);
   * The Office’s active role in the International Civil Service Commission (ICSC) Working Group on revisions to the Standards of Conduct for the International Civil Service, and the ENMO group for organizations that are part of the UN System Chief Executives Board for Coordination (CEB);
   * The Office’s continued advocacy related to the prevention of sexual harassment, exploitation, and abuse, which continues to be a topic of concern throughout the United Nations System; and
   * The Office’s valuable work in raising ethics awareness in all aspects of UNDP’s operations, and most notably in the area of protection of whistleblowers.

1. Management appreciates the advice and guidance provided by the Ethics Office and remains committed to maintaining an excellent working relationship with them.

# C. 2022 Annual Report of the Audit and Evaluation Advisory Committee (Appendix to DP/2023/12)

**I. Management response to matters highlighted in the 2022 Annual report of the Audit and Evaluations Advisory Committee (AEAC).**

1. UNDP management notes the overall positive report from the AEAC, particularly the appreciation of the support and cooperation it received from UNDP Executive Office, senior management, and staff during the past year.

1. UNDP management takes note of AEAC’s suggestions and recommendations in the areas of financial resources, risk management and enterprise resource planning system.

1. Management wishes to express its gratitude to the AEAC for its strategic advice on administrative, audit, evaluations, ethics, and management matters. The implementation of the AEAC’s advice and recommendations are monitored and tracked by UNDP’s senior management for implementation.

1. Management is committed to continuing to cooperate with the AEAC at the senior management level and will continue to embrace the AEAC’s advice and recommendations.

1. Management takes note of the upcoming changes in the compositions of the AEAC and would like to express their appreciation to the outgoing Chair, Mr. Fayezul Choudhury, for his dedication and valuable contributions.

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1. Audit of projects that are directly implemented and managed by UNDP country offices [↑](#footnote-ref-2)
2. Audit of projects that are directly implemented and managed by UNDP country offices. [↑](#footnote-ref-3)
3. Implementing Partners (IP) expenses liquidated via General Ledger Journal Entries were reflected in the UNDP IP column in the CDR report instead of the Government or UN Agencies Columns. [↑](#footnote-ref-4)
4. Procurement fraud encompasses fraud committed at any time during the process of acquiring goods, civil works, and services. Procurement fraud can consist of colluding with contractors and vendors, accepting or requesting bribes, gifts or favors, not disclosing a conflict of interest, and any intentional false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her detriment.

   [↑](#footnote-ref-5)