

# MANAGEMENT RESPONSE

## Organizational oversight reports

**Additional documents for this item:**

Report of the Internal Auditor – UNAIDS/PCB (48)/21.4, Report of the External Auditor – UNAIDS/PCB (48)/21.5, Report of the Ethics Office – UNAIDS/PCB (48)/21.6.

**Action required at this meeting—the Programme Coordinating Board is invited to:**

*Accept* the External Auditor Report for the financial year ended 31 December 2020;

*Take note* of the Internal Auditor Report for the financial year ended 31 December 2020;

*Take note* of the Report of the Ethics Office; and

*Take note* of Management’s Response to the oversight reports.

**Cost implications for the implementation of the decisions:** none

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## INTRODUCTION

1. As requested by the PCB at its 46th meeting, the present document contains Management's response to Oversight reports and should be read in conjunction of documents Report of the Internal Auditor – UNAIDS/PCB (48)/21.4, Report of the External Auditor (UNAIDS/PCB (48)/21.5, Report of the Ethics Office – UNAIDS/PCB (48)/21.6).
2. In line with PCB Decision taken at its 46th session (11.4 Requests the Executive Director to submit a written management response to the external and internal auditors' reports for all future PCB meetings within the agenda item "organizational oversight reports"), the present report provides an update of actions taken by the UNAIDS Secretariat to ensure full implementation of external and internal audit recommendations.
3. This report also includes an overview of the outcome of the investigations to which reference is made in the report of the Internal Auditor for the calendar year 2020 and Management's Response to the independent Ethics Office report.
4. The management of UNAIDS recognizes and wishes to express its appreciation to the Office of Internal Oversight Service (IOS) of the World Health Organisation for its continued support to UNAIDS through the independent audit assurance it provides.
5. The management of UNAIDS also recognizes and wishes to express its appreciation to the Office of the Comptroller and Auditor General of India for their support to UNAIDS through the independent external audit service they provide.
6. Management reiterates its commitment to strengthening internal controls and recognizes the importance and value added of audit recommendations.
7. Management appreciates the perspectives provided by the ethics office and its role in supporting a culture of integrity and accountability, including the need to "transform the culture of senior leadership itself" as highlighted in the independent ethics report.
8. Management is strongly committed to addressing the significant concerns raised by staff in the Global Staff Survey and is taking action to address these, including in the context of ongoing organizational change processes and initiatives, notably the alignment, culture transformation, Gender Action Plan (GAP), and continued implementation of the Management Action Plan for a healthy, equitable and enabling workplace for all UNAIDS staff (MAP).
9. Management recognises the importance of staff expressing their views and reiterates its commitment to creating an equal, safe and empowering environment for staff. This is the number one priority for the year ahead and the members of the Senior Leadership Team will hold themselves individually and collectively accountable for its success.
10. The report also contains an overview of actions taken by the Secretariat to further strengthen internal controls and accountability, and to ensure the effective use of resources.

## EXTERNAL AUDIT ACTIVITIES IN 2020

11. The external auditor audited UNAIDS financial statements for the year ended 31st December 2020 and performed a remote review of operations at Headquarters and at the Myanmar Country Office.

### Unmodified audit opinion on UNAIDS financial statements for the year ended 31st December 2020

12. 2020 was the ninth year that UNAIDS financial statements have been prepared based on IPSAS, which continues to provide greater transparency, increased accountability and a higher standard of financial reporting.
13. Management is pleased to note that the external auditor issued an “unmodified” or clean opinion on the UNAIDS Financial statements for the financial year ended 31 December 2020.

### External audit recommendations and management’s response

14. Pursuant to its review of operations at Headquarters and Myanmar Country Office, the external auditor issued eight recommendations in the areas of Unified Budget, Results and Accountability Framework, Ethics, Award Management, Country Office Myanmar, Strategic Result Areas targets and Procurement and Contract Management.
15. Management’s responses to audit observations and recommendations are outlined in the table below.

**Table 1: Management’s responses to external audit observations and recommendations**

Recommendations	Management’s response
<b>Performance reporting – Results and accountability framework</b>	
Recommendation 1: We recommend that UNAIDS should adhere to the UBRAF performance indicator guidance in reporting its performance and ensure better data quality, consistency and comparability.	<p>Management takes note of the recommendation that UNAIDS should better adhere to the UBRAF performance indicator guidance.</p> <p>Management, however, would also note that in regards to the <a href="#">UBRAF 2016–2021 indicator guidance</a>, while indicators are collected from all countries with functional Joint Teams on AIDS, the means of measurement are based on the collective responses of the countries.</p>
Recommendation 2: While appreciating the different reporting needs of the different stakeholders, we recommend that UNAIDS should consider improving the performance reporting system by balancing the need for concise reporting with the need for a more simplified and integrated report with enhanced visibility and readability.	Management agrees to consider enhancements to the performance monitoring system and will take the recommendation into account during the development of the new UBRAF 2022–2026 and its new performance and monitoring framework.
<b>Ethics</b>	

<b>Recommendations</b>	<b>Management's response</b>
<p>Recommendation 3: We recommend that UNAIDS should continue monitoring its action plan closely and enhance its efforts to achieve the goal of making UNAIDS a healthy, equitable and enabling workplace for all staff, free of any form of harassment or discrimination.</p>	<p>Management agrees with the recommendation and notes the recognition in the external audits that efforts are ongoing and have been for some time.</p>
<p>Recommendation 4: UNAIDS should continue to undertake concerted steps to encourage and enable staff to report misconduct, discrimination or harassment without any fear of retaliation.</p>	<p>Management agrees with the recommendation and notes the recognition in the external audits that efforts are ongoing and have been for some time.</p>
<b>Country Office Myanmar</b>	
<p>Recommendation 5: We recommend that Country Office Myanmar may continue to closely monitor the progress on the targets to prevent any slippage in the significant gains made so far on several indicators and to improve on some of the high-risk areas where progress was slow.</p>	<p>Management agrees with the recommendation to continue its current monitoring. The UNAIDS Myanmar Country Office closely scrutinizes the progress on targets to prevent any slippage in the significant gains made so far on several indicators, and will take concerted action if slow progress is identified in specific areas.</p>
<p>Recommendation 6: UNAIDS should ensure that the country data on key parameters, disclosed in various reports, should be consistent, complete, accurate and comparable.</p>	<p>Management takes note of the recommendation that country data on key parameters, disclosed in various reports, should be consistent, complete, accurate and comparable.</p>
<p>Recommendation 7: We recommend that the Award Manager / Project Manager may periodically review projects to ensure that a plan is available for utilization of funds and should take timely action in case the total amount is not expected to be spent by the end date.</p>	<p>Management notes that for the awards highlighted in the report the award manager had already initiated contact with the donors well in advance of the end date. The unexpected delay in extension was beyond the control of the award manager.</p> <p>Management accepts improvements can be made and will develop an automated system whereby managers will be notified if a less-than-optimal implementation rate occurs in relation to the award end date.</p>
<p>Recommendation 8: We recommend that UNAIDS may consider evaluating the performance of contractors diligently and in a timely manner. As suggested by the Country Office, UNAIDS could develop an organization-wide online platform for contractors' performance evaluation.</p>	<p>The Country Office wishes to highlight that, in all cases referred to in the report, the evaluation was actually undertaken. However, in some cases data had been inserted into the wrong section of a template.</p> <p>Management accepts the recommendation, as improvements can always be made. To this end the Secretariat will develop an organization-wide online contractors' performance evaluation platform, with mandatory fields, ensuring accurate completion and an easily accessible data set for future reference and oversight.</p>

## IMPLEMENTATION OF PAST EXTERNAL AUDIT RECOMMENDATIONS

16. In its report on the Financial Statements for the year ended 31 December 2019, the previous external auditor, the National Commission of the Philippines, issued five recommendations to enhance and improve UNAIDS' performance monitoring and reporting system under the 2016–2021 UBRAF and to effectively assess the adequacy of its actions in addressing the priorities and well-being of its staff.
17. In its report on the Financial Statements for the year ended 31 December 2020, the external auditor noted that of the five past external audit recommendations, three recommendations were being implemented and two recommendations were not implemented. Table 2 below provides Management's update, as at 28 May 2021.

**Table 2: Management's update on past external audit recommendations**

Recommendation	Management's comments
Management is to revisit and enhance the progress tracking, rating and reporting conventions of its achievements to ensure that the criteria and required processes established for the purpose are applied uniformly at the country level.	Recommendation is being implemented, noting that management had previously asked for the recommendations to be refined, as this concern is valid for only a limited part of the "tracking" conventions, relating to achievements and relates to only a minor part of the whole reporting package.
Management is to enhance alignment between the upcoming 2018–2019 PMR and the UNAIDS 2018–2019 Workplan and Budget by linking country targets' progress to the UBRAF indicator set in addition to the latest Global Indicator data.	Management has provided information on how progress was reported in the 2018–2019 PMR against the UNAIDS 2018–2019 Workplan and Budget and considers this recommendation closed, as it related to previous biennium. However, efforts will be made in future reporting periods to enhance alignment.
Management is to ensure that future reporting efforts are supported by well-established data collection and review processes to ensure that information is better managed.	<p>Recommendation is being implemented with all efforts being made to ensure reporting remains informed by well-established data collection and review.</p> <p>Management notes that the new external auditor's interpretation of the previous audit recommendation suggests broader requirements that are not fully consistent with internationally agreed processes for country data collection, PCB requirements or go beyond UNAIDS mandate, and what lies within its control and capacities.</p> <p>Should this recommendation remain open, as communicated earlier, management asks for this recommendation to be refined. UNAIDS is to continue efforts to ensure reports are informed by well-established data collection and review processes.</p>

Recommendation	Management's comments
Management is to reconcile ratings and achievements provided in the PMR with that of the UNAIDS Transparency Portal to validate the accuracy and reliability of information provided to stakeholders.	Corrective actions have been taken and management regards this recommendation as having been implemented.
Management is to push forward the implementation of the MAP, especially on the areas where there is less progress, to address, among others, the staff priority issues and concerns identified in staff surveys, with the end view of achieving the vision of a healthy, equitable and enabling workplace for all UNAIDS staff.	Implementation is ongoing, as reflected in the latest recommendation from the audit undertaken in 2021. Management will continue to report on progress and results, principally through the annual report to the PCB on strategic human resources issues.

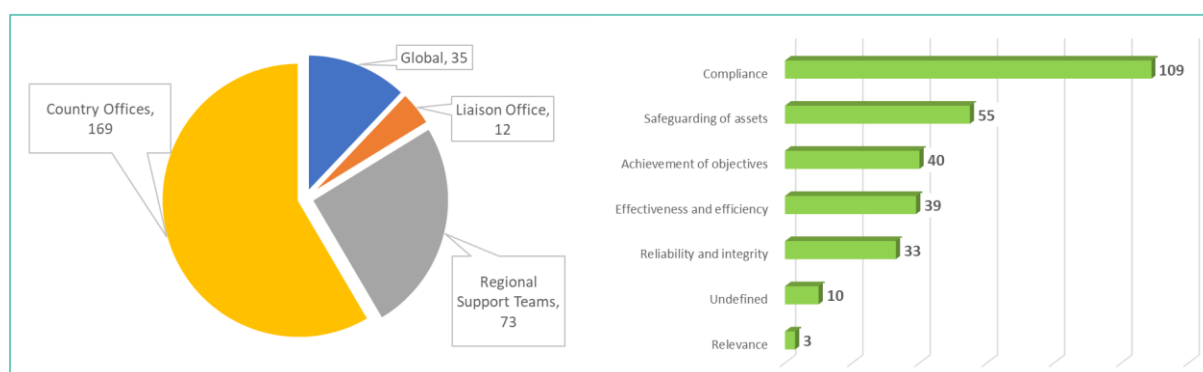
## INTERNAL AUDIT ACTIVITIES IN 2020

### Internal audit reports and advisory reviews issued in 2020

18. Management is pleased to note the improvements compared to 2019 highlighted by IOS, particularly as in relation to:

- the overall conclusions on 2020 audits;
- the significant decrease in the number of controls with a high level of residual risks; and
- the increase in the overall effectiveness of individual internal controls, up to 68% in 2020 compared to 50% in 2019.

**Figure 1: A total of 289 recommendations closed since May 2020, by Office and type**



19. Management is taking measures to swiftly implement recommendations issued by the Internal Auditor in 2020, with a focus on recommendations with high residual risk, in relation to audits of the African Liaison Office, Ethiopia and Côte d'Ivoire Country Offices and advisory reviews undertaken in the Congo and South Africa Country Offices.

20. Furthermore, a holistic approach to common audit findings is taken, such as procurement-related issues, award management and overall compliance with rules and regulations.



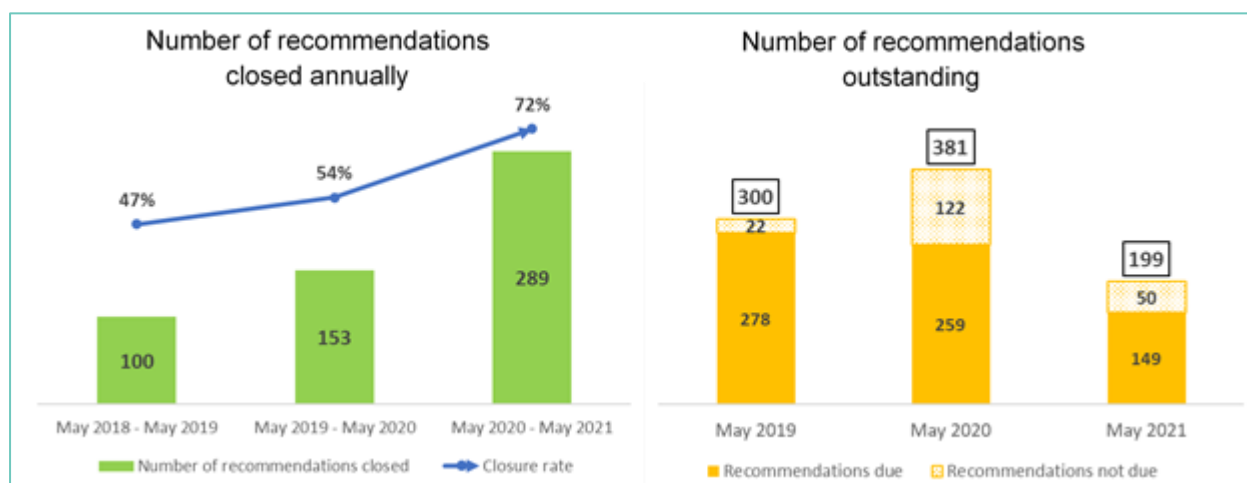
21. Management agrees with the recommendations from the audit report on data management at UNAIDS, which are in line with the overall direction of activities already planned. However, regarding the conclusion on appropriate staffing and communication (paragraph 13.a), Management considers this statement is not fully supported by other findings in the report, i.e. "Staff have a good technical knowledge and data is verified by involving all key stakeholders" (paragraph 26). Many of the recommendations relate to minor enhancements, including improved documentation, and will be implemented by the end of the year. Other recommendations will require more time, as their implementation will be impacted by the ongoing alignment exercise.
22. As at 20 May 2021, owing to actions from the Secretariat, IOS closed 40 out of the 107 recommendations issued in 2020, including recommendations from advisory reviews.

## IMPLEMENTATION OF PAST INTERNAL AUDIT RECOMMENDATIONS

### Increased closure rate over the period 2020–2021

23. Management welcomes the progress highlighted in the report of the internal auditor and reiterates its commitment to further reduce the number of recommendations outstanding.
24. Significant progress was achieved in the follow-up to past internal audit recommendations during 2020–2021. According to IOS' report for 2020, seven audit reports and a total number of 289 recommendations were closed since May 2020, reaching an unprecedented 72% closure rate compared to previous periods.

**Figure 2: Closure rate and trend since May 2019**



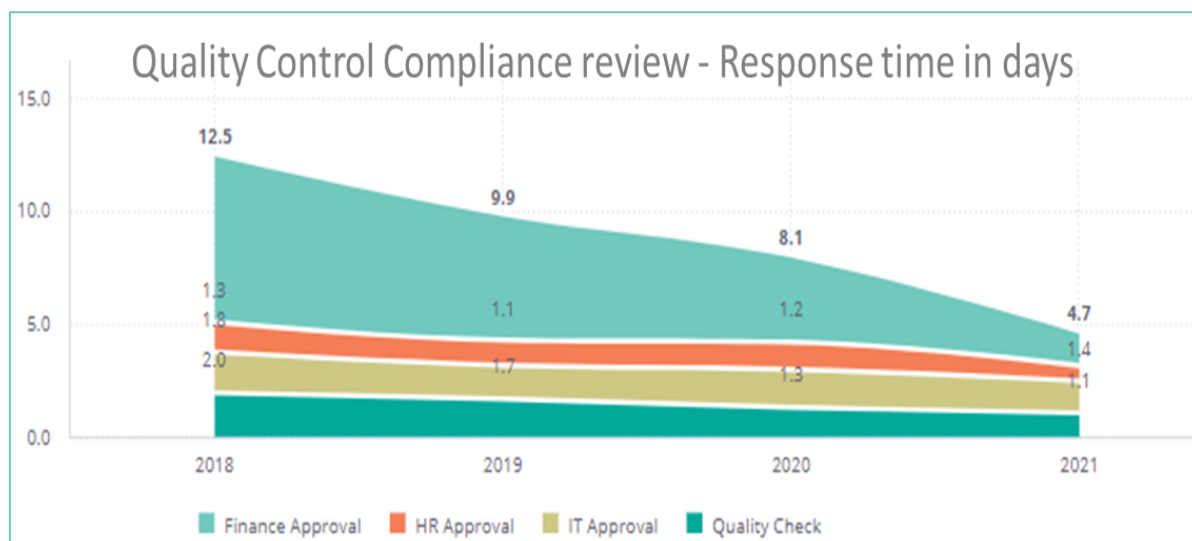
25. As at 27 May 2021, the Secretariat had submitted 31 additional recommendations to IOS for closure.
26. These positive results were achieved thanks to the measures taken by Management to further strengthen support, coordination and accountability in the follow-up of audit recommendations. Examples of measures taken include:
- regular monitoring by Senior Management, supported by the development of management dashboards that provide both visual and detailed information on outstanding audit recommendations at Country, Regional and Headquarters levels;
  - proactive coordination from the Geneva Global Centre and strong support from Regional Support Teams to Country Office Teams; and
  - coordinated responses to recurrent audit recommendations.

## Old outstanding recommendations

27. Management is pleased to note that the percentage of recommendations open and overdue has dropped from 21% in 2020 to 6% as of 20 May 2021.
28. In paragraph 34 of its report, IOS highlighted nine old, outstanding recommendations.
- The recommendation from the audit of the Country Office in the United Republic of Tanzania relates to VAT recovery, which process is managed by UNDP on behalf of UNAIDS in the country. The Country Office continues to follow up closely with UNDP on this matter.
  - Three recommendations are noted outstanding from the Resource Mobilization audit, relating to guidelines on amplifiers, resource mobilization targets and benchmarking of practices, and specialized training on resource mobilization. Regarding the guidelines on amplifiers, UN Headquarters is currently revising system-wide guidelines and UNAIDS will update accordingly once those are released. The new resource mobilization strategy for 2021–2026 is being developed and will be translated into operation plans, with specific targets for existing and new core and noncore donors. A benchmarking of practices was completed as part of an internal review of the resource mobilization strategy in 2020, and specialized training activities are being launched.
  - Finally, of the five recommendations outstanding from the audit report of the Ghana Country Office, four were submitted to IOS for closure as at 26 May 2021. Actions to close the remaining recommendation are ongoing and will be finalized at the earliest opportunity to fully close the audit.
29. IOS agreed to close several old recommendations, as UNAIDS Management confirmed that the current level of residual risk was acceptable and that, due to changes in circumstances, the recommendations were now outdated. For example, the overwhelming use of data applications for communications renders the recommendations made in the “Telephone expenses at Headquarters” audit obsolete.

## MANAGEMENT’S RESPONSE TO RECURRENT INTERNAL AUDIT FINDINGS

30. Management is continuously taking measures to further improve accountability and strengthen internal controls. In relation to the recurrent audit findings, the following is a summary of actions taken or planned.
- a) Procurement
- *Delegation of Authority and accountability.* In 2020, the delegation of authority related to procurements undertaken by Country Offices was revised to speed up the process flows and empower Country and Regional Teams to make decisions responding to their needs and situations, while ensuring, wherever possible, that only those accountable and with the required delegation of authority are involved.
  - In addition, the Quality Control Compliance review on purchase requisitions was decentralized from Headquarters (Geneva) to some regions, with a view to increase efficiency through closer support and a quality control review process. In a recent survey to submitting units, 82% of respondents agreed that this decentralization had speeded up the review process. This improvement is quantifiably demonstrated in the graphic below, which is taken from the quality control dashboard (another enhancement implemented this year), which tracks, in real time, the processing for the various stages by region or branch, and which highlights where bottlenecks occur.

**Figure 3: Procurement Quality Compliance review response times, in days**

- *E-signatures.* Electronic signatures were rolled out to support UNAIDS’s business continuity plan during the COVID-19 outbreak. The introduction of e-signatures further contributed to streamlining processes for efficiency gains with the reduction of paper-based approvals.
- *Guidance and procurement-related information.* A new, automated communication process on procurement-related policies and procedures updates was implemented to ensure that staff have easy access to a repository of the latest procurement-related information. In addition, a procurement “toolbox” was developed to provide a practical step by step guidance on procurement-related processes in the ERP.
- *Procurement planning.* Planning will be reinforced to achieve more efficient procurement. Management also notes that the new WHO Management System, to be rolled out in 2022, will include enhanced procurement planning functionality. Management will ensure involvement in the process design and configuration of the system to promote the inclusion of UNAIDS requirements.
- *Monitoring.* Management dashboards were developed to increase transparency and facilitate monitoring of implementation and compliance of procurement-related processes, including information on the duration and noncompliance of internal validation processes. Automatic email alerts will be developed to support timely follow-up of procurement-related activities and processes, such as alerts on upcoming payments, actions exceeding standard lead times, etc.

b) Award Management

- Creation of a Framework for the appointment of Awards Managers and Award Administrators to ensure that those accountable are provided with clear guidelines and are aware of their responsibilities.
- The Framework and supporting guidance on the Award Manager role and responsibilities will clearly outline what they will be accountable for and assessed on.
- New award management dashboards will be rolled out in Q3 2021 providing up-to-date information on award implementation rates and ongoing contracts.
- A system of automated notifications to award managers will be implemented in Q3 2021 providing alerts related to upcoming report dates and lower than expected implementation rates.

c) Performance management, recruitment process and job descriptions

- Building on lessons learned, the Secretariat re-introduced fully-fledged Assessment Centres for UNAIDS Country Director (UCD) positions in 2019, with the first batch of UCD appointments based on the new roster in 2020.
- To facilitate a wider range of candidates, the Secretariat hired an executive search company for two Regional Director positions (in eastern and southern Africa, and in eastern Europe and central Asia) in 2020.
- In the 2020 mobility exercise, greater attention was placed on matching staff members to positions for which they have distinct skills, taking into consideration not only the job descriptions, but also country-specific needs.
- To ensure business continuity during the alignment process, the use, when appropriate, of temporary recruitments was approved by the Executive Director.

d) Declaration of Interest from experts under UNAIDS contracts

Final clarifications as to the process and templates to request the Declaration of Interest from experts are underway. As noted in the IOS report, management projects this to be finalized and rolled out by the third quarter of 2021.

e) Internal controls and risk management

- In line with Financial Regulations and accounting best practice, a Statement of Internal Controls, endorsed by the UNAIDS Executive Director, was included in the 2020 Audited Financial Statements. The Statement addresses the overall effectiveness of internal controls for the Organization, based on reviews and assurances provided in internal control self-assessment checklists, and via attestations of internal control from Regional and Department Directors.
- In conjunction with the internal control self-assessments, and as part of the overall accountability framework, the most recent risk assessment was undertaken at the end of 2020 by all Departments, and by Regional and Country Offices. The consolidated risk register and findings were then reviewed and endorsed by the Risk Management Committee.

## OUTCOMES OF INVESTIGATIONS

31. Reference is made to the WHO Report of the Internal Auditor for 2020. In 2020, 11 reports of concern involving UNAIDS operations and resources were received and reviewed by WHO IOS. Management notes with satisfaction the considerable decrease in the overall number of reports of concerns reported by IOS in 2020. At the same time, the relative increase in the number of reports relating to allegations of harassment and sexual harassment is disconcerting. Of the 11 reports of concern, IOS reports that seven were found to be unsubstantiated, with four cases remaining under investigation.
32. For a comprehensive overview of action taken on investigative and other findings or irregular practices and conduct in 2020, reference is made to the Annual Report on Corrective administrative action, including disciplinary measures imposed in 2020 [UNAIDS/PCB (48)/CRP2 and UNAIDS/PCB (48)/CRP3].
33. In order to further strengthen collaboration and improve service levels and quality in relation to investigative and other oversight work, WHO IOS and the UNAIDS Secretariat are in the process of finalizing a Memorandum of Understanding (MOU) that will govern the provision of investigation services to UNAIDS. The MOU will set out timeframes for the conclusion of investigations pertaining to UNAIDS staff members and will also provide a framework for qualitative analysis towards identifying possible root causes and

structural/ systemic weaknesses over the course of IOS investigative activities, and towards addressing them.

## MANAGEMENT'S RESPONSE TO THE INDEPENDENT ETHICS OFFICE REPORT

34. UNAIDS recognizes the important role of the Ethics Officer in advising and supporting staff and teams, overall promoting knowledge and accountability regarding the organization's rules, policies and procedures. Management is grateful for the work of the interim ethics officer in this period of transition, including his report to the PCB, which is the first to be submitted directly to the PCB under the standing agenda item on organizational accountability, established in June 2020.
35. Management supports the ambition to cultivate a culture of ethics, including through awareness raising and training activities. As noted the Management Action Plan's theory of change, "When multiple activities to promote knowledge, skills and inclusive behaviours reach all staff members (layered interventions), these act synergistically and accelerate progress towards the goals of the Action Plan."<sup>1</sup> The ethics office has, for example, participated in education and socialization of the new policy on Preventing and Addressing Abusive Conduct.<sup>2</sup> Management is also grateful for the role of the ethics office vis-à-vis supporting the management of potential conflicts of interest, and this will be an area of continued focus.
36. The Executive Director recognizes the hard work and multiple burdens faced by staff in the past year related to the successful finalization of the new Global AIDS Strategy, preparation and mobilization for the High-Level Meeting on AIDS, consultations to shape the alignment of the Secretariat, and, in addition, managing the ongoing implications of the global COVID-19 pandemic, both personally and in their professional capacities. As noted in the report, the Executive Director is very concerned in particular about the survey's reports of alleged abuse of power and harassment, and why some groups within UNAIDS have more negative experiences in the organization.
37. Senior management is fully committed to addressing the concerns of staff summarized in this report and elsewhere, in particular those identified through the Global Staff Survey that was implemented in late 2020. The survey findings have been discussed in Cabinet and by the Senior Leadership Team, and are being used to inform actions vis-à-vis the organization's culture transformation agenda, reinforced emphasis and support to staff well-being, and continued awareness-raising in connection with the new strengthened policy prohibiting harassment, sexual harassment, discrimination and abuse of authority. These activities and workstreams are all connected to the ongoing implementation of the Management Action Plan for a healthy, equitable and enabling workplace for all UNAIDS staff. To ensure that the priorities and actions identified as part of the Global Staff Survey debrief sessions and Culture Transformation discussions are implemented and actioned, Cabinet and Senior Leadership Team members are expected to enter relevant priorities in their performance appraisals for the 2021/22 review cycle, addressing and monitoring key action areas. The reports to the PCB on strategic human resources management issues provide further detail on the organization's actions in these and related areas, which include concerted organizational efforts towards ensuring more consistent policy application, strengthening accountability, due diligence and transparency, as well as

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<sup>1</sup> "Update on progress in the implementation of the Management Action Plan", June 2019. UNAIDS/PCB (44)/19.6, p.4. Available online:

[https://www.unaids.org/sites/default/files/media\\_asset/UNAIDS\\_PCB44\\_MAP\\_EN.pdf](https://www.unaids.org/sites/default/files/media_asset/UNAIDS_PCB44_MAP_EN.pdf)

<sup>2</sup> For further detail, see "Update on strategic human resources management issues", June 2021. UNAIDS/PCB (48)/21.15, para.45-46.

ongoing global outreach to staff to ensure duty of care. These factors also *inter alia* contributed to a considerable decrease in internal litigation in 2020 compared to previous years. Recognizing that behaviour and organizational culture change takes time, management will continue to assess progress vis-à-vis staff experience and views and adjust its activities accordingly.

## **MANAGEMENT RESPONSE TO THE ANNUAL REPORT OF THE INDEPENDENT EXTERNAL OVERSIGHT ADVISORY COMMITTEE**

38. In future, the oversight committee will provide an annual report under this agenda item. While not relevant for this year, we are including this section to indicate that it will be included in coming years.

## **CONCLUSION**

39. Management is pleased with the unqualified audit opinion from the External Auditor on the 2020 financial statements and welcomes external and internal audit recommendations that support the strengthening of internal controls, the effective use of resources and the quality of reporting.
40. Management reiterates its commitment to continue improving the timely implementation of audit recommendations and will continue to take measures in this regard.
41. Management is committed to continuing its work to address the issues identified in the Global Staff Survey, using the organization's culture transformation initiative and ongoing implementation of the Management Action Plan as important vehicles for ensuring the Secretariat is providing a safe, equal and empowering workplace for each person in its workforce.

*[End of document]*