EXECUTIVE BOARD OF
UNDP/UNFPA/UNOPS
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UNDP management response to the:

A.   Annual report of the Office of Audit and Investigations on internal audit and investigation activities in 2023 (DP/2024/10);

B.   Activities of the UNDP Ethics Office in 2023 (DP/2024/11); and

C.   2023 Annual Report of the Audit and Evaluation Advisory Committee

Introduction

1.   This report is UNDP's management responses to the main findings and matters in the 2023 Annual Reports of the Office of Audit and Investigations (OAI) – DP/2024/10, Ethics Office – DP/2024/11, and the Audit and Evaluation Advisory Committee (AEAC).

2.   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 2023 (DP/2024/10)

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

3.   Management acknowledges the annual report of OAI on internal audit and investigation activities in 2023 (DP/2024/10). Management welcomes OAI's overall opinion on the governance, risk management and control (GRC) elements covered in the UNDP audit reports issued in 2023 that was, in aggregate, 'satisfactory with 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.

4.   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.

5.   Management also notes that the 2023 Annual Report of OAI includes data related to the Office's audit of UNCDF. Noting that UNCDF is an autonomous organization as decided by the General Assembly[1], management has excluded UNCDF data while formulating the UNDP management response to the Executive Board. This will provide readers with a coherent and consistent comparison of UNDP's performance over the years.

6.   For a global, decentralized, country-based organization such as UNDP, 2023 has continued to be a challenging year. Conflicts are increasing, the impacts of climate change are accelerating, and economic disparities and social tensions are growing. In this environment, UNDP has continued to deliver on its programme and address the needs of countries in close partnership with governments and other organizations across the United Nations.

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[1] In 1966, the General Assembly passed resolution 2186 (XXI), which decided to "bring into operation the United Nations Capital Development Fund as an organ of the General Assembly which shall function as an autonomous organization within the United Nations." Pursuant to paragraph 1(a) of General Assembly resolution 2321(XXII), the Secretary-General was invited to ask the "Administrator of the UNDP to administer the UNCDF by performing the functions of the Managing Director, as set forth in article IX of resolution 2186(XXI)".

7. Management has 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

8. Overall, 40 (75 per cent) of the 53 audit reports issued by OAI for UNDP in 2023 were rated 'fully satisfactory' or 'satisfactory/some improvement needed', an increase of 4 per cent compared to 2022. One report (2 per cent) was rated 'unsatisfactory'. 12 reports (23 per cent) were rated 'partially satisfactory/major improvement needed', compared to 27 per cent in 2022.

9. For Country Office Audits, the 29 audit reports issued in 2023 (27 reports in 2022) resulted in 132 recommendations, of which 42 (32 per cent) recommendations were rated as high priority compared to 48 (38 per cent) rated as high priority in 2022. Of these recommendations, 33 per cent of the findings are in the area of programme/project management.

10. Management undertook several actions to address key audit findings and strengthen controls as noted in paragraph 16 onwards. One of the key achievements has been the successful launch of the final modules of Quantum, UNDP's new enterprise resource planning solution, in January 2023, which is providing a more effective and integrated operational platform for UNDP across the programme/project management, financial, procurement and HR functions.

11. Management notes that of the 29 Country Office audits undertaken, one audit report had an unsatisfactory rating in 2023 (similar to 2022). 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.

12. Regarding project audits[1], management acknowledges OAI's reporting of unmodified opinions on 30 (75 per cent) projects and modified opinions on 10 (25 per cent) of the 40 DIM financial audit reports issued. Similar to 2022, no adverse opinion was reported in 2023.

13. The qualified opinions are primarily the result of findings in the area of financial resources management, such as expenditures recorded in the incorrect accounting periods; expenses not adequately documented; prepayments recorded as expenditures; and weaknesses in recording of performance-based payments.

14. Management notes that the net financial misstatements resulting from the qualified opinions on project audits have significantly reduced to $6.9 million of the total DIM audited expenditures in 2023, compared to $24.2 million in 2022.

15. Below is a summary of actions taken to address key audit findings noted by OAI for Country Office and Project audits.

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[1] Audit of projects that are directly implemented and managed by UNDP country offices.

16. **Programme/Project Management (PPM):** Management notes the recurring findings on programme and project management. UNDP is currently rolling out the work streams initiated as a result of 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. The work streams range from designing new programming and finance instruments, exploring new organizational design principles, developing a training program to build skills and capacity, to developing portfolio evaluation guidelines while developing new portfolio-informed value propositions for the UNDP country offices and regional teams.

17. At the regional level, several bureaux undertook strategic initiatives aimed at enhancing programme and project management (PPM) capacity and practices within their regions. A regional bureau conducted a series of PPM webinars that provided updates and guidance on lifting PPM practices in the region, including on monitoring, oversight, results-based management, quality assurance of results reported, and capturing results in Quantum and the Transparency Portal. Another regional bureau has deployed training and established a mechanism for pre-appraisal of development projects to conduct a detailed review of governance arrangements, partner capacities, and procurement/human resource planning to reduce implementation delays at later stages.

18. UNDP's Results Based Management (RBM) handbook is being updated in consultation with stakeholders and will be accompanied by support towards building staff capacities, skills, and knowledge 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 2024 and beyond.

19. In 2023, the Enterprise Risk Management (ERM) Policy was further strengthened to clarify risk management roles and responsibilities of all personnel across UNDP. Criteria has been developed to define high-risk UNDP projects and portfolios, as a precursor to defining strategies to monitor and effectively support these projects to ensure they achieve their objectives. Further enhancements on UNDP's ERM framework and tools are planned in 2024 to address audit recommendations and improve risk management across the organization.

20. The introduction of the Integrated Risk Module for Results Management (integrated risk module) in the Quantum suite of applications is part of UNDP's continued effort to ensure anticipatory and risk-informed decisions across all levels of the organization and to enhance organizational capacities for risk management in programming. The overall objective of the integrated risk module is to strengthen how UNDP identifies, assesses, and manages project, portfolio and programme risks in order to make more risk-informed and timely decisions. The risk module will help integrate the project, portfolio and programme risk registers with the risks identified through various risk assessment tools (Project Quality Assurance, Partner Capacity Assessment, Social and Environmental Screening and Private Sector Due Diligence), providing decision-makers with richer data for a more comprehensive overview of risks.

21. Organization-wide compliance with Harmonized Approach to Cash Transfer Framework (HACT) policies and procedures continued to improve in 2023 with 63 per cent of country offices being certified as HACT compliant by the end of 2023, compared to 51 per cent in 2022.

22. The HACT platform was successfully transitioned to the cloud-based Quantum+ application and enhanced to better align with the HACT Framework and improve partner risk management. The upgraded platform offers a paperless approval process and maintains a digital log of issues for HACT activities, including assessments and assurance activities. Additionally, a PowerBI dashboard was developed to provide users with status updates on HACT activities, thereby facilitating timely monitoring and oversight.

23. Regional bureaux also took proactive steps to improve HACT policy implementation, for example by establishing long-term agreements (LTA) to provide a range of financial assessment and assurance activities and capacity development initiatives related to implementing partners and responsible parties across country offices.

24. **Procurement:** Management notes the recurring findings on procurement and continues to undertake several 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.

25. The procurement platform in Quantum/UNall was fully rolled out in January 2023. It provides 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. For example, reports on global, regional, country and project level procurement plans implemented in 2024 can now be generated and effectively monitored across UNDP, which will help strengthen procurement oversight and remedy recurring issues related to the lack of procurement plans. Quantum roll-out continues to be supported by global procurement webinars in addition to the regional in-person training sessions and webinars that were conducted in 2023 for all business units, which helped facilitate the seamless adoption of the new automated procurement processes.

26. The centralized supplier management service of UNDP's Global Shared Services Center (GSSC) has enhanced controls in vendor management. Quantum provides a single supplier database for use across the organization. This has reduced duplicate vendors, and improved due diligence and controls around supplier management, thus reducing the risk of potential fraud. The screening of vendor profiles is prepared periodically, and exceptions followed up with the respective offices.

27. Regional procurement advisors continue to support the establishment of procurement strategies in Quantum before bids are launched. This has led to improvements in the quality of procurement cases, thus addressing some of the recurring weaknesses identified by OAI with regards to the use of the direct contracting modality and failure to submit cases to the oversight committees when required. The processes for sourcing and evaluation of procurement are now integrated in UNall, resulting in better control and policy compliance.

28. 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 UNDP Procurement for Sustainable Development Strategy, procurement onboarding induction trainings have been rolled out to procurement practitioners across regions in Quarter 1 of 2024 for effective onboarding and as a refresher course for other employees to enhance their knowledge and compliance with procurement policies and processes. Thematic category-specific training programs will also be provided for high-risk procurement categories, such as construction work, specialized services, and to incorporate sustainability criteria in procurement. Trainings on sustainable procurement have been successfully conducted in all regions in 2023 and will continue to be provided in 2024.

29. **Governance:** Management notes that observations in this area continue to primarily relate to country office financial sustainability and challenges in mobilizing resources. The decline in core funding follows a long-term trend in the UN development system and continues to be problematic for UNDP and other UN organizations. To address the risks identified, regional bureaux and country offices continue to develop and implement financial sustainability strategies in line with available opportunities. For instance, in 2023 a regional bureau organized specific discussions on financial sustainability and business model approaches with the management teams of its country offices. Resource mobilization was reviewed, including the health of the regional pipeline, with targeted analysis for vertical funds, international financial institutions (IFIs), and programme country government financing.

30. On a broader level, UNDP continued to face a complex and challenging funding landscape, with heightened geo-political tensions, worsening crises, shifting aid policy priorities, and continued preference for earmarking and short-term assistance. UNDP kept itself abreast of the trends and changes in the funding and partnership ecosystem, conducting regular funding sensitivity analysis, and reviewing implications.

31. In 2023, OAI conducted a performance audit of UNDP's resource mobilization function and provided recommendations that are being addressed by management. Key actions include developing a corporate resource mobilization strategy that prioritizes stabilizing core and flexible funding, revamping the Resource Mobilization toolkit and the Partnerships and Communication Action Plan guidance to better assist country offices, and ensure coherence between resource mobilization strategies and efforts by different business units across UNDP.

32. 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 in its Strategic Plan (2022-25). UNDP launched the third phase of its #PartnerAtCore campaign, focusing on the country level, and introduced the Group of Champions Initiative to increase visibility for core contributors at country-level. UNDP has deepened its engagement with IFIs and positioned itself as a strategic and credible UN partner to maximize financing and impact for the Sustainable Development Goals (SDGs).

33.   As the discussion on the renewed Funding Compact progresses, UNDP remains engaged politically and substantively to ensure that key lessons from the implementation of the existing compact are factored into the design and that the renewed funding compact translates into real and impactful commitment and change in the way the UN development system gets funded. Throughout these engagements, UNDP underscored the importance of keeping the emphasis on the broader funding architecture and the imbalances between funding streams, mainly core - non-core funding.

34.   **Financial Resources Management:** Management notes the recurring findings on financial resource management. In 2023, UNDP continued to strengthen its internal controls environment. For instance, the Corporate Accountability Framework was modernized, and segregation of duty and delegation of authority mechanisms were strengthened through the implementation of Quantum as part of UNDP's continuing efforts to prevent waste, fraud, and abuse.

35.   Clustering of activities continues to strengthen the control environment with the successful stabilization of finance, payroll and staff benefits and entitlement services, and elimination of the backlog of cases in the supplier management area.

36.   Deployment of the new Agency Service Portal (ASP) in February 2023 allows for services rendered to non-Quantum Agencies to be recorded through the portal. In an effort to enhance the system's capabilities and to service larger non-Quantum organizations, UNDP will further develop the portal and undertake pilots in counties with high transactional volumes.

37.   With the rollout of Quantum in 2023, UNDP piloted the new Integrated Finance Dashboard in the Quantum environment. It includes real-time performance metrics for country offices on programme financial performance, delivery efficiency and audit recommendation implementation, among others, to facilitate effective monitoring and oversight. This dashboard is currently being enhanced to include other emerging financial risks around data quality and internal controls.

38.   Management takes note of the recurring issues in financial management of project audits. It is important to highlight that DIM audits are mostly financial audits and therefore, it is expected that most of their recommendations will be related to the financial management area. The issues identified by DIM audits are addressed by the respective country office, including with their responsible parties.

39.   Regional and central bureaux 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.

40.   The Executive Board may wish to note that in addition to the significant reduction in the net financial misstatements as referred to in paragraph 14 above, 75 per cent of DIM projects audited (30 projects) received an unmodified opinion as set forth in paragraph 12 above.

41.   **Administration:** Regarding the weaknesses noted by OAI in asset management and travel management, key actions undertaken by management include:
   - Training sessions;
   - Introduction of a new customized Travel Application (UNall/Quantum); and

- Monthly review of asset entries as part of the quarterly asset module closure process.

42. **Human Resources Management:** Management continues to drive the transformation of the human resources management of UNDP's workforce, coupled with the ongoing provision of high-quality HR services to internal clients, and ensuring that UNDP's HR policies are maintained, updated, and correctly implemented.

43. Under Phase 2 of the People for 2030 Strategy, significant progress has been made across all ten focus areas. Highlights from 2023 include the implementation of a new, annual staff engagement survey – UNDP Listens; the first ever Diversity, Equity and Inclusion (DEI) Strategy, a new Gender Parity Strategy, and continuing the award-winning Graduate Programme – bringing in young talents from the most under-represented countries. Through People for 2030, UNDP is leading the way across the UN system in terms of innovation and improvement in people management.

44. GSSC continues to strengthen recruitment-related capacity building and controls through trainings, workshop sessions and a new dashboard to monitor performances across the organization.

III. Global Fund Audits

45. UNDP is the partner of choice for the Global Fund in challenging operating environments. In 2023, UNDP was the Principal Recipient of Global Fund grants in 21 countries and implemented two regional programmes covering another 12 countries, with a total budget of $1.59 billion. Almost half of the countries where UNDP implements Global Fund grants are classified as Challenging Operating Environments by the Global Fund.

46. 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 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. It is critical to note that as a result of the RRAP assurance and oversight, there was a significant reduction in the number of high priority recommendations in 2023 (25 per cent) compared to 2022 (48 per cent).

47. The eight audit reports related to grants managed by UNDP as Principal Recipient (PR) contained 24 recommendations (six rated as 'high priority'), of which 17 (71 per cent) were for the procurement and supply chain management area. Of the eight reports issued, three were rated 'fully satisfactory', three were rated 'satisfactory/some improvement needed', and two were rated 'partially

satisfactory/major improvement needed'. Of the 24 recommendations raised in 2023, 68 per cent were implemented as of February 2024.

48. Management notes recurring findings in procurement and supply chain management and sub-recipient management for Global Fund projects. In 2023, management continued its targeted measures to address these recurring risks in line with the RRAP, including its tools and guidance for procurement and supply management of health products, standard operating procedures (SOPs) for sub-recipient expenditure verification, and the introduction of new SOPs for asset management. These measures complement a range of tools, guidance, and technical support, as well as 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

49. Management notes that OAI conducted seven UNDP headquarters audits and issued one consolidated audit report in 2023.

50. Of the seven UNDP HQ audits, six 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 Bureau for Management Services' Office of Financial Management, the Regional Bureau for Asia and the Pacific, and the Crisis Bureau. Management also notes the 'satisfactory/some improvement needed' ratings received for the remaining four UNDP HQ audits, namely the audit of UNDP Second Line of Defense, UNDP Resource Mobilization and Coordination practices, Office of the Ombudsman, and the audit of GEF programme management.

51. Management is pleased to report a significant reduction in the number of high priority recommendations issued for UNDP HQ audits in 2023, decreasing from 21 per cent in 2022 to 13 per cent in 2023. Additionally, it is important to highlight that no 'unsatisfactory' or 'partially satisfactory/major improvement needed' reports were issued for UNDP HQ audits 2023.

V. Audit Recommendations

52. **Implementation rate:** UNDP acknowledges the overall implementation rate of internal audit recommendations at 84.4 per cent as of 31 December 2023 and reaffirms the organization's commitment to continuing to work towards closing audit recommendations in line with agreed timelines.

53. Management continues to monitor the implementation of recommendations regularly and all offices and HQ units with open recommendations are working hard to close the recommendations.

54. **Long-outstanding audit recommendations:** There were two long-outstanding recommendations (not fully implemented for 18 months or more) as of 31 December 2023, compared to six long-outstanding recommendations in 2022. One of these two recommendations relates to the recovery of long-outstanding GLOC, which is dependent on the host country.

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

55. 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 that 67 (82 per cent) country offices received a 'satisfactory' rating in 2023 (compared to 84 per cent in 2022, and 71 per cent for audits conducted in 2021) in the Review Letters issued by OAI. This positive trend is a continued reflection on the work UNDP has undertaken to enhance the oversight of implementing partners and HACT.

56. Management is pleased to note that as of 31 December 2023, 85 per cent of the 1,858 audit recommendations issued during audits of nationally implemented projects had been implemented or were no longer applicable.

57. 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 2022 was $0.4 million compared to $2.37 million in 2021, which is 0.1 per cent of the total audited expenditure. Furthermore, Management is pleased to note that 86 per cent of the NGO NIM audited expenditure received a fully satisfactory rating compared to 82 per cent in 2022. This is a testament to the importance that UNDP management has placed on building capacity and enhancing the control environment of our partners.

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

58. Management notes that in 2023 the overall investigation case load continues to increase (677, compared to 630 in 2022). Management takes note of the decrease in sexual misconduct-related opened cases in 2023 (24 cases) compared to 2022 (31 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.

59. The implementation of awareness building measures and support to staff on Sexual Harassment and Sexual Exploitation and Abuse (SH/SEA) progressed as envisioned in the 2023-2024 UNDP SH and SEA strategy and action plan. In 2023, 175 Prevention of Sexual Exploitation and Abuse and Sexual Harassment (PSEAH) focal points participated in ten webinars addressing the topic of

Prevention of Sexual Exploitation and Abuse and Sexual Harassment. In addition, 109 Clear Check[1] country office focal points participated in 4 webinars on the Clear Check database and standard operating procedures. The intranet site was also updated to include the updated Clear Check guidance materials. A new SH interactive learning program was also designed, and a train-the-trainer session was conducted for 100 PSEAH focal points. In addition, 242 PSEAH focal points and relevant staff are active members of a daily interactive Teams space. This platform facilitates the sharing of best practices, expert advice, and information. Weekly one-hour live Teams sessions are conducted for PSEAH-engaged staff (e.g., focal points, project managers, HR officers) to address questions, with HQ experts in attendance. A special two-hour session, led by experts from the Bureau for Management Services (BMS) and the Bureau for Policy and Programme Support (BPPS), focused on engaging with implementing partners. This session equipped PSEAH staff with guidance on the partner capacity assessment tool, PSEAH guidelines concerning partners, and safeguarding.

60.   Management notes that procurement fraud[2] remains the highest category of newly reported cases (25.71 per cent) and substantiated cases (26.2 per cent) in 2023. 50 per cent of the received cases were not substantiated. To provide context, management wishes to highlight that 65 per cent of the substantiated procurement fraud cases pertain to vendors. Further, approximately 65 per cent of the substantiated fraud cases in the category of misrepresentation involved prospective vendors presenting fake documents at the time of bidding, and as such do not represent financial fraud by UNDP personnel. This indicates that UNDP vendor due diligence, and compliance and oversight measures are effective at the process level to identify vendor 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. Management continues to utilize centralized vendor due diligence at the corporate level by the GSSC with enhanced control capabilities in Quantum. In Quarter 1 of 2024, BMS/Office of Financial Management delivered a Fraud Awareness and Fraud Risk Management training in collaboration with an independent consulting firm. This training highlights UNDP's commitment to improving fraud awareness across the organization and our zero-tolerance policy towards fraud and corruption practices. The training is part of UNDP's anti-fraud strategy, and it complements our mandatory courses on similar topics.

61.   The following table sets out a comprehensive analysis of losses and recoveries in line with Executive Board decision 2017/17:

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[1] Clear Check is a UN system-wide database where UN entities include the names of former UN personnel whose conduct resulted or would have resulted in termination of their appointment or contract due to substantiated allegations of sexual misconduct and which aims at preventing their re-employment within the UN system.

[2] 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.

Report Year	OAI/IS cases	Estimated Loss, US$	Recoverable Amount, US$	2013-2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total Recovered US$
2013/14	17	4,109,220	3,420,905	27,761	-	13	3,220,653	-	-	-	-	-	-	3,248,427
2015	10	1,018,698	1,014,518	-	13,928	600	139,862	2,268	2,417	2,564	-	-	-	161,639
2016	11	1,462,532	1,445,545	-	-	42,101	179,064	2,425	4,290	-	-	-	-	227,879
2017	16	450,358	417,060	-	-	14,625	10,340	10,267	24,294	5,046	-	-	-	64,572
2018	20	629,408	204,926	-	-	-	-	18,372	7,220	-	-	-	-	25,592
2019	3	869,307	869,307	-	-	-	-	-	-	4,407	-			4,407
2020	5	19,088	19,088	-	-	-	-	-	-	6,067	13,030	-	-	19,097
2021	15	846,227	845,014	-	-	-	-	-	-	38,973	717	25,080	176,892	241,663
2022	7	123,098	123,098	-	-	-	-	-	-	-	-	-	9,372	9,372
2023	13	1,020,028	1,015,278	-	-	-	-	-	-	-	-	-	4,750	4,750
Total	117	10,547,964	9,374,740	27,761	13,928	57,339	3,549,919	33,332	38,221	57,058	13,747	25,080	191,014	4,007,398

62. As seen from the above table, UNDP recovered approximately 38.0 per cent of the estimated losses and 42.7 per cent of the recoverable amounts between 2013 and 2023.

63. 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.

64. 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 2023 for losses that occurred in prior years.

VIII. Conclusion

65. 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 2023 (DP/2024/11)

I. Management response to matters highlighted in the 2023 Annual Report of the Ethics Office

66. Management notes the 2023 achievements of the Ethics Office, including a series of new initiatives aimed at influencing UNDP's organizational culture such as the first Ethics Awareness and Communication Strategy, the first ever joint Ethics Awareness Month, and the pilot with a Regional Bureau to enhance support for field operations, and commends the Office for its wide outreach.

67. Management acknowledges the recommendation about the changes suggested by the Ethics Office in the current investigation procedures, following consultation with OAI. Management reiterates the organisation's commitment to continuously improve its relevant policies and legal framework and will continue its internal dialogue and consultations to revise and adapt existing processes, to ensure that the new arrangements are aligned with best practices in the UN system and achieve the desired results.

68. Management notes that, in 2023, live non-mandatory ethics training sessions have seen a new record of 6,411 participations. Management would like to particularly note the work of the Office in the following areas:
   - The Office's leadership role in developing the first-ever joint Ethics Awareness Month campaign alongside UNFPA and UNOPS;
   - 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 implementation of UNDP's 2023-2024 Strategies and Action Plan 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 Ethics Network of Multilateral Organizations (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.

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

C. 2023 Annual Report of the Audit and Evaluation Advisory Committee

I. Management notes the following to matters highlighted in the 2023 Annual Report of the Audit and Evaluation Advisory Committee (AEAC):

70. In 2023, the UNDP Audit and Evaluation Advisory Committee's terms of reference (ToR) were updated. The ToR outlines the AEAC's role in assisting the UNDP Administrator in fulfilling his responsibilities regarding oversight, financial management and reporting, internal audit and investigation, external audit, risk management, the evaluation and ethics functions, and systems of internal control and accountability. As noted by the AEAC in its Annual Report, the main role of the Committee is to advise the Administrator, taking into consideration policies, rules, regulations, and procedures applicable to UNDP (including United Nations Volunteers) and its operating environment, as well as its affiliate, the United Nations Capital Development Fund (UNCDF).

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

72. UNDP management acknowledges and appreciates the AEAC's advice on various aspects of UNDP operations, including risk management, enterprise resource planning, partnership strategies and financial management matters. The Committee's insights will continue to inform management deliberations.

73. Regarding the AEAC's comments about OAI's participation in the Risk Committee and access to its meeting minutes, management would like to note that OAI is invited to participate in Risk Committee meetings at the request of the Chief Risk Officer (who is the chair of the Risk Committee) for specific agenda items. Meeting minutes of the Risk Committee continue to be made available to OAI upon request.

74. Management acknowledges the AEAC's concerns over compound challenges resulting in setbacks to advancing the SDGs. Management will continue to closely monitor global economic trends and geopolitical developments to adapt our strategies and to ensure continued progress towards achieving the objectives set out in the Strategic Plan.

75. 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.

76. Management would like to welcome Dr. Nancy Onyango, Ms. Caroline Najm, and Ms. Theresa Panuccio who were appointed to the AEAC in 2023 and looks forward to working with them.

77. Management would also like to thank Mr. Fayezul Choudhury, Mr. Ashish Bali, and Ms. Ana Maria Elorrieta who left the AEAC in 2023, for their dedication and valuable contributions as members of the AEAC.