



**Executive Board of the
United Nations Development
Programme, the United Nations
Population Fund and the United
Nations Office for Project Services**

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Internal audit and investigation

UNDP: Annual report of the Office of Audit and Investigations on internal audit and investigation activities in 2019

Summary

This report provides information on the activities of the Office of Audit and Investigations for the year ended 31 December 2019. It includes an opinion, based on the scope of work undertaken, concerning the adequacy and effectiveness of the UNDP framework of governance, risk management and control; a concise summary of work; and the criteria that support the opinion (decision 2016/13).

As requested by the Executive Board in decision 2018/13, the report includes supporting analysis of the opinion, its risk assessments, and how complaints are reported to the office. The scope of work includes oversight of the United Nations Volunteers programme, the United Nations Office for South-South Cooperation and the United Nations Capital Development Fund.

The report addresses requests made by the Board in previous decisions, such as adherence to a statement of conformance with the internal audit standards; a view on whether the resourcing of the audit function is appropriate, sufficient and effectively deployed to achieve the desired internal audit coverage: timely information on challenges in discharging oversight responsibilities; a review of recruitment procedures; and a presentation of the organizational risk assessment (all requested in decision 2015/13).

The report also includes the titles of all internal audit reports issued during 2019, and ratings received (decision 2013/24); and cases of fraud and actions taken in cases of misconduct (decision 2011/22).

The management response to this report is presented separately, as requested in decision 2006/13. The annual report of the Audit and Evaluation Advisory Committee, prepared in accordance with the guidelines contained in the UNDP accountability framework (DP/2008/16/Rev.1), is appended to this report.

Elements of a decision

The Executive Board may wish to: (a) take note of the present report; (b) express continuing support for the internal audit and investigation functions of UNDP; and (c) take note of the annual report of the Audit and Evaluation Advisory Committee.

* Reissued owing to the impact of COVID-19 on meetings.

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Appendix (available on the Executive Board website)

Annual report of the Audit and Evaluation Advisory Committee for 2019

Introduction

1. The UNDP Office of Audit and Investigations submits to the Executive Board its annual report on internal audit and investigation activities for the year ended 31 December 2019. The report also contains information requested in decisions of the Executive Board, as noted herein.

I. Assurance in UNDP

Mandate of the Office of Audit and Investigations

2. The Office of Audit and Investigations (the office) aims to provide UNDP with an effective system of independent and objective internal oversight to improve the effectiveness and efficiency of its operations in achieving its developmental goals and objectives. The purpose, authority and responsibility of the office are defined in the charter approved by the Administrator. As required by the international standards of the Institute of Internal Auditors, the charter reflects all activities and areas of responsibility of the Office of Audit and Investigations.

3. The international professional practices framework of the Institute of Internal Auditors stipulates that the chief audit executive must report to a level within the organization that allows the internal audit activity to fulfil its responsibilities, and must confirm to the Executive Board, at least annually, the organizational independence of the internal audit activity.

4. The office confirms its organizational independence. In 2019, it was free from interference in determining its audit and investigation scope, performing its work and communicating its results.

5. All audit staff completed the Statement of Integrity, Objectivity, and Confidentiality for 2019, certifying their adherence to the code of ethics and core principles of the Institute of Internal Auditors and to the UNDP code of ethics.

6. The office has an effective quality assurance and improvement programme that covers both internal audit and investigation functions. Post-audit client surveys conducted in 2019 showed that clients were satisfied with the conduct of audits.

7. The office continued to receive good support from UNDP senior management. The Director participated in meetings of the Organizational Performance Group (with other oversight office heads), which enabled discussions on long-outstanding recommendations and other significant audit-related matters with potential risk to UNDP. The office held periodic meetings with the Associate Administrator to share audit and investigations results. It also held meetings with the Bureau for Management Services and regional bureaux to discuss key and recurring audit and investigation issues.

8. The Audit and Evaluation Advisory Committee, an external independent oversight body of UNDP, provided advice to the Administrator on maximizing the effectiveness of UNDP internal audit and investigation functions. In 2019, the committee reviewed the 2019 annual work plan of the office and its implementation through quarterly progress reports. In accordance with its terms of reference, the committee held private sessions with the Director of the office during each of its periodic meetings in 2019.

Coordination with external auditors

9. UNDP external auditors (the United Nations Board of Auditors) continued to rely on audits of the Office of Audit and Investigations and its quality assurance review processes for third-party audits* of projects implemented by non-governmental organizations or national governments.

* “Third-party audits” refers to audits that are conducted neither by nor on behalf of the Office of Audit and Investigations. The audits of projects implemented by non-governmental organizations and national governments are conducted by supreme audit institutions or audit firms engaged and managed by UNDP country offices.

Basis for providing independent assurance to the Administrator

10. To provide assurance on governance, and risk management and control, the annual work plan of the office for 2019 covered the appropriate combination of business units, functions and activities at the headquarters, regional and country levels; directly implemented projects; and grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria. Following review by the Audit and Evaluation Advisory Committee, the annual work plan for 2019 was approved by the Administrator.

Organizational risk assessment for annual work planning (decisions 2019/2 and 2015/13)

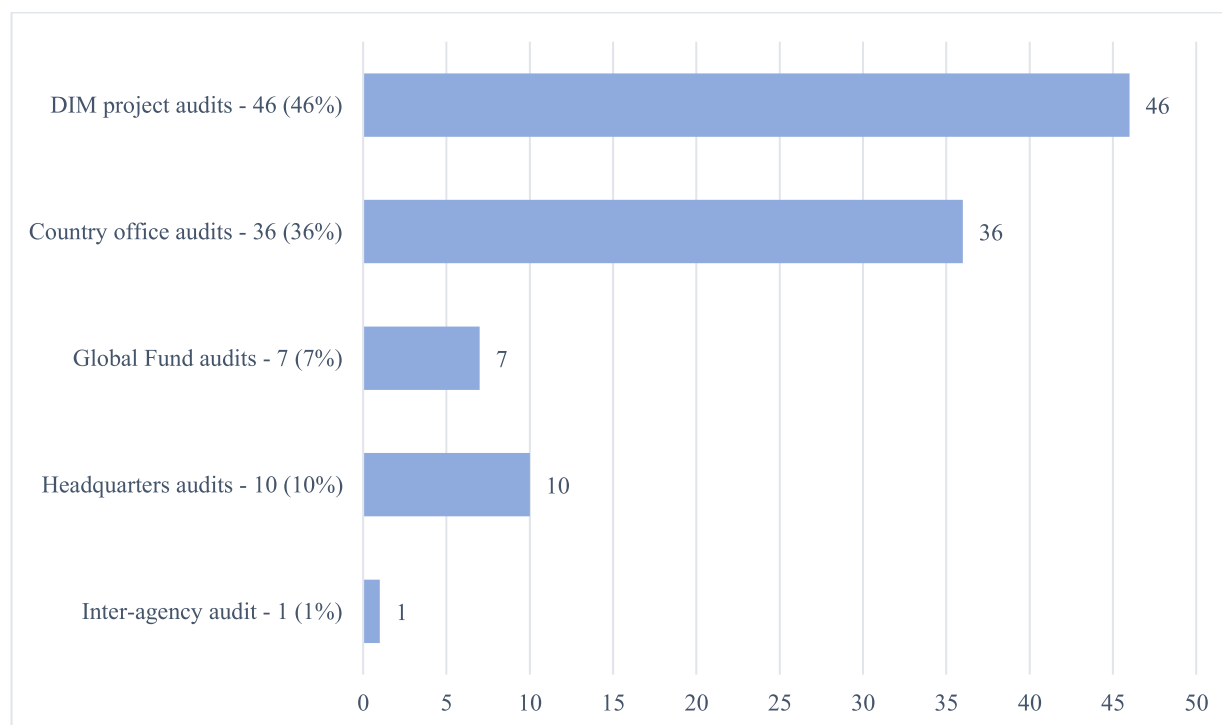
11. The Office of Audit and Investigations formulated the 2019 audit plan after conducting a comprehensive risk assessment of its auditable areas in UNDP, including the United Nations Volunteers programme, the United Nations Office for South-South Cooperation, and the United Nations Capital Development Fund. The office undertook the planning process in a participative manner, holding a series of discussions with senior management and heads of concerned bureaux on the results from risk assessment models. The office also consulted the United Nations Board of Auditors to ensure proper audit coverage of UNDP and to minimize duplication of efforts in providing assurance to the Administrator and the Executive Board.

12. The risk assessment methodology covered the risk assessment process, from risk identification to risk measurement and risk ranking. Both quantitative and qualitative risk indicators were used – classified as strategic, contextual, political, operational and financial – in line with the UNDP enterprise risk management categories of risks. The final selection of audits may be adjusted after consultation with management. To distribute resources efficiently, entities ranked ‘very high risk’ are generally audited every two years; those ranked ‘high risk’ every three years; ‘medium risk’ every four to five years; and ‘low risk’ every five to six years.

Audit reports issued

13. In 2019, the office issued 100 audit reports: 10 headquarters audits (10 per cent); 36 country office audits, including one follow-up report (36 per cent); seven Global Fund audits (including two consolidated reports) (7 per cent); 46 audits of directly implemented projects (one of which pertained to the United Nations Capital Development Fund) (46 per cent); and one inter-agency consolidated report (1 per cent) (see figure 1). In accordance with decision 2013/24, annex 2 presents the titles and ratings of all internal audit reports issued in 2019.

14. Since most of the audit reports issued in 2019 covered activities of UNDP offices during 2018, the audit results generally reflected the status of programmes and operations in that year. The 85 country-level audits (country office audits, directly implemented project audits, and Global Fund audits) covered about \$2.9 billion (55 per cent) of approximately \$4.7 billion in UNDP field-level expenditures. An additional \$1.2 billion in expenditures was covered by third-party audits of non-governmental organizations and nationally implemented projects. The combination of country level audits and third-party audits leads to a combined coverage of \$4.1 billion.

Figure 1. Number, percentage,[†] and type of audit reports issued in 2019

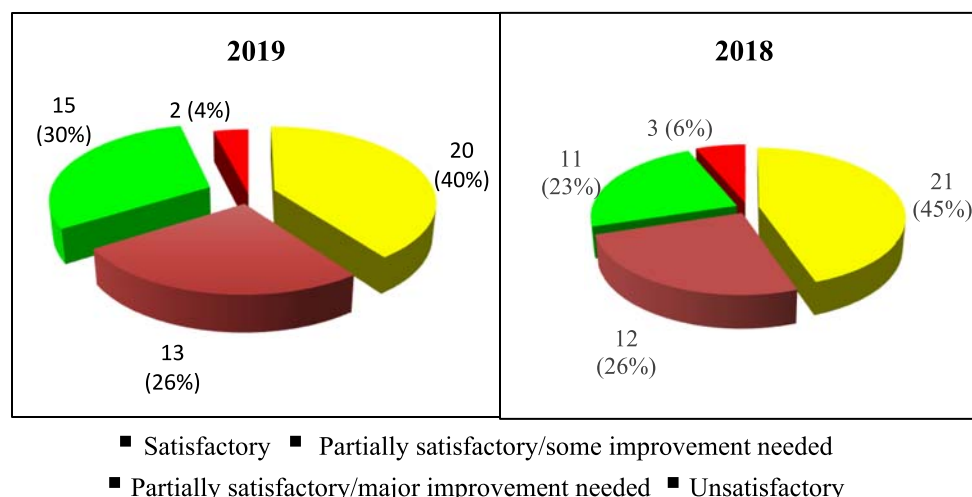
DIM = Directly implemented

Audit rating

15. Based on audit results, the office assigns an audit rating to applicable reports that reflects the adequacy and effectiveness of the governance, risk management and control processes at the audited-entity level. Ratings are not assigned to follow-up audits, solely financial audits of directly implemented projects, interagency audits and consolidated reports of several audits.

16. Of the 100 reports, 50 did not contain an overall rating. Of the remaining 50 reports, 15 (30 per cent) had a 'satisfactory' rating; 20 (40 per cent) had a 'partially satisfactory/some improvement needed' rating; 13 (26 per cent) had a 'partially satisfactory/major improvement needed' rating; and two (4 per cent) had an 'unsatisfactory' rating (see figure 2). The comparison of the distribution of audit ratings in 2019 with that of 2018 shows an increase in 'satisfactory' ratings; a decrease in 'partially satisfactory/some improvement' and a slight increase in 'partially satisfactory/major improvement' ratings (by 0.5 per cent); and a slight decrease in 'unsatisfactory' ratings (by 2 per cent). There were two reports with 'unsatisfactory' ratings (a country office audit and a Global Fund project audit).

[†] The ratio (converted into a percentage) between the number of reports by audit type and the total reports issued.

Figure 2. Comparison of audit ratings (2019 versus 2018)

II. Disclosure of internal audit reports

17. In 2019, UNDP publicly disclosed 99 internal audit reports, one report was withheld (UNDP Information Security, Report No. 2045), two reports were partially redacted because they contained sensitive information. There were 5,303 visits to the disclosure webpage in 2019 (3,685 unique visitors), which was lower than the 5,580 visits in 2018 (3,840 unique visitors).

III. Staffing and budget

18. As of 31 December 2019, the office had a total of 88 approved posts.

Recruitment process

19. Of those 88 posts, 82 were encumbered and six (6) were vacant at the end of 2019. Recruitment of these six vacant posts was completed as of 31 December 2019; five newly recruited staff will join the office in the first quarter 2020 and one will join in the second quarter 2020. In 2019, the average vacancy rate was 6.8 per cent (against a target of 7 per cent), and the average time that staff positions had remained vacant was 4.3 months (against a target of six months).

Budget

20. In 2019, the office had an overall approved budget of \$20.6 million[‡] funded from institutional budget resources (see figure 3 for a breakdown).

21. The office received an additional \$1.26 million for the audit and investigation of UNDP activities funded by Global Fund grants. The Global Fund allocation covered the funding of staff and operating costs for three audit specialist positions and one investigation advisor, based in Dakar, Istanbul, Pretoria and New York.

22. A total of approximately \$0.83 million in direct audit costs was charged to the respective budgets of directly implemented projects audited in 2019.

[‡] The Office of Audit and Investigations' portion of rent is \$971,000, which is excluded from this figure.

Figure 3. Resources in 2019, excluding Global Fund

Category	Millions of United States dollars
Audit	10.7
Investigations	7.8
Management and support	2.0
Audit and Evaluation Advisory Committee	0.1
Total	20.6

IV. Significant internal audit results

A. Headquarters audits

23. The office conducted ten headquarters audits in 2019. Of those, four were performance audits covering the Crisis Bureau, the resident representative/resident coordinator delinking process, UNDP travel management, and the early recovery projects (Yemen).

24. The audits of the Crisis Bureau, the management of outsourced information and communications technology (ICT) services, the management of ICT services outsourced to the International Computing Centre (ICC), and the resident representative/resident coordinator delinking process resulted in an overall rating of ‘satisfactory’.

25. The audit of ICT governance, UNDP information security, Sustainable Development Goals data management, and UNDP travel management resulted in an overall rating of ‘partially satisfactory/some improvement needed’. For the audit of Sustainable Development Goals data management, this rating was due to weaknesses in the governance of Sustainable Development Goals data collection, including the terms and guidance in defining the UNDP role in this process. For the audit of UNDP travel management, the rating was based on instances of non-compliance with UNDP policies and procedures.

26. The audits of UNDP treasury management and early recovery projects (Yemen) both resulted in an overall rating of ‘partially satisfactory/major improvement needed’. For the audit of UNDP treasury management, immediate action was taken for the issues identified, except for the medium risk recommendations concerning agency funding and the deactivation of bank accounts, which remained open at the end of the year. For the audit of early recovery projects in Yemen, the rating was based on weaknesses in monitoring and oversight of achievements; access to beneficiary data; partial implementation of the harmonized approach to cash transfers (HACT); ineffective management of cash advances; and the requirement to continuously monitor community health, safety and security.

27. The 10 headquarters audit reports resulted in 23 recommendations, nine of which (39 per cent) were ranked ‘high priority’.

B. Country office audits

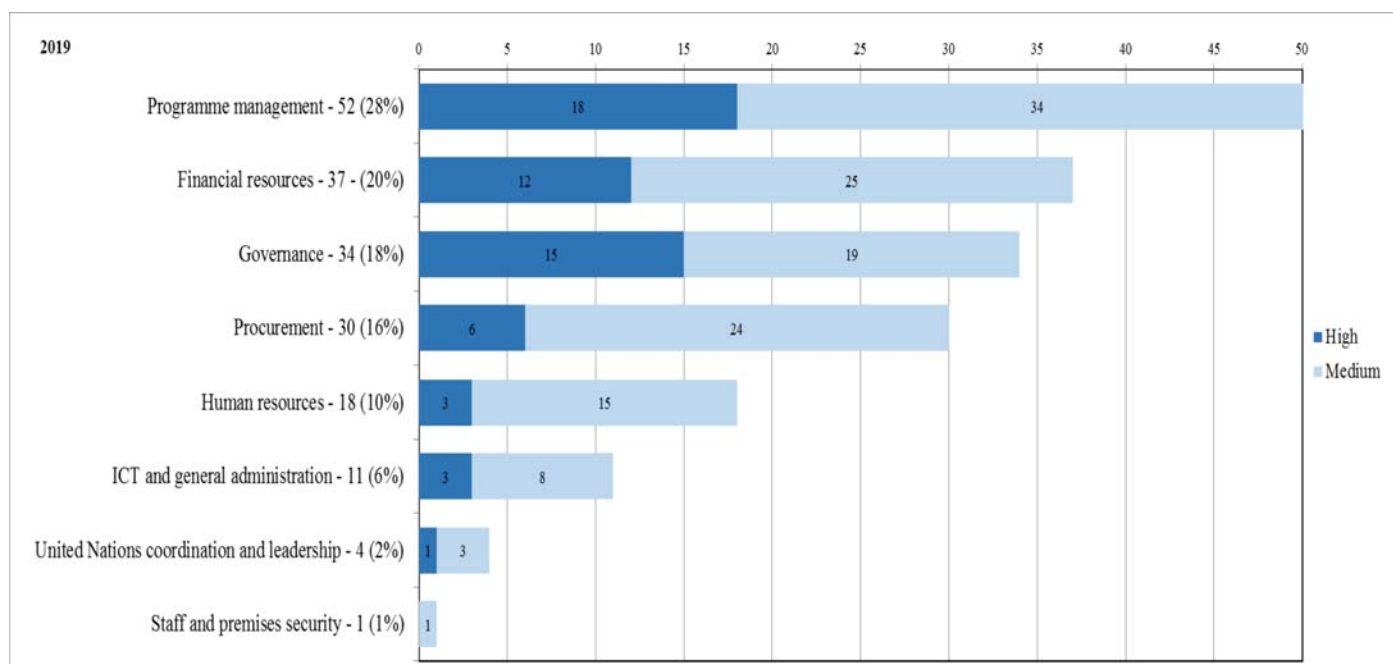
28. The 36 country office audit reports issued in 2019 included 35 audits of general scope and one follow-up audit. Figure 4 groups significant issues (recurrent in at least five offices) by audit area.

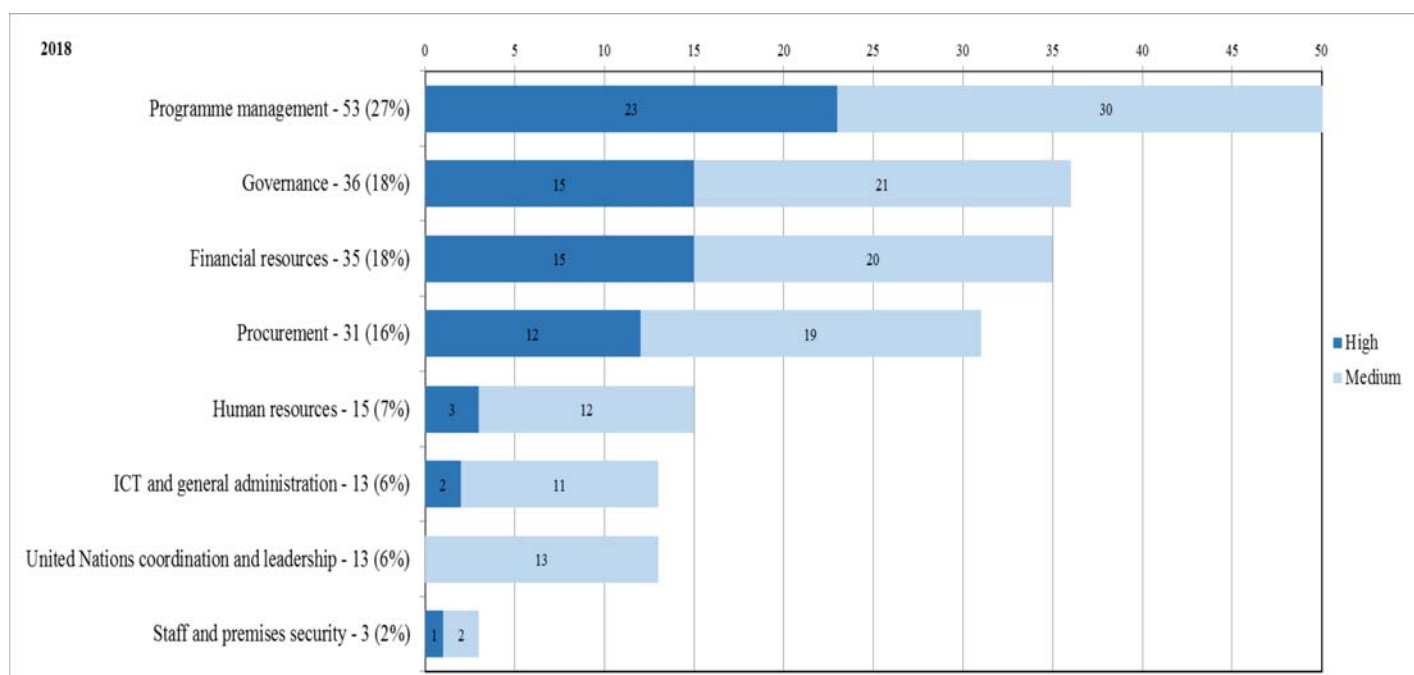
Figure 4. Recurrent country office audit issues

Audit area	Recurrent audit issues
Programme/project management	- Weakness in programme and project management, such as weak project monitoring, delays in project implementation and poor project design (28 offices). - Delays in the closure of completed projects in the Atlas system (6 offices).
Procurement	- Inadequate controls in procurement management, such as weaknesses in the review by the Contracts, Assets and Procurement Committee (including completing procurement training and use of Advisory Committee on Procurement (ACP) procurement platform), shortcomings in the sourcing of suppliers, including due diligence and ensuring correct use of requisitions and purchase orders (17 offices). - Inadequate procurement planning (9 offices)
Financial management	- Weaknesses in financial management, such as inadequate control over cash transfers, incomplete implementation of direct project costing and exceptions in the bank reconciliation (20 offices).
Governance	- Financial sustainability concerns, weaknesses within the control environment, including lack of segregation of duties, inefficiencies within the organizational structure, including updating reporting lines, finalizing recruitment and strengthening coordination between units (18 offices).
Human resources	- Weaknesses in human resource management, such non-completion of salary surveys, non-completion of UNDP mandatory training, weaknesses within recruitment processes, including ensuring process is transparent and documented, and lapses in the management or service contracts (11 offices).

29. The above audits resulted in 187 recommendations, 58 (31 per cent) of which were rated ‘high priority’. Figure 5 provides a thematic breakdown of the recommendations for 2018 and 2019.

Figure 5. Distribution and prioritization of country office audit recommendations in 2018 and 2019 internal audit reports





C. Global Fund audits

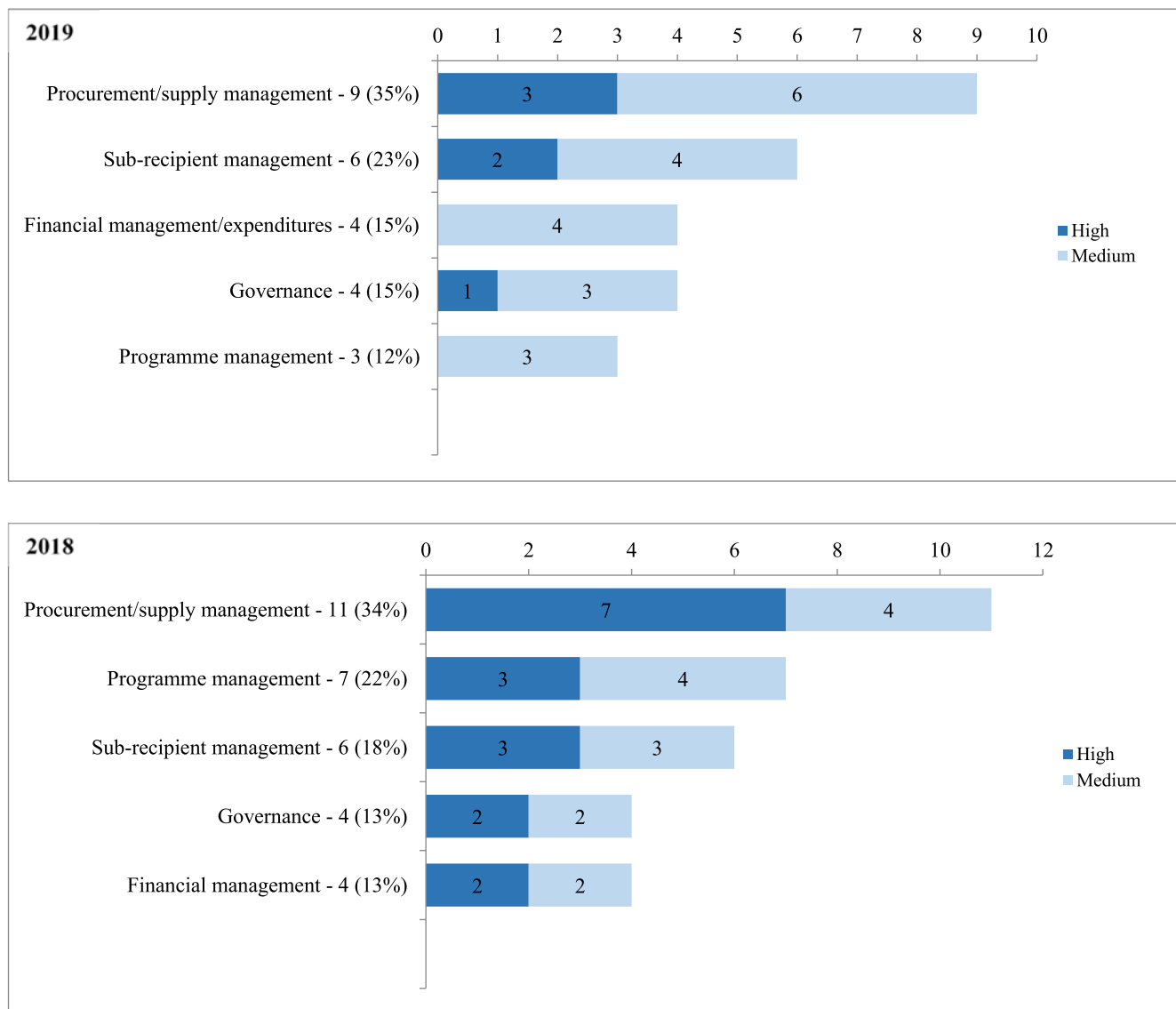
30. The office issued seven Global Fund audit reports (five country office and two consolidated reports) in 2019. They covered the management of Global Fund grants in four country offices (three in Africa and one in Asia). Figure 6 lists significant issues (recurrent in at least three offices), grouped by audit area.

Figure 6. Recurrent Global Fund audit issues

Audit area	Recurrent audit issues
Procurement and supply chain management	Weaknesses in procurement and supply chain management, such as lapses in quality assurance of health products, inadequate control over inventory management (3 offices).
Sub-recipient management	Weaknesses in sub-recipient management, such as lapses in their selection and monitoring (3 offices).

31. The seven audit reports related to grants managed by UNDP as principal recipient contained 26 recommendations (six 'high' and 20 'medium'), 15 (58 per cent) of which were in the areas of: (a) procurement and supply chain management; and (b) sub-recipient management. The significant issues are grouped, according to audit area, in figure 7.

Figure 7. Distribution and prioritization of Global Fund audit recommendations in 2018 and 2019 internal audit reports



D. Project audits

32. In 2019, 46 projects were audited separately and not as part of a country office audit, with total audited expenditure amounting to \$623 million. Of those, 45 were directly implemented by UNDP and amounted to \$619.4 million. The remaining project, which was directly implemented by the United Nations Capital Development Fund, amounted to \$3.6 million.

33. All of the 46 projects were audited by audit firms contracted by the office, resulting in 40 unqualified (including the one project directly implemented by the United Nations Capital Development Fund), four qualified, and two adverse opinions. The qualified and adverse opinions resulted in a total net financial misstatement of \$10.6 million, or 2 per cent of the total audited expenditure (\$619.4 million), down from \$45.4 million, or 8.6 per cent of the total audited expenditure (\$528.1 million) in 2018. Of the total financial misstatement in 2019, 82 per cent

(\$8.7 million) was related to one project managed by the UNDP Programme of Assistance to the Palestinian People.

34. The audits of the 46 directly implemented projects resulted in 42 recommendations of which 11 are ‘high’ and 31 ‘medium’, with a significant number of recommendations (31 per cent) in the area of financial resources management, such as expenses recorded in incorrect accounting period, overstatement or understatement of the Combined Delivery Report (CDR) and value added tax not recovered. The audit of the project directly implemented by the United Nations Capital Development Fund resulted in one recommendation.

E. Inter-agency audits

35. In 2019, the Office of Audit and Investigations issued a report on delivering-as-one in Papua New Guinea, conducted by the internal audit services of several United Nations organizations.

36. Since 2010, based on audit frameworks agreed with members of the United Nations Representatives of Internal Audit Services, the office has issued 26 inter-agency audit reports covering selected multi-partner trust funds; delivering-as-one; and HACT.

V. Follow-up to audit recommendations

37. The overall implementation rate of audit recommendations was 90 per cent as of 31 December 2019, which was below the rate achieved in 2018 (95 per cent). The rate covered all reports issued by the office from 1 January 2017 to 30 November 2019.

38. There were 10 recommendations that had not been fully implemented for 18 months or more as of 31 December 2019 (see annex 3), compared to four in 2018. Of the 10 recommendations, six (two ‘high priority’ and four ‘medium priority’) pertained to the audit of the UNDP clustering process. The remaining recommendation pertained to an audit of government cost-sharing management (two ‘high’ recommendations) and the Regional Bureau for Latin America and the Caribbean (two ‘medium’ recommendations).[§]

39. Eight recommendations from audit reports issued between 2017 and 2019 were withdrawn in 2019. They were withdrawn after sharing the considerations with the Director of the office (see figure 8); five recommendations were withdrawn as they were no longer applicable. The remaining three recommendations were withdrawn for the following reasons: change in circumstances (one case); and acceptance of residual risk by management (two cases). A more detailed presentation is included in annex 4.

Figure 8. Number of recommendations withdrawn in 2019

Year report issued	No. of recommendations
2017	1
2018	6
2019	1
Total	8

[§] The situation reported is as of 31 December 2019.

VI. Review of audits of projects executed by non-governmental organizations and/or national governments

40. The audits for fiscal year 2018 were conducted by supreme audit institutions or audit firms engaged and managed by UNDP country offices. As of 31 December 2019, the office had received 717 audit reports, with 13 reports ‘outstanding’ (from the UNDP offices in the Central African Republic, Cyprus, Gabon and Yemen).

Results of review

41. Of the 717 reports received, the office reviewed 306 in depth, representing \$1.00 billion in expenses (88 per cent of the audited expenses).

42. Review letters from the Office of Audit and Investigations were issued to all 90 country offices that had submitted project audit reports. Figure 9 shows the number of countries that received ‘satisfactory’, ‘partially satisfactory’, and ‘unsatisfactory’ reviews for fiscal years 2017 and 2018. The review encompassed four elements: (a) strength of existing internal controls; (b) timely follow up of audit recommendations; (c) compliance with audit scope requirements; and (d) timely administration of the audit exercise.

Figure 9. Results of assessment of the quality of audit reports of non-governmental organizations/nationally implemented projects

Rating	Overall rating			
	Fiscal year 2018 (Audits conducted in 2019)		Fiscal year 2017 (Audits conducted in 2018)	
	Number of countries	%	Number of countries	%
Satisfactory	64	71	73	74
Partially satisfactory	16	18	15	15
Unsatisfactory	10	11	10	10
Total number of country offices	90	100	98	100

Key audit issues in non-governmental organization/nationally implemented projects, and actions taken

43. The audit reports of non-governmental organizations/nationally implemented projects that were reviewed in detail contained 977 issues. Fifty-one per cent of the issues pertained to financial management.

44. The office monitored the actions taken by country offices to implement the audit recommendations. As of 31 December 2019, 62 per cent of the 977 audit issues had been implemented or were no longer applicable.

Audit opinions and net financial misstatement

45. For the reports with modified opinions, the office calculated the total net financial misstatement for fiscal year 2018 to be a net overstatement of \$1.7 million (compared to \$25.9 million for fiscal year 2017), or 0.1 per cent of the total audited expenditure (\$1.20 billion). The net financial misstatement of \$1.7 million for fiscal year 2018 related to an overstatement of \$3.7 million for 21 country offices and an understatement of \$2.0 million for three country offices. The qualifications

were due mainly to unsupported expenses (21 projects), or expenditure recorded incorrectly and incorrect recording of advances or expenses (nine projects).

Country offices where the harmonized approach to cash transfers is fully implemented

46. For financial year 2018, 23 country offices (Argentina, Bangladesh, Bhutan, Bosnia and Herzegovina, Cambodia, Cape Verde, China, the Democratic Republic of the Congo, Egypt, India, Indonesia, Kenya, Malawi, Malaysia, Morocco, Rwanda, Samoa, Sri Lanka, the United Republic of Tanzania, Thailand, Uruguay, Viet Nam and Zimbabwe) had fully transitioned to HACT and applied the corresponding assurance activities as prescribed in this approach.

47. As of 31 December 2019, the office had completed the review of 110 HACT audit reports. Of those reports, 83 were related to financial audits and 27 to internal control audits. The auditors provided 'unmodified' opinions for 79 of the 83 financial audit reports reviewed.

VII. Investigations

48. During 2019, the office opened 370 new cases, equalling the previous highest number recorded in 2015, and carried over 256 cases from 2018, bringing the 2019 caseload to 626.

49. The office closed 274 of those 626 cases in 2019. At the end of 2019, 352 cases were carried over to 2020 (see figure 10).

Figure 10. Office of Audit and Investigations caseload, 2018 and 2019

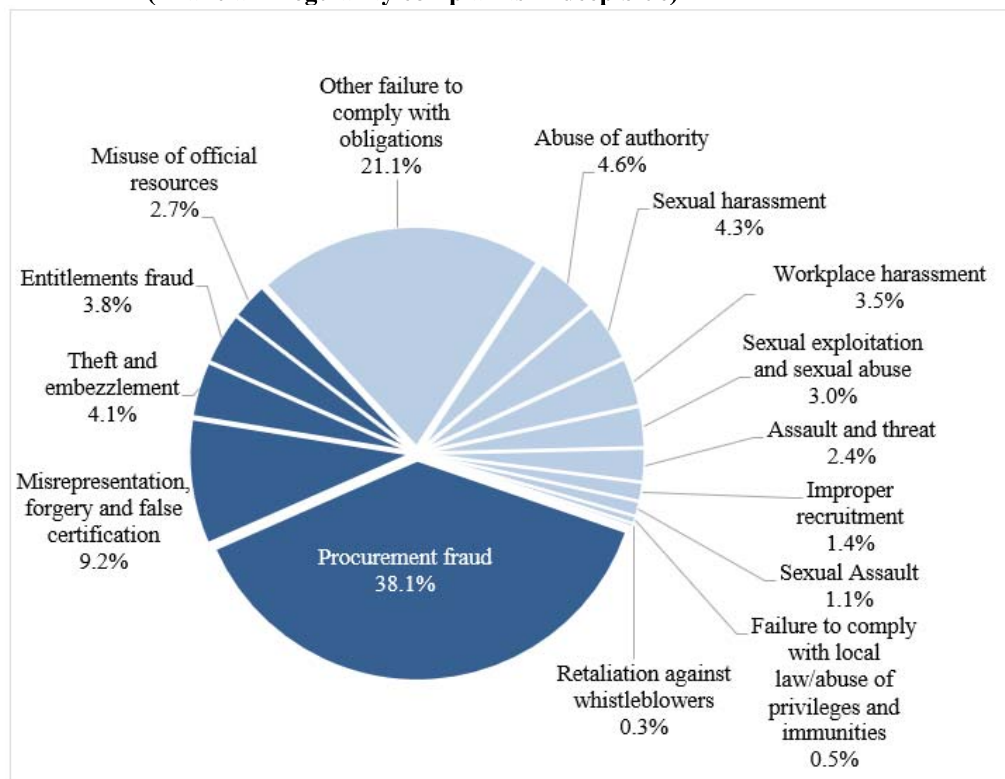
Caseload	2018	2019
Carry-over as of 1 January	226	256**
Intake during the year	294	370
Total cases during the year	520	626
Closed (from cases carried over)	175	172
Closed (from intake)	88	102
Total closed	263	274
Carried forward as of 31 December	257	352

Types of complaints

50. Complaints are reported to the office by mail, email, telephone, personal interactions and referrals. Complaints relating to financial irregularities (procurement fraud; theft and embezzlement; misuse of official resources; misrepresentation, forgery and false certification; and entitlements fraud) constituted 57.9 per cent of the cases received by the office in 2019, a 3.9 percentage point increase compared to the 54.0 per cent recorded in 2018. Complaints relating to sexual misconduct (sexual assault, sexual harassment and sexual exploitation and abuse) constituted 8.4 per cent of the cases received by the office in 2019, a 2.5 percentage point decrease compared to the 10.9 per cent recorded in 2018 (see figure 11).

** One case from the carry-over was archived in the investigations database as it consisted of the same allegations against the subject of another case currently under investigation.

**Figure 11. Types of complaints received in 2019^{††}
(financial irregularity complaints in deep blue)**



51. In 2019, the office received the most complaints from the Africa region (101 cases), followed by Arab States (79 cases), Europe and the Commonwealth of Independent States (48 cases), Asia and the Pacific (36 cases), and Latin America and the Caribbean (19 cases). Sixty-six complaints involved staff members or other personnel on UNDP contracts assigned to other United Nations organizations. The office received 21 complaints involving headquarters staff (see figure 12).

^{††} Entitlements fraud includes medical insurance fraud, rental subsidy fraud, educational grant fraud, and other fraud committed in connection with the benefits and entitlements provided to UNDP personnel. Misrepresentation, forgery and false certification includes actions such as submitting false documentation of expenses for reimbursement on project implementation, misrepresenting employment experience, submitting fraudulent bid documents, and forging signatures on overtime forms. Misuse of official resources includes using official property, assets, equipment or files – including electronic files or data – for private benefit or in a way that is detrimental to UNDP. Other failure to comply with obligations encompasses cases such as not declaring a conflict of interest with a vendor, not cooperating with an investigation, and engaging in outside employment without authorization.

Figure 12. Complaints received in 2019, by region

	Number of complaints received
Africa	101
Arab States	79
Other United Nations organizations	66
Europe and the Commonwealth of Independent States	48
Asia and the Pacific	36
Headquarters	21
Latin America and the Caribbean	19
Total	370

Processing of cases

52. Of the 274 cases that were closed in 2019, 70 cases (26 per cent of the cases finalized) were closed after an initial assessment because there was insufficient evidence of wrongdoing to justify an investigation, the allegations did not fall within the mandate of the office, or an investigation was not warranted.

53. The remaining 204 cases were closed as a result of an investigation in which 116 cases (56.9 per cent) were found to be unsubstantiated. Of the remaining cases, 84 cases (41.2 per cent) resulted in 79 investigation reports establishing evidence of misconduct or other wrongdoing.^{‡‡} In addition to the 84 cases substantiated through investigation reports, the office issued one financial loss report^{§§} and three options letters^{***} (see figure 13).

54. The office set a target to close 50 per cent of the cases under assessment within three months and 50 per cent of the cases under investigation in under one year.^{†††} Of the 70 cases closed after assessment, 38.6 per cent were finalized within the key performance indicator target of three months.^{‡‡‡} Of the 204 cases closed as a result of an investigation, 65.2 per cent were finalized within the key performance indicator target of under one year.

55. At the end of 2019, 60 cases were still under assessment and 292 under investigation.

^{‡‡} For cases involving vendor collusion, the reviewing body, the Vendor Review Committee, requested that the office produce one report irrespective of the number of vendors involved in the same collusion. Therefore, seven cases were substantiated by two reports.

^{§§} A financial loss report is a report whereby a loss of funds to the organization is established but where the responsible party has not been identified. A case resulting in a financial loss report is considered substantiated.

^{***} Options letters are instruments by which UNDP personnel, against whom there is evidence of wrongdoing, are given an option to resign with specific conditions, including a commitment to reimburse any financial loss resulting from the wrongdoing, instead of facing the consequences of a full investigation and a possible disciplinary process. A case resulting in the issuance of an options letter is considered substantiated.

^{†††} This is in accordance with the UNDP Legal Framework, Chapter III, Section 1.4, which states, “To the extent possible, depending on the complexity of a case and the availability of investigative resources, the period between the date the allegations of wrongdoing are reported to OAI [the office] and the completion of the investigation should not normally exceed 270 working days.” There are roughly 260 working days in one calendar year, therefore the office has used one calendar year (365 calendar days) as its metric for investigations.

^{‡‡‡} This number is explained by the increased case intake and the fact that the office took action to finalize aging cases under assessment.

Figure 13. Disposition of cases

Actions taken	No. of cases 2018	No. of cases 2019
<i>After assessment</i>		
Closed, investigation not warranted	57	57
Referred to other United Nations organizations	-	10
Referred to other UNDP offices		3
Total	57	70
<i>After investigation</i>		
Closed (<i>not substantiated</i>)	128	116
Closed (<i>substantiated</i>)		
- Submitted to Legal Office	27	19
- Submitted to country offices	18	13
- Submitted to the Vendor Review Committee	30	35
- Submitted to other organizations	2	14 ^{§§§}
- Submitted to other UNDP offices	1	4
- Options letter issued	-	3 ^{****}
Subtotal (<i>substantiated</i>)	78^{††††}	88^{††††}
Total cases closed after investigation	206	204
Total cases closed during the year	263	274
Investigation reports issued	78	80^{§§§§}
Management letters issued	8	3

Substantiated cases

56. The misconduct identified in the 88 substantiated investigation cases was mainly procurement fraud (37 cases, or 42 per cent); misrepresentation, forgery and false certification (12 cases, or 14 per cent and other failure to comply with obligations (10 cases, or 11 per cent) (see figure 14). A summary of the substantiated investigations in 2019, by type of allegation, is included in annex 5.

^{§§§} Due to the nature of the case, it was reviewed by another United Nations organization on behalf of UNDP.

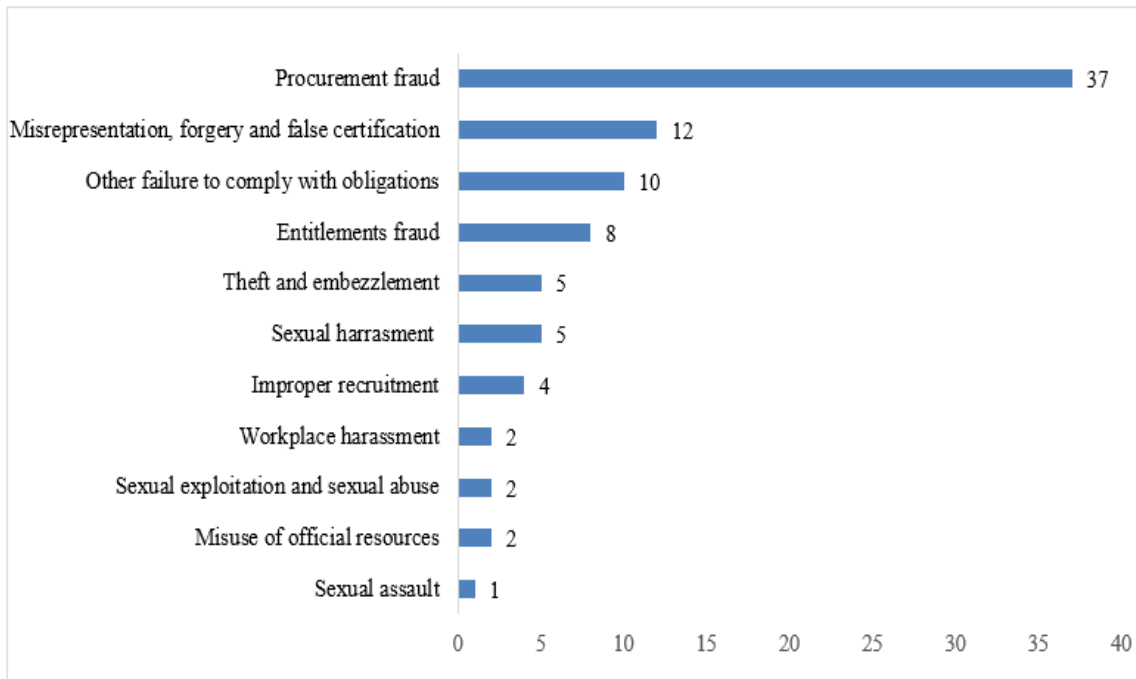
^{****} Options letters are instruments by which UNDP personnel, against whom there is evidence of wrongdoing, are given the option to either resign under certain conditions, including a commitment to reimburse any financial loss resulting from the wrongdoing, or be subjected to a full investigation and possible disciplinary process.

^{††††} The office issued one financial loss report in 2018.

^{††††} The office issued one financial loss report in 2019.

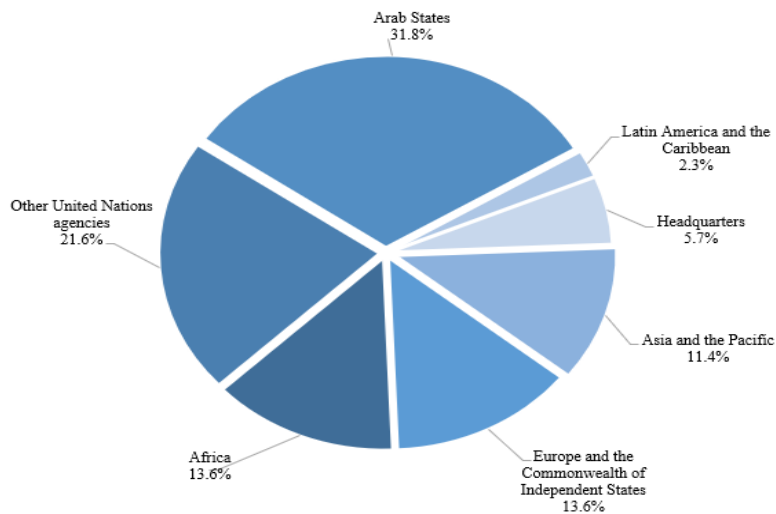
^{§§§§} Seventy-nine (79) investigation reports established evidence of misconduct or other wrongdoing. In addition, one case resulted in an investigation report, even though the allegations were not substantiated, due to procedural requirements.

Figure 14. Cases substantiated in 2019, by category



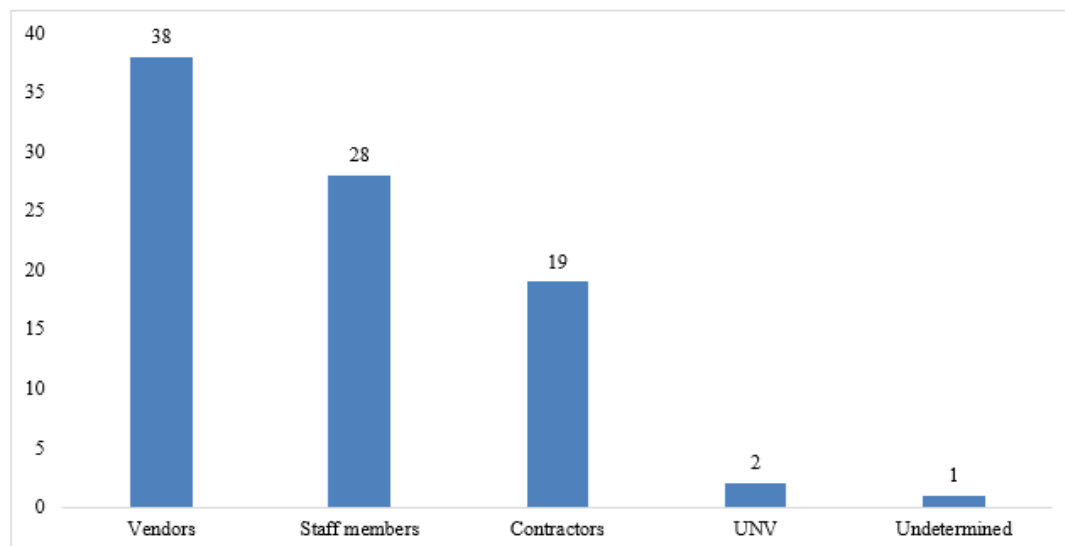
57. Of the 88 substantiated cases, 31.8 per cent (28 cases) occurred in the Arab States region, 21.6 per cent (19 cases) in other United Nations organizations, 13.6 per cent (12 cases) in the Africa region, 13.6 per cent (12 cases) in the Europe and the Commonwealth of Independent States region, 11.4 per cent (10 cases) in the Asia and the Pacific region, 5.7 per cent (5 cases) at Headquarters and 2.3 per cent (2 cases) in the Latin American and the Caribbean region (see figure 15).

Figure 15. Cases substantiated in 2019, by region



58. The 88 substantiated cases involved 28 staff members (UNDP staff and staff for whom the office received a delegation of authority to investigate),^{*****} 38 vendors,^{†††††} 19 contractors (13 service contract holders and six individual contractors) and two United Nations Volunteers (see figure 16). In one case, the subject was undetermined by 31 December 2019.

Figure 16. Cases substantiated by contractual status



Sexual misconduct

59. In 2019, the office opened 31 cases related to sexual misconduct (16 sexual harassment complaints, 11 sexual exploitation and abuse complaints, and four complaints related to sexual assault). This is one less complaint of sexual misconduct than 2018, when the office opened 20 complaints of sexual harassment and 12 complaints of sexual exploitation and abuse (see figures 17 and 18).^{†††††} In addition, the office carried over 14 sexual misconduct cases from 2018 to 2019 (nine sexual harassment complaints and five sexual exploitation and abuse complaints).

60. In 2019, the office substantiated eight cases of sexual misconduct (five sexual harassment cases, two sexual exploitation and abuse cases, and one sexual assault case). This is an increase of one case compared to 2018, when the office substantiated seven cases of sexual misconduct (four sexual harassment cases and three sexual exploitation and abuse cases). The office closed a total of 30 cases related to sexual misconduct in 2019. Seven sexual harassment complaints, five sexual exploitation and abuse complaints, and three sexual assault complaints were carried over to 2020.

^{*****} Six cases involved staff members in other United Nations organizations that held UNDP letters of appointment.

^{†††††} For three cases related to vendors in other United Nations organizations, the office submitted investigation reports to the relevant offices.

^{†††††} 2019 was the first year that sexual assault was reported as a separate category.

Figure 17. Sexual harassment cases received, 2012-2019

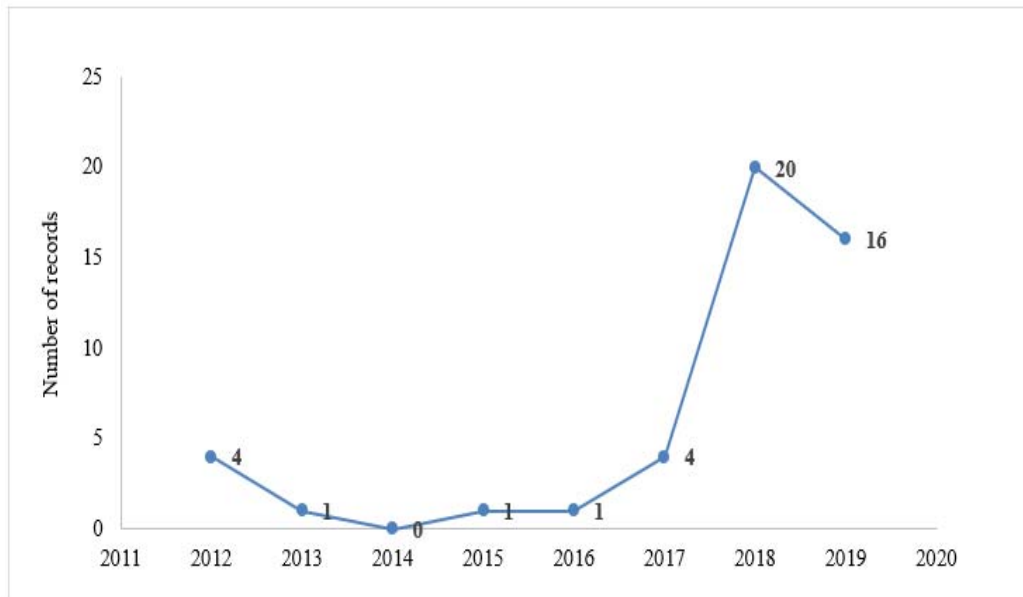
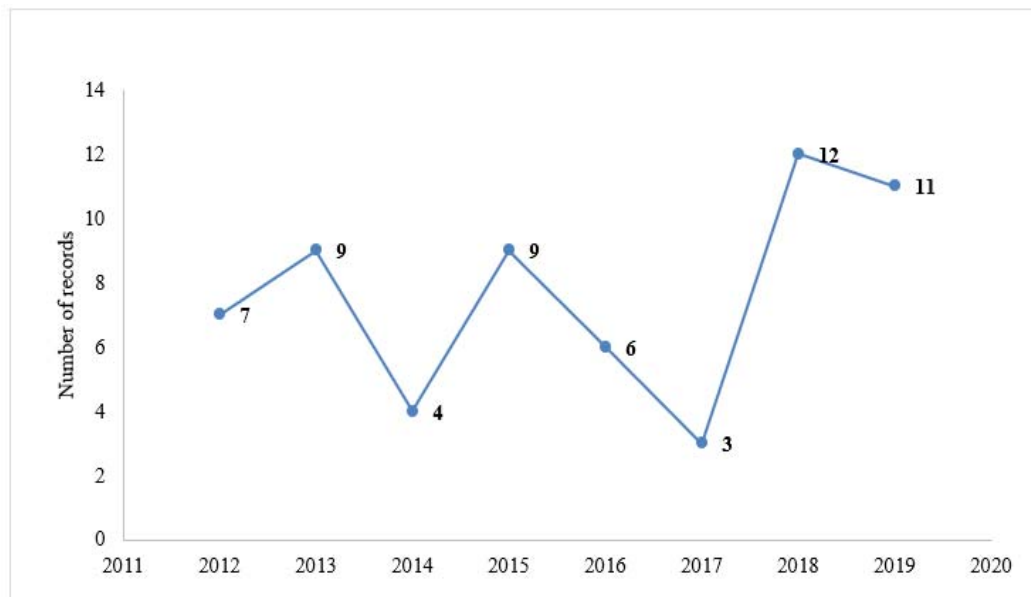


Figure 18. Sexual exploitation and sexual abuse cases received, 2012-2019



Management letters

61. In 2019, the office issued three management letters to concerned business units to address weaknesses in internal controls, as noted in the investigations conducted by the office. Two of the management letters concerned recommendations for improving the country office's procurement processes and one of the management letters concerned recommendations for strengthening security measures in the country office premises.

Financial losses and recovery (decisions 2014/21 and 2015/13)

62. The total financial loss for UNDP that was substantiated in investigation reports from the office during 2019 amounted to \$869,307. According to the Office of Financial Resources Management, Bureau for Management Services, the total financial loss from investigation reports that were submitted from 2013 to 2019 was \$8,549,226, of which \$7,408,910 was deemed recoverable by the Legal Office. Of the \$7,408,910, \$3,712,828 has been recovered, slightly more than 50 per cent of the loss.

Actions taken in cases of misconduct (decision 2011/22)

63. Follow-up actions taken by other offices of UNDP (the Legal Office, the Ethics Office, country offices, the Vendor Review Committee, and regional bureaux) in the cases substantiated by the office are detailed below.

64. Based on the 20 investigation reports concerning staff members, one staff member was dismissed and two were separated from service. A letter was placed in the file of one staff member who had separated prior to the completion of the investigation, indicating, pursuant to Article 72 of the Legal Framework, that they would have been charged with misconduct had they remained with the organization. One staff member was exonerated of the allegations. Of the remaining 14 reports, 13 were still under review by the Legal Office at the end of 2019. One report, due to a conflict of interest, was under review by the legal office of another organization.

65. As a result of the 13 reports that the office submitted to country offices, seven service contract holders had their contracts terminated. Three service contract holders and one individual contract holder had either resigned or been otherwise separated prior to the finalization of the investigation. One service contractor received a reprimand and a written warning. One report was still under review by a country office at the end of 2019.

66. Of the 30 reports submitted by the Office to the Vendor Review Committee in 2019, nine were finalized and closed by the end of the year, resulting in 16 vendors and agents sanctioned. In addition, 12 vendors from the remaining reports received an interim suspension pending finalization by the committee.

67. Of the three reports submitted by the office to another UNDP office in 2019, one individual contract was not renewed, one individual contract expired, and one individual contract holder had resigned before the investigation report was issued.

68. Out of three investigation reports submitted to the United Nations Volunteers Advisory Panel on Disciplinary Measures in 2019, two received letters of censure and no action was taken on the remaining report. Out of the ten investigation reports submitted to other United Nations organizations, one resulted in a termination and three were opened for investigation. The remaining six investigation reports were under review at the end of the year.

Social and environmental compliance

69. In 2019, the Social and Environmental Compliance Unit (SECU) registered one new case for a total of twelve registered cases, of which nine are open. The open cases are from Bosnia and Herzegovina, Cameroon, the Congo, Jordan, Malawi, Mauritius, Myanmar, Panama and Uganda. In 2019, one case from Argentina was determined to be ineligible for a compliance review. Three cases, from Bosnia, Panama and Uganda, have completed the investigation phase with the UNDP Administrator's decision and are now in the monitoring phase. SECU issued two final investigation reports to the UNDP Administrator for Jordan and Malawi. Three field missions for cases in Cameroon, the Congo and Myanmar were conducted.

70. SECU conducted outreach activities in 2019 to improve understanding about its mission, mandate and activities to partners and potential stakeholders. It conducted a joint outreach event in Bangladesh with accountability mechanisms from the Green Climate Fund, the Asian Development

Bank, the World Bank and the International Finance Corporation. It continued its outreach activities through social media and other digital forums.

Prevention of sexual harassment and sexual exploitation and abuse

71. During 2019, the office was an active member of the UNDP Task Force on the Prevention of Sexual Harassment and Sexual Exploitation and Abuse and assisted with establishing the clear check screening standard operating procedures as well as the revision of various UNDP contractual agreements with vendors, non-staff personnel and implementing partners to strengthen obligations on preventing and responding to sexual harassment and sexual exploitation and abuse.

72. The office recruited one staff member at the P4 level to serve as a focal point in the investigation of cases of sexual harassment and to act as the primary representative of the office for UNDP response and initiative in this important area. It also recruited two P3 level investigators who will work primarily on sexual misconduct cases and are scheduled to commence working with the office in the first quarter of 2020.

73. During 2019, the office participated in several inter-agency technical working groups, such as the Chief Executives Board Task Force for Addressing Sexual Harassment in the United Nations system and the Inter-Agency Standing Committee-Chief Executives Board Meeting of Investigative Bodies on Preventing Sexual Exploitation and Abuse and Sexual Harassment in the Humanitarian Sector. The office also participated in the training of Interagency Prevention of Sexual Exploitation and Abuse Country Office Focal Points and provided input for various ongoing sexual exploitation and abuse initiatives proposed by the Office of the Special Coordinator on Improving the United Nations Response to Sexual Exploitation and Abuse. The office also helped raise awareness of sexual harassment and sexual exploitation and abuse through presentations to other UNDP offices as well as the Office of Audit and Investigations.

74. Since 1 January 2019, all participating offices and United Nations organizations have had to report credible allegations of sexual exploitation and abuse “on a near-real-time” basis to the Secretary General via the i-Report sexual exploitation and abuse tracker. The i-Report tracker is a secured online database containing information on allegations of sexual exploitation and abuse which are reported to the Secretary-General. During 2019, the office reported six cases of sexual exploitation and abuse that were deemed to be credible allegations through the i-Report sexual exploitation and abuse tracker.

Other investigative activity

75. In 2019, the office implemented a pilot project involving options letters that had been developed in 2018 in consultation with the Director, Bureau for Management Services, and the Director, Legal Office. Options Letters are instruments by which staff members, against whom there is evidence of wrongdoing, are given the option to resign under certain conditions, including a commitment to reimburse any financial loss resulting from the wrongdoing, or be subjected to a full investigation and a possible disciplinary process. The office closed three cases in 2019 through the issuance of options letters.

VIII. Coordination within the United Nations system

76. The office continued to interact with Member States and other internal audit and investigation offices in the United Nations system to identify and share best practices, discuss matters of common interest, and promote cooperation with audit and investigation services in the United Nations system and other multilateral organizations. In early January 2020, the office hosted a seminar on performance auditing for the United Nations and other multilateral organizations.

77. The office is a member of the United Nations Representatives of Internal Audit Services and the Secretariat of the Conference of International Investigators. The Director of the Office of Audit

and Investigations participated in the annual conference of the United Nations Representatives of Internal Audit Services in 2019.

IX. Advisory and other audit services

Advisory services

78. The office carried out the fieldwork for an advisory review for streamlining controls in project management in 2019. It also responded to ad hoc queries from country offices and headquarters units and provided advice on audit clauses and the audits of nationally implemented and directly implemented projects.

X. Opinion

79. The opinion presented by the office is based on the following results:

- (a) Audits of country offices, headquarters functions or units, activities funded by the Global Fund, directly implemented projects, and nationally implemented projects issued between 1 January 2019 and 31 December 2019.
 - (i) *By audited expenditure.* The combined rates of audits with ‘satisfactory’ and ‘partially satisfactory/some improvement needed’ ratings decreased from 76.8 per cent in 2018 to 53.3 per cent in 2019. Additionally, the combined rates of audits with ‘partially satisfactory/major improvement needed’ and ‘unsatisfactory’ ratings increased from 23.2 per cent in 2018 to 46.6 per cent in 2019, (see blue coloured columns in figure 19). A significant portion of the increase in the ‘partially satisfactory/major improvements needed’, is limited to three audits (reference footnote ²²) and does not indicate an organization-wide deficiency.
 - (ii) *By number of audit reports issued.* This includes country office audits, Global Fund audits, headquarters audits and directly implemented audits conducted and rated by the office. The combined rates of audits with ‘satisfactory’ and ‘partially satisfactory/some improvement needed’ ratings increased from 68.1 per cent in 2018 to 70.0 per cent in 2019. Additionally, the combined rates of audits with ‘partially satisfactory/major improvement needed’ and ‘unsatisfactory’ ratings decreased from 31.9 per cent in 2018 to 30.0 per cent in 2019, (see yellow coloured columns in figure 19). In 2019, compared to the corporate targets, three of the four rates were aligned to the corporate target (‘partially satisfactory/some and major improvements’ and ‘unsatisfactory’). This was the same as in 2018.
 - (iii) The distribution of audit ratings by audited expenditure has moved away from the corporate targets, with more audited expenditure rated as ‘partially satisfactory with major improvements needed’. This seems to partly reflect the influence of three audits (reference footnote 22). The distribution of audit ratings by audit reports is close to being aligned with the corporate targets. In addition to the distribution of audit ratings by audited expenditure and by number of audit reports issued in 2019, the opinion has also been informed by the following observations.
 - (iv) *Directly implemented project audits.* The calculated total net financial misstatement in 2019 was \$10.6 million or 1.7 per cent of the total audited expenditure (\$619.4 million) compared to \$45.4 million in 2018 or 8.6 per cent of the total audited expenditure (\$528.1 million).

Figure 19. Comparison of distribution of audit ratings by audited expenditure and by number of audit reports issued in 2018 and 2019 with UNDP targets

Rating	By audited expenditure (combined CO, GF, HQ ^{§§§§§} , DIM, NGO/NIM)		By number of audit reports issued (Rated by the office, combined CO, GF, HQ *)		UNDP targets ^{*****}
	2018	2019	2018	2019	2018-2019
Satisfactory	40.4%	27.6 %	23.4%	30.0%	More than 30%
Partially Satisfactory/some improvement needed	36.4%	25.7%	44.7%	40.0%	More than 30%
Partially Satisfactory/major improvement needed	17.2%	39.7% ^{†††††}	25.5%	26.0%	Less than 35%
Unsatisfactory	6.0%	6.9%	6.4%	4.0%	Less than 15%
Total	100%	100%	100%	100%	N/A

**DIM (directly implemented reports are included to the extent the audits are conducted internally and rated by the office. CO: country offices; GF: Global Fund; HQ: headquarters; NGO: non-governmental organizations; NIM: nationally implemented.*

- (b) Review of audits of UNDP projects executed by non-governmental organizations and/or national governments:
- (i) *Nationally implemented project audits.* The calculated total net financial misstatement in 2019 was \$1.7 million or less than 1 per cent of the total audited expenditures (\$1.2 billion) compared to \$25.9 million in 2018 or 2 per cent of the total audited expenditure (\$1.3 billion).
- (c) The implementation rate for internal audit recommendations, including long-outstanding recommendations, decreased in 2019:
- (i) *Implementation rate of audit recommendations.* The implementation rate as of 31 December 2019 was 90 per cent, compared to 95 per cent as of 31 December 2018.
- (ii) *Long-outstanding recommendations.* There were 10 long-outstanding recommendations as of 31 December 2019, compared to four as of 31 December 2018. The increase in long-outstanding recommendations related mainly to headquarters audits.

^{§§§§§} Headquarters audits of business units, projects or functions with expenditure recorded, within the timeframe of the audit, are included.

^{*****} The UNDP targets for audit ratings were set in the UNDP integrated results and resources framework, 2018-2021, a tool used to measure progress in implementing its Strategic Plan, 2018-2021. The targets pertain to the number of audit reports that should be allocated to the various audit rating categories.

^{†††††} *Substantial audits with 'partially satisfactory/major improvements needed':* Three audits contributed to approximately 71 per cent of the audited expenditure classified as 'partially satisfactory/major improvement needed'. The three were the country office audit of UNDP in Iraq; the country office audit of UNDP in Yemen; and the performance audit of the early recovery projects Yemen. The combined audited expenditure for these was \$854,101,000. The rest of the expenditure with this rating is incurred by eight country offices and one office managing a grant from the Global Fund. The relative size of the expenditure covered in these three audits and the corresponding rating has increased the percentage of audits with 'partially satisfactory/major improvements needed' (figure 19) when comparing the figures for the prior year.

80. The qualitative nature of the audit and the investigation results was given due consideration and has been taken into account in the formulation of the opinion by the office.

81. Based on the scope of the work issued between 1 January and 31 December 2019, it is the opinion of the Office of Audit and Investigations that the elements of governance, risk management and control covered in the audit reports issued in 2019 were, in aggregate, 'partially satisfactory/some improvement needed'. This means that the majority of business units or projects audited in 2019 were adequately established and functioning but need some improvement.

Annex 1: Charter of the Office of Audit and Investigations

I. Introduction

1. The UNDP Financial Regulation 4.01 stipulates that the Office of Audit and Investigations shall be responsible for the internal audit of UNDP. "It shall conduct independent, objective assurance and advisory activities in conformity with the International Standards for the Professional Practice of Internal Auditing. It shall evaluate and contribute to the improvement of governance, risk management and control processes, and report thereon. The Office of Audit and Investigations shall exercise operational independence in the performance of its duties."
2. The UNDP Financial Regulation 4.02 states that the Office of Audit and Investigations shall be responsible for assessing and investigating allegations of fraud and corruption committed by UNDP personnel or committed by others to the detriment of UNDP.
3. Financial Regulation 4.03, as well as the International Standards for the Professional Practice of Internal Auditing, IPPF, stipulate that the internal audit function's purpose (mission), authority and responsibility shall be further defined in the Charter. This Charter also recognizes the mandatory nature of guidance established in IPPF.

II. Mission of OAI

4. The mission of OAI is to provide UNDP with an effective system of risk-based, independent and objective internal oversight that is designed to improve the effectiveness and efficiency of UNDP's operations in achieving its developmental goals and objectives through the provision of (i) internal audit and consulting services, and (ii) investigation services.
5. The internal oversight services cover all UNDP programmes, projects, operations and activities undertaken by all business units.
6. The services also cover UNDP's coordination function, interagency activities in which UNDP is involved, as well as the activities of UNDP's affiliated entities, which include the United Nations Capital Development Fund, United Nations Office for South-South Cooperation, and United Nations Volunteers. However, the investigation function in respect to United Nations Volunteers is restricted to volunteers embedded in UNDP projects.

III. Internal Audit

7. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the operations of UNDP. It helps UNDP accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
8. OAI shall undertake its internal audits in accordance with the International Standards for the Professional Practice of Internal Auditing, IPPF; the Core principles, the Code of Ethics and, the Standards and the Definition of Internal Auditing established by the Institute of Internal Auditors (IIA).
9. OAI will audit risk exposures relating to UNDP's governance, risk management and controls and will support UNDP in ensuring:
 - (a) achievement of the organization's strategic objectives;
 - (b) reliability and integrity of financial and operational information;
 - (c) effectiveness and efficiency of operations;
 - (d) safeguarding of assets; and
 - (e) compliance with agreements, legislative mandates, regulations and rules, policies and procedures.

OAI shall assess and make appropriate recommendations for improving the governance, risk management, and controls in the organization.

10. In order to provide the audit services efficiently and effectively, the Director shall prepare and submit for the review of the Audit and Evaluation Advisory Committee and approval of the Administrator:

(a) Every four years: An internal audit and investigation strategy covering a four-year period and aligned with the period of coverage by the UNDP Strategic Plan; and

(b) Annually: A risk-based annual work plan that is consistent with the Organization's goals and flexible and adaptable to emerging needs and issues.

11. The approval requirement does not prevent OAI from auditing any other area within the purview of its mandate, which OAI deems necessary.

12. In preparing the annual work plan, OAI shall consult with the management of bureaus and offices, the United Nations Board of Auditors, and where appropriate, other stakeholders. OAI shall apply a risk based methodology, including risks and concerns identified by management.

13. In cooperation with the Internal Audit Services of other United Nations system organizations, OAI shall initiate and participate in joint audits of inter-agency activities, including Multi Partner Trust Funds, Joint Programmes and Delivering as One Programmes.

14. OAI shall submit its audit reports to the Administrator, the Head of the Bureau concerned and the Head of the audited unit. OAI aims at submitting its final audit reports within three months after the completion of audit field work. The distribution of interagency joint audit reports shall follow the procedures described in the Framework for Joint Internal Audits of United Nations Joint Activities of the United Nations Representatives of Internal Audit Services.

15. In accordance with decision 2012/18 of the UNDP Executive Board, OAI shall make publicly available all internal audit reports. In exceptional cases, reports may be redacted, or withheld in their entirety, at the discretion of the Director of OAI.

16. In accordance with decision 2016/13 of the UNDP Executive Board, OAI shall in its annual reports issue an overall opinion, based on the scope of the work undertaken, on the adequacy and effectiveness of the organization's framework of governance, risk management and controls.

17. OAI shall periodically inform the Audit and Evaluation Advisory Committee and the Administrator of:

(a) Progress made in the implementation of the annual plan, changes made thereto and other issues related to the implementation of the plan;

(b) Summaries of significant and systemic audit findings; and

(c) Action taken by management on the implementation of audit recommendations.

18. OAI shall review and assess audit reports prepared by third party auditors on audits of nationally implemented projects and projects implemented by Non-Governmental Organizations ("NGO/NIM audits") and on audits of implementing partners in the context of the Harmonized Approach to Cash Transfers ("HACT audits"). OAI may review and assess any other third party audit reports related to UNDP funded activities.

IV. Investigations

19. OAI shall assess and conduct investigations into allegations of misconduct, such as fraud, theft and embezzlement, corruption, abuse of privileges and immunities, sexual exploitation and sexual abuse, workplace harassment and abuse of authority, retaliation on whistleblowers, or other acts or omissions in conflict with the general obligations of staff members that involve UNDP staff and other personnel.

20. OAI may assess and conduct investigations into allegations of fraud and other financial irregularities committed by vendors, implementing partners and other third parties, deemed to be detrimental to UNDP.

21. In addition, OAI may undertake proactive investigations in high risk areas that are susceptible to fraud, corruption and other wrongdoings.

22. OAI shall have sole responsibility for the conduct of all investigations within UNDP.
23. OAI shall conduct investigations in accordance with the Uniform Principles and Guidelines for Investigations endorsed by the 10th Conference of International Investigators, the UNDP Legal Framework for Addressing Non-Compliance with UN Standards of Conduct, the OAI Investigation Guidelines and any other applicable administrative guidance.
24. OAI reviews UNDP's social and environmental policies and procedures through a reporting mechanism to determine if investigations regarding alleged non-compliance are required.
25. The reporting, assessment, and investigation of alleged non-compliance with UNDP's social and environmental policies and procedures will be conducted in accordance with the Investigation Guidelines of OAI's Social and Environmental Compliance Unit.
26. OAI shall maintain reporting facilities (telephone hotline, web-based reporting facility, email, postal address and other means as appropriate) that function around the clock to facilitate staff, management and others to report any instances of fraud, corruption or other wrongdoings. OAI will operate separate mechanisms for the reporting of alleged non-compliance with UNDP's social and environmental policies and procedures.
27. OAI shall maintain an effective system for the recording and management of all cases.
28. OAI shall submit its investigation reports concerning UNDP staff members to the Legal Office for consideration of disciplinary or administrative action, as appropriate.
29. In cases involving contractual personnel, OAI shall submit its investigation reports to the Head of Office concerned for administrative or other action, as appropriate.
30. For United Nations Volunteers, OAI shall submit its investigation report to the United Nations Volunteer Advisory Panel on Disciplinary Matters for consideration of disciplinary or other action.
31. In cases where a vendor is found to have engaged in 'proscribed practices' (corrupt practice, fraudulent practice, coercive practice, collusive practice, unethical practice or obstruction), OAI shall submit its investigation report to the UNDP Vendor Review Committee for consideration of appropriate action. In cases involving governmental implementing partners, OAI shall submit its investigation report to the relevant Regional Bureau.
32. OAI shall submit its investigation reports as soon as possible, based on the priority of the case and available resources.
33. Should the investigation result in credible allegations of criminal conduct, OAI shall prepare a recommendation for referral to national law enforcement authorities, as appropriate, for criminal investigation and prosecution.
34. OAI shall also submit management letters to the Administrator and senior management on weaknesses in controls, processes, deficiencies in regulations and guidance that are identified in the course of investigations with recommendations for addressing these weaknesses and further strengthening the accountability framework in the organization.
35. Credible allegations of misconduct against UNDP senior management at the level of USG, OAI staff members and other OAI personnel will not be investigated by OAI. Any such allegations requiring an investigation will be reviewed by the Oversight Office of another UN agency or international organization appointed by the Director, OAI, following consultations with the Chair of the Audit and Evaluation Advisory Committee.

V. Responsibility and Authority

36. The Administrator exercises functional oversight over OAI. The Director of OAI is accountable to the Administrator for the provision of internal audit and investigation services in accordance with the provisions of the Financial Regulations and Rules and this Charter.
37. The Director of OAI shall report to the Administrator on the performance of OAI against agreed key performance indicators.

38. OAI shall independently prepare and submit to the Executive Board, after review by the Audit and Evaluation Advisory Committee, an annual report for each completed calendar year on its internal audit and investigations activity. This annual report shall also include updated information on, resources, disclosure of audit reports, significant audit findings, systemic weaknesses identified in audits, action taken by management to implement audit recommendations, investigations cases and their status and such other matters as may be requested by the Executive Board.

39. The Director of OAI shall maintain a quality assurance and improvement program that covers all aspects of the internal audit and investigations activity.

40. The Director of OAI shall be responsible for selecting and maintaining a cadre of audit and investigation staff with sufficient knowledge, skills, experience, and professional certifications in order to provide the independent and objective internal oversight services envisaged in this Charter. In addition to staff, the Director may engage consultants and experts as necessary for the performance of the functions under this Charter.

41. The Director of OAI shall engage and manage all staff and apply resources allocated to OAI in accordance with the relevant regulations, rules, policies and procedures established by UNDP.

42. OAI shall have:

(a) Free access to the organization's records, personnel and premises, as necessary, in its opinion, for the performance of its duties; and

(b) The assistance and cooperation of all UNDP personnel deemed necessary for the discharge of responsibilities under this Charter. This includes communicating directly with all levels of staff and management as well as requesting any staff member to furnish all information and explanation that are deemed necessary for the completion of any audit or investigation.

43. Management and staff shall have the responsibility to provide a written response to all OAI audit and investigation reports within a reasonable period of time.

44. The Director and staff of OAI are not authorized to:

(a) Perform any operational, managerial or supervisory duties for UNDP or its affiliates;

(b) Initiate or approve accounting transactions external to OAI; and

(c) Direct the activities of any UNDP personnel not employed by OAI, except to the extent that such personnel have been appropriately assigned to OAI teams or to otherwise assist OAI.

VI. Independence

45. OAI shall exercise operational independence in the conduct of its duties. It shall be free from interference in determining the scope of its audit and investigations, performing the field work and communicating results.

46. OAI shall annually confirm to the Executive Board the organizational independence of its internal audit and investigations activity. The organizational independence of OAI is achieved when OAI reports functionally to the Administrator.

47. The Director of OAI shall be appointed for a term of five years, with the possibility of renewal once for a maximum of five years, and shall be barred from re-entry into UNDP after the expiry of his/her term. The Administrator shall consult with the Audit and Evaluation Advisory Committee on the appointment, performance evaluation, extension and dismissal of the Director of OAI.

48. The Director OAI shall have free and unrestricted access to the Executive Board and the Audit and Evaluation Advisory Committee and to the Board of Auditors.

49. The Director and staff of OAI shall abide by the United Nations Code of Conduct as well as the IIA's Code of Ethics to which they are subject to and shall at all times maintain and safeguard their independence, objectivity and professionalism in fulfilling the responsibilities assigned under this Charter.

50. The Director and staff of OAI must refrain from auditing specific operations for which they were previously responsible. Functions for which the Director and staff of OAI have responsibility shall not be audited by OAI. The Director may allow OAI staff to provide consulting services for operations they were previously responsible for.

51. The Director and staff of OAI must avoid being placed in situations which might create any conflict of interest that may impair their judgment on audit and investigation matters. The Director or staff concerned shall declare any conflict of interests or impairment that may affect their participation in an audit or investigation engagement and accordingly discharge themselves from such participation.

52. The Director of OAI shall bring to the attention of the Audit and Evaluation Advisory Committee any impairment to independence, objectivity or professionalism.

VII. Other issues

Resources

53. OAI shall be provided with the necessary resources, including appropriately trained and experienced professionals, in order to fulfil its responsibilities under this Charter. The budget of OAI shall be approved by the Administrator on the basis of the request submitted by the Director of OAI in accordance with the strategy and the annual work plan, after review and advice by the Audit and Evaluation Advisory Committee.

54. The Director of OAI shall keep the Audit and Evaluation Advisory Committee apprised on the funding and staffing of OAI.

Cost Reimbursable Services

55. OAI may provide internal audit and investigation services to other organizations of the United Nations system on a cost reimbursement basis. The cost of supervising and/or conducting specific audits of UNDP projects may be charged to those projects.

Coordination with the United Nations Board of Auditors

56. In planning its audits, OAI shall interact regularly with the Board of Auditors in order to optimize audit coverage and avoid duplication of assurance work. OAI shall share with the Board of Auditors information on issues of mutual interest.

Approval and revision of the Charter

57. This revised version of the Charter was reviewed and endorsed by the Audit and Evaluation Advisory Committee and has been approved by the Administrator and presented to the Executive Board.

58. The Charter shall be reviewed at least every two years, or more often, if required. Any revision shall be approved by the Administrator after consultation with the Audit and Evaluation Advisory Committee and shall be brought to the attention of the Executive Board.

Approved by the Administrator
17 October 2017

Annex 2: Office of Audit and Investigations audit reports issued in 2019 pertaining to UNDP

	Audit Type	Report No.	Audit Subjects	Rating
Headquarters				
1	Performance audits	2162	Early Recovery Projects - Yemen	Partially Satisfactory/MI
2		2131	UNDP Travel Management	Partially Satisfactory/SI
3		2130	Resident Representative/Resident Coordinator delinking process	Satisfactory
4		2027	Crisis Bureau	Satisfactory
5	Headquarter audits	2047	Management of ICT services outsourced to ICC	Satisfactory
6		2164	SDG Data Management	Partially Satisfactory/SI
7		2045	UNDP Information Security	Partially Satisfactory/SI
8		2120	UNDP Treasury Management	Partially Satisfactory/MI
9		2029	Management of outsourced ICT services	Satisfactory
10		2015	ICT Governance	Partially Satisfactory/SI
11	Inter-Agency	2031	DaO Papua New Guinea	N/A
12	Global Fund grants	2135	Consolidated Report on the Audits of Sub-Recipients of Grants from Global Fund	N/A
13		2123	Consolidated Report on the Audits of PR of Grants for the Global Fund	N/A
14		2034	UNDP BPPS - HIV, Health and Development	Satisfactory
15	DIM Project	2141	UNCDF DIM Audit of Project - Mobile Money for the Poor	N/A
Country offices				
Africa				
16	Country Office	2095	UNDP Niger	Partially Satisfactory/SI
17		2052	UNDP Sierra Leone	Partially Satisfactory/SI
18		2094	UNDP Burkina Faso	Partially Satisfactory/MI
19		2051	UNDP Eritrea	Partially Satisfactory/MI

20		2092	UNDP Togo	Partially Satisfactory/MI
21		2049	UNDP Ghana	Partially Satisfactory/SI
22		2090	UNDP Mali	Partially Satisfactory/MI
23		2048	UNDP Zimbabwe	Satisfactory
24		2089	UNDP Cote d'Ivoire	Partially Satisfactory/SI
25		2035	UNDP Mozambique	Partially Satisfactory/MI
26		2028	UNDP Malawi	Partially Satisfactory/MI
27	Follow-up audit	2088	UNDP Central African Republic	N/A
28		2091	UNDP Burundi - Global Fund	Partially Satisfactory/SI
29	Global Fund grants	2054	UNDP Zimbabwe- Global Fund	Unsatisfactory
30		1926	UNDP Guinea Bissau - Global Fund	Partially Satisfactory/MI
31		2159	UNDP Senegal - Programme d'Urgence de Developmt Communautaire(Project No.86871)	N/A
32		2160	UNDP Togo - Output 00106856 « Infrastructures & Equipements »	N/A
33		2161	UNDP Madagascar - Project 00103705 « Soutien au cycle electoral »	N/A
34	DIM Projects	2137	UNDP Malawi- Project 00100113; Output00103222 National Identification System	N/A
35		2138	UNDP Sierra Leone- Project 00095468; Output no. 00099474 Supp National Elect Com	N/A
36		2145	UNDP Zambia- Project 00101751; Output 00104048 Construction of MSL warehouse	N/A
Asia and the Pacific				
37		2087	UNDP Philippines	Partially Satisfactory/SI
38		2086	UNDP PNG	Partially Satisfactory/MI
39		2085	UNDP Mongolia	Satisfactory
40	Country Office	2083	UNDP Cambodia	Satisfactory
41		2082	UNDP Pakistan	Partially Satisfactory/SI
42		2038	UNDP India	Partially Satisfactory/SI
43		2008	UNDP Sri Lanka	Partially Satisfactory/SI

44	Global Fund grants	2100	UNDP Iran - Global Fund	Partially Satisfactory/SI
45	DIM Projects	2107	UNDP Indonesia - Institutional setup of Peat Restoration Agency (Proj No. 96630)	N/A
46		2104	UNDP Philippines - Accelerating BUB through I&E Governance (Proj No. 94900)	N/A
47		2105	UNDP Philippines - DSS 2016 K to 12 Basic Education Program (Proj No. 95022)	N/A
48		2106	UNDP Philippines - Support to Peacebuilding & Normalization (Proj No. 107421)	N/A
49		2103	UNDP Bangladesh - National Urban Poverty Reduction Program (Proj No. 84928)	N/A
Arab States				
50	Country Office	2060	UNDP Libya	Partially Satisfactory/MI
51		2037	UNDP Kuwait	Partially Satisfactory/SI
52		2036	UNDP Bahrain	Unsatisfactory
53		2011	UNDP Iraq	Partially Satisfactory/MI
54		1927	UNDP Morocco	Partially Satisfactory/SI
55		2010	UNDP Yemen	Partially Satisfactory/MI
56	DIM Projects	2150	UNDP Sudan - Procurement Support Services (00095107 - 00099137)	N/A
57		2146	UNDP Iraq - Support to Security Sector Ref (00088597 - 00095175)	N/A
58		2147	UNDP Iraq - Fund Facility for Stabilization (00089459 - 00095684)	N/A
59		2148	UNDP Iraq - Support to Post-Conflict Recon (00100485 - 00103425)	N/A
60		2149	UNDP Iraq - ICRRP (00085156 - 00105112, 00105146)	N/A
61		2069	UNDP PAPP - Supporting the Rule of Law (00057409 - 00077024)	N/A
62		2066	UNDP PAPP - PAL/KFW - V (00041098 - 00093278)	N/A
63		2078	UNDP Syria - Emerg Sup to Critical Sec (00086567 - 00099249)	N/A
64		2079	UNDP Syria - Rehabilitation & Foster (00104846 - 00108835)	N/A
65		2139	UNDP Somalia- Project 00085376; Output 00093046 Joint Programme on Youth Emplo	N/A
66		2140	UNDP Somalia- Project 00085379; Output 00096643 Som Capacity Development (SIP)	N/A
67	2143	UNDP Somalia- Project 00099032; Output 00108659 Constitution Review Support	N/A	

68		2144	UNDP Somalia- Project 00107518; Output 00107800 Electoral Support Project II	N/A
69		2080	UNDP Yemen - Emergency Mine Action (00099753 - 00103025)	N/A
70		2071	UNDP PAPP - Productivity and Urban Renewal (00087585 - 00094044)	N/A
71		2072	UNDP PAPP - Right to Education in Gaza (00087840 - 00094739)	N/A
72		2073	UNDP PAPP - Right to Education in JRS II (00099472 - 00102751)	N/A
73		2067	UNDP PAPP - PAL/Construction of Treatment (00041529 - 00047395)	N/A
74		2070	UNDP PAPP - Community Resilience & Dev. P (00069435 - 00084013)	N/A
75		2068	UNDP PAPP - PAL/ Construction of 300 Hous (00042831 - 00099288)	N/A
Europe and CIS				
76	Country Office	2042	UNDP Turkey	Satisfactory
77		2059	UNDP Bosnia and Herzegovina	Satisfactory
78		2050	UNDP The Former Yugoslav Republic of Macedonia	Satisfactory
79		2057	UNDP Azerbaijan	Partially Satisfactory/SI
80		2056	UNDP Kazakhstan	Satisfactory
81	DIM Projects	2061	UNDP Ukraine - Procurement Support Services (00090474)	N/A
82		2077	UNDP R.N. Macedonia - Municipal Councils 2 (00090463 - 00096214)	N/A
83		2064	UNDP Moldova - Support Local Development (00089235 - 00097628)	N/A
84		2065	UNDP Moldova - Palanca Joint Border Crossing (00080744 - 00090325)	N/A
85		2076	UNDP Kyrgyzstan - Active Citizenship and Account (00098320 - 00101685)	N/A
86		2074	UNDP BiH - Municipal Governance (00080522 - 00090162)	N/A
87		2075	UNDP BiH - Social Inclusion in Local Comm (00080525 - 00090164)	N/A
88		2062	UNDP Tajikistan - Strengthening Disaster Risk Re (00089898 - 00095938)	N/A
89		2063	UNDP Tajikistan - Access to Justice, Phase II (00094331 - 00098445)	N/A
Latin America & the Caribbean				
90	Country Office	2043	UNDP Brazil	Satisfactory
91		2041	UNDP Guatemala	Satisfactory

92		2040	UNDP Paraguay	Partially Satisfactory/SI
93		2039	UNDP Dominican Republic	Partially Satisfactory/SI
94		2033	UNDP Jamaica	Satisfactory
95		2013	UNDP Honduras	Partially Satisfactory/SI
96	DIM Projects	2128	UNDP Colombia - Empleabilidad Victimas Rurales	N/A
97		2129	UNDP Colombia - Paz Sostenible	N/A
98		2125	UNDP Peru - Mejoramiento Mercado de Belen	N/A
99		2126	UNDP Peru - Strengthening of Qali Warma 2	N/A
100		2127	UNDP Paraguay - Fortalecimiento Institucional de la DGPP/MEC	N/A

Annex 3: Recommendations unresolved for 18 months or more as of 31 December 2019

Audit ID/Title Issue Date	Title of Audit Issue	Recommendation (Priority)	No. of months unresolved
1895/Government Cost Sharing Management 19 January 2018	Limited capacity to design and manage infrastructure projects	The Bureau for Policy and Programme Support should develop a manual for implementing construction projects, which should include both the type and composition of technical teams, the quality of design, requirements, and appropriate tools to be used. (High)	23
1895/Government Cost Sharing Management 19 January 2018	UNDP finance and procurement tools not integrated	The Bureau for Management Services should consider integrating the ACP Online platform with the Atlas Project Module, Atlas Finance Module, and the upcoming Atlas Contract Management Module. (High)	23
1911/Regional Bureau for Latin America and the Caribbean 11 May 2018	Insufficient resources mobilized for the Regional Programme	The Regional Bureau for Latin America and the Caribbean should map and develop donor-specific action plan, and clearly allocating responsibilities. This should include drafting proposals for pipeline projects classified under Class "C" (Medium)	19
1911/Regional Bureau for Latin America and the Caribbean 11 May 2018	Regional Hub premises not meeting standards for health and safety	The Regional Bureau for Latin America and the Caribbean should expedite the process of relocating to an alternate building that ensures the safety and well-being of staff. (Medium)	19
1912/UNDP Clustering Process 1 June 2018	Criteria for successful clustering not adequately defined	The Bureau for Management Services should develop a comprehensive list of KPIs, baselines and targets for tracking continuous process improvement and client satisfaction. These should be monitored on an ongoing basis and reported to clients. (Medium)	18
1912/UNDP Clustering Process 1 June 2018	Absence of clear costing methodology for services provided to COs	As part of the overall project planning for the next steps of the clustering process, the Bureau for Management Services should clearly articulate and communicate the costing approach and methodology to be used for the provision of clustered services. (Medium)	18
1912/UNDP Clustering Process 1 June 2018	Poorly defined role of Global Shared Services Unit	The Bureau for Management Services should, in its submission to the Executive Group, define the role of the GSSU and ensure that it has the right capacity to support the corporate clustering. (High)	18
1912/UNDP Clustering Process 1 June 2018	Inadequate ICT tools	The Bureau for Management Services should address the identified weaknesses in the submission and processing of requests, integration with other systems, and reporting. (Medium)	18
1912/UNDP Clustering Process 1 June 2018	Number of transactions per GSSU staff can be increased	With the completion of the financial clustering in the Regional Bureau for Asia and the Pacific, the Bureau for Management Services should update its time-motion study to identify how it can improve staff utilization. (Medium)	18

1912/UNDP Clustering Process 1 June 2018	Lapses in business process re-engineering	The Bureau for Management Services should undertake a thorough review of current SOPs and relevant business processes across all areas of financial clustering to streamline the process and to remove unnecessary overlaps and duplications. Additionally, areas such as external access to Atlas and the use of E-invoicing should be explored further. (High)	18
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Annex 4: Details of eight recommendations withdrawn in 2019

Audit ID/Title Issue Date	Title of Audit Issue (Priority)	Recommendation	OAI Assessment
1818/UNDP Senegal - Programme d'Urgence de Develop No. 86871 18 August 2017	Withholding tax not done	Since UNDP does not have a tax registration and based on the provisions of the signed contract, the project should ensure to obtain the proof of payment of withholding tax by the service provider prior to the payment of the services.	Recommendation was considered non-applicable following guidance from the UNDP Legal Office.
1913/UNDP Samoa 26 April 2018	Corp issue: UNDP Multi-Country representational structure and cost implications	The Regional Bureau for Asia and the Pacific should review the clustering of countries under the jurisdiction of the Samoa and Fiji Multi-Country Offices with the view of providing a sustainable base to both Multi-Country Offices.	The recommendation was withdrawn following a change of circumstances.
1914/UNDP Peru 27 April 2018	Risks from contractual issues not addressed	The Office should address the legal issues noted with the support of the Regional Bureau for Latin America and the Caribbean by:(a)ensuring that the privileges and immunities of UNDP as well as UNDP?s rules and regulations are acknowledged in the Country; (b)considering a combined support mission with members of the UNDP Bureaux for Management Services, External Relations and Advocacy, to address the issues under item a at the highest level possible; and,(c)ensuring that Country Office support to national implementation is provided through the standard Letters of Agreement cleared by the Legal Office.	The Regional Bureau and the Office's management accepted the residual risk.
1980/Post - 2015 Development Platform - Digital Good Project (Project ID 86947) 27 June 2018	Challenges in managing donor expectations and relations	The Regional Bureau for Arab States should collaborate with the Bureau for External Relations and Advocacy to develop and implement action points on how to manage specific concerns raised by the Donor in phase 1 of the Project should the Project continue into phase 2 of implementation.	The Project was closed with no second phase; therefore, the recommendation was no longer applicable.

1980/Post - 2015 Development Platform - Digital Good Project (Project ID 86947) 27 June 2018	Inter-Bureau Working Group not established	The Bureau for External Relations and Advocacy should establish the Inter-Bureau Working Group with clear terms of reference should the Project be funded for phase 2 of its implementation.	The Project was closed with no second phase; therefore, the recommendation was no longer applicable.
1987/UNDP Ukraine 16 august 2018	Weakness in the United Nations Partnership Framework	The Office should follow up with the Resident Coordinator Office to enhance implementation of the United Nations Partnership Framework by: (a) developing a United Nations Annual Results report to be shared and discussed with the Government on an annual basis; and (b) through consultation with the relevant United nations agencies and the United Nations Development Group, reaching an agreement on the inclusion of legal clauses covering resource mobilization and the commitment of the Government within the United Nations Partnership Framework.	Recommendation was considered no longer applicable following Resident Coordinator function delinking from UNDP.
1991/UNDP Iran 6 September 2018	Inadequate Government Contributions to Local Office Costs	RBAP should coordinate the effort to collect Government Contributions to Local Office Costs, through the following actions:(a) RBAP in coordination with the Resident Coordinator should advice urgently on the distribution scheme among UN agencies so as to provide final certainty on this lingering issue; and(b) RBAP in coordination with the Office of Finance and Resource Management should determine how to implement the GLOC agreement with the government, relative to future years once the allocation/sharing issue among UN agencies has been settled.	The Regional Bureau and the Office's management accepted the residual risk.
2010/UNDP Yemen 4 January 2019	Weaknesses in financial oversight and controls over payments	The Office should improve its financial oversight and control over payments of allowances by, on a sample basis, matching the staff names in the timesheets and in the UNDP pre-agreed list prior to making payments.	The original recommendation was withdrawn as it was no longer considered applicable given the security situation within the Yemen context; alternative controls were implemented.

Annex 5: Summary of substantiated investigation cases in 2019, by type of allegation

	Regional Bureau	Allegation	Estimated Loss to UNDP ¹²	Report sent to	Status
Entitlements Fraud					
1	Africa (Other UN Agency)	Staff member allegedly colluded with a medical center to submit fraudulent claims for reimbursement of medical expenses.	\$4,407.40	LO	Under review.
2		Service contractor allegedly colluded with a medical center to submit fraudulent claims for reimbursement of medical expenses.	No financial loss to the Organization.	CO	Subject's contract was terminated.
3		Service contractor allegedly colluded with a medical center to submit fraudulent claims for reimbursement of medical expenses.	No financial loss to the Organization.	CO	Subject's contract was terminated.
4	Arab States	Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses.	No financial loss to the Organization.	CO	Subject's contract was terminated.
5	Asia and the Pacific	Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses.	No financial loss to the Organization.	CO	Subject's contract was terminated.
Improper Recruitment					
6	Africa	Staff member allegedly assisted three candidates during their respective recruitment processes by either sharing interview questions with them, discussing possible answers to the questions, preparing their CVs, or guaranteeing that they be shortlisted.	No financial loss to the Organization.	LO	Subject resigned after the completion of the investigation. Under review pursuant to Art. 73 of the UNDP Legal Framework.
7	Africa (Other UN Agency)	Former international UNV and current staff member allegedly favored a candidate during a recruitment process by among other things assisting him with his CV and pre-sharing an interview question and answer.	No financial loss to the Organization.	APDM	Subject was issued a letter of censure that was placed in both his UN Volunteer file and his

¹ "Unknown" means that OAI could not quantify the loss in the case concerned.

² Only losses to UNDP have been added to this Annex. Losses to other UN agencies in cases of staff members and non-staff personnel from other agencies administered by UNDP as well as losses to other entities such as CIGNA are not considered financial losses to UNDP.

	Regional Bureau	Allegation	Estimated Loss to UNDP ¹²	Report sent to	Status
					Official Status File.
8	Arab States (Other UN Agency)	Staff member allegedly colluded with another staff member to improperly influence a recruitment process in favor of a candidate.	No financial loss to the Organization.	Other UN Agency	Under review.
9		Staff member allegedly colluded with another staff member to improperly influence a recruitment process in favor of a candidate.	No financial loss to the Organization.	Other UN Agency	Under review.
Misrepresentation, forgery and false certification					
10	Africa	Staff member allegedly modified the content of an email with an intention to mislead.	No financial loss to the Organization.	LO	Subject received charge letter.
11	Africa (Other UN Agency)	Service contractor allegedly colluded with another service contractor to forge signatures onto two travel authorization forms.	No financial loss to the Organization.	CO	Subject's contract was terminated.
12		Service contractor allegedly colluded with another service contractor to forge signatures onto two travel authorization forms.	No financial loss to the Organization.	CO	Subject's contract was terminated.
13	Arab States	Staff member allegedly submitted two fraudulent medical certificates in support of her certified sick leave application.	Amount unknown.	LO	Under review.
14	Arab States	Vendor allegedly submitted fraudulent documents during a procurement process.	No financial loss to the Organization.	VRC	Vendor and its agent were debarred for 12 months.
15		Vendor allegedly submitted fraudulent bid securities in more than one procurement process.	No financial loss to the Organization.	VRC	Vendor and its agent were debarred for 12 months.
16		Prospective vendor allegedly submitted fraudulent financial statements during a procurement process.	No financial loss to the Organization.	VRC	Vendor and its agent were debarred for 19 months.
17		Vendor allegedly submitted a fraudulent supporting document during a procurement process.	No financial loss to the Organization.	VRC	Vendor and its agent were debarred for 32 months.

	Regional Bureau	Allegation	Estimated Loss to UNDP ¹²	Report sent to	Status
18		Vendor allegedly submitted fraudulent documents during two procurement processes.	No financial loss to the Organization.	VRC	Under review.
19	Asia and the Pacific	Staff member allegedly provided misleading and false statements to a UN administrative tribunal during judicial proceedings.	No financial loss to the Organization.	Legal Office of Other UN Agency (due to conflict of Interest)	Under review.
20	HQ	Individual contractor was allegedly assisted by a colleague when completing a written assignment for a competitive procurement process.	No financial loss to the Organization.	Other UNDP Office	Subject's contract was not renewed.
21		Staff member allegedly failed to declare their prior criminal history during several recruitment processes.	No financial loss to the Organization.	LO	Staff member was dismissed.
Misuse of Official Resources					
22	Africa	Staff member allegedly manipulated their son's school reports, misused UNDP resources by sending the reports to a UNDP vendor so that it could assist in manipulating the documents, attempted to obstruct the investigation by concealing procurement files related to the aforementioned vendor, and made false statements to investigators.	No financial loss to the Organization.	LO	Staff member was separated from service with no termination indemnity.
23	HQ	Former individual contractor allegedly misused official resources to systematically gather confidential information, leaked said information to a third party and failed to fully cooperate with the investigation.	No financial loss to the Organization.	Other UNDP Office	Subject resigned before the completion of the investigation.
Other failure to comply with obligations					
24	Africa	Former staff member allegedly favored vendors during procurement processes, shared confidential information related to procurement processes with third parties, failed to disclose conflict of interest situations, used position to include former colleagues and close friends in a roster, violated post-employment restrictions, exerted undue influence over former UNDP colleagues and decision-	\$18,000	LO	Under review pursuant to Art. 72(a) of the UNDP Legal Framework.

	Regional Bureau	Allegation	Estimated Loss to UNDP ¹²	Report sent to	Status
		making parties after retirement, and misrepresented their intention to relocate in order to obtain a repatriation grant.			
25		UNV and former individual contractor allegedly received interview questions for an upcoming interview from a staff member and discussed possible answers to the questions with them.	No financial loss to the Organization.	APDM	APDM decided the facts did not warrant taking action as the subject was not a UNV at the time of the misconduct.
26	Arab States (Other UN Agency)	Staff member allegedly negotiated a deal between a government and a private oil company with the help of another staff member and was engaged in several businesses with companies which at times held UN contracts.	No financial loss to the Organization	Other UN Agency	Under review.
27		Staff member allegedly negotiated a deal between a government and a private oil company with the help of another staff member and was engaged in several businesses with companies which at times held UN contracts.	No financial loss to the Organization.	Other UN Agency	Under review.
28	Asia and the Pacific	Former staff member allegedly carried out unauthorized employment whilst employed by UNDP.	No financial loss to the Organization.	LO	Subject separated from the Organization after his contract expired. A letter was placed in the staff member's file pursuant to Art. 72(a) of the UNDP Legal Framework.
29	Europe and the CIS	Service contractor allegedly received assistance from a staff member to complete the required written assignments for two recruitment processes at a UN organization.	No financial loss to the Organization.	CO	Subject received a reprimand and a written warning.
30		Staff member allegedly assisted a friend in completing the required written assignments for two UN recruitment processes.	No financial loss to the Organization.	LO	Staff member was separated from service

	Regional Bureau	Allegation	Estimated Loss to UNDP ¹²	Report sent to	Status
	Europe and the CIS				with compensation in lieu of notice and with four months of termination indemnities.
31		Former individual contractor allegedly provided unauthorized assistance to a national police officer in a buffer zone.	No financial loss to the Organization.	CO	Subject's contract expired before the completion of the investigation.
32	Europe and the CIS (Other UN Agencies)	Staff member allegedly leaked internal information and lobbied external parties to prevent the creation of a new post in their office.	No financial loss to the Organization.	LO	Under review.
33	Latin America and the Caribbean	Staff member allegedly engaged in outside employment while employed at UNDP.	No financial loss to the Organization.	LO	Under review.
Procurement Fraud					
34	Africa	Vendor allegedly paid a UNDP service contractor to request material for a project in excess of what was needed and was consequently overpaid.	Amount unknown.	VRC	Under review. Vendor received an interim suspension while the case is reviewed.
35		Vendor allegedly submitted a fraudulent document during a procurement process.	No financial loss to the Organization	VRC	Under review.
36	Africa (Other UN Agency)	Vendor allegedly offered a bribe to a staff member to obtain a contract from a UN agency.	No financial loss to the Organization.	Other UN Agency	Other UN Agency opened case for investigation.
37		Vendor allegedly offered to a UNDP staff member to supply unnecessary material to a UN agency for a commission and colluded with the staff member to commit procurement fraud and inflate invoices to submit to the UN agency.	No financial loss to the Organization.	Other UN Agency	Other UN Agency opened case for investigation.

	Regional Bureau	Allegation	Estimated Loss to UNDP ¹²	Report sent to	Status
38	Africa (Other UN Agency)	Vendor allegedly colluded twice with a UNDP staff member to commit procurement fraud at a different UN agency.	No financial loss to the Organization.	Other UN Agency	Other UN Agency opened case for investigation.
39	Arab States	Vendor allegedly provided fraudulent payment sheets and did not pay its workers and supervisors the amount required by their UNDP contract.	Amount unknown.	VRC	Under review.
40		Vendor allegedly submitted fraudulent documents during multiple procurement processes.	No financial loss to the Organization.	VRC	Under review.
41		Prospective vendor allegedly submitted a fraudulent bid security during a bidding process.	No financial loss to the Organization.	VRC	Under review.
42		Vendor allegedly submitted several fraudulent documents during two procurement processes.	No financial loss to the Organization.	VRC	Under review. Vendor received an interim suspension while the case is reviewed.
43		Former service contractor allegedly colluded with another former service contractor to fabricate bid submission documents and manipulate procurement processes that favored a family member and a friend.	No financial loss to the Organization.	CO	Subject's contract was terminated before the completion of the investigation.
44		Former service contractor allegedly colluded with another former service contractor to fabricate bid submission documents and manipulate procurement processes.	No financial loss to the Organization.	CO	Subject's contract was terminated before the completion of the investigation.
45		Vendor allegedly colluded with two staff members to commit procurement fraud, which resulted in it being awarded at least three contracts with UNDP.	No financial loss to the Organization.	VRC	Under review. Vendor received an interim suspension while the case is reviewed.

	Regional Bureau	Allegation	Estimated Loss to UNDP ¹²	Report sent to	Status
46	Arab States	Vendor allegedly submitted fraudulent financial statements during two procurement processes.	No financial loss to the Organization.	VRC	Vendor and its agent were debarred for 19 months.
47		Vendor allegedly submitted fraudulent documents during two procurement processes.	No financial loss to the Organization.	VRC	Vendor was debarred for 19 months.
48		Vendor allegedly colluded with two staff members to commit procurement fraud, which resulted in it being awarded contracts with UNDP.	No financial loss to the Organization.	VRC	Under review. Vendor received an interim suspension while the case is reviewed.
49		Vendor allegedly received internal pricing information from an unknown source, which it used to complete its UNDP tender submission.	No financial loss to the Organization.	VRC	Under review. Vendor received an interim suspension while the case is reviewed.
50		Vendor allegedly submitted fraudulent bid securities during two procurement processes.	No financial loss to the Organization.	VRC	Vendor and its agent were debarred for 12 months.
51	Arab States	Vendor allegedly submitted fraudulent financial statements during two procurement processes.	No financial loss to the Organization.	VRC	Vendor received a letter of censure.
52		Vendor allegedly submitted fraudulent financial documents during multiple bidding processes and subcontracted work twice without UNDP's authorization.	No financial loss to the Organization.	VRC	Vendor and its agent were debarred for 30 months.
53		Vendor allegedly submitted two fraudulent documents during a procurement process.	No financial loss to the Organization.	VRC	Under review. Vendor received an interim suspension while

	Regional Bureau	Allegation	Estimated Loss to UNDP ¹²	Report sent to	Status
					the case is reviewed.
54	Arab States	Vendor in a joint venture allegedly submitted a fraudulent performance guarantee during a procurement process.	No financial loss to the Organization.	VRC	Under review.
55		Vendor allegedly submitted fraudulent documents during multiple procurement processes.	No financial loss to the Organization.	VRC	Under review. Vendor received an interim suspension while the case is reviewed.
56		Vendor in a joint venture allegedly submitted fraudulent bid securities and performance guarantees during a procurement process.	No financial loss to the Organization.	VRC	Under review.
57		Vendor allegedly submitted a fraudulent document during a bidding process.	No financial loss to the Organization.	VRC	Under review. Vendor received an interim suspension while the case is reviewed.
58		Former UNDP service contractor allegedly colluded with a UNDP vendor to conceal that fraudulent bid securities had been submitted during a procurement process.	No financial loss to the Organization.	Other UN Agency	Under review.
59		Asia and the Pacific	Vendor allegedly belonging to two staff members submitted fraudulent documentation and was awarded multiple contracts as a result of tampered procurement processes in its favor.	Amount unknown.	VRC
60	Vendor allegedly owned by a UNDP service contractor participated in and won several procurement processes conducted by its owner.		Amount unknown.	VRC	Under review. Vendor received an interim suspension while the case is reviewed.

	Regional Bureau	Allegation	Estimated Loss to UNDP ¹²	Report sent to	Status
61	Europe and the CIS	Vendor and individual contractor, who was formerly a staff member, allegedly colluded with multiple UNDP personnel to be awarded contracts, employed a UNDP staff member to work on tasks it had been contracted to do by UNDP, purchased and offered plane tickets to said staff member, and obstructed the investigation.	No financial loss to the Organization.	VRC	Under review. Vendor and individual contractor received an interim suspension while the case is reviewed.
62		Individual contractor allegedly failed to declare outside professional activities and to disclose that he had a personal and professional relationship with two individuals during their respective recruitment processes for UNDP consultancies.	No financial loss to the Organization.	VRC	Under review.
63		Five vendors allegedly colluded together and with UNDP personnel during multiple procurement processes to ensure that one vendor be awarded the contract.	No financial loss to the Organization.	VRC	Under review.
64		Two vendors allegedly colluded together to commit procurement fraud to ensure that one vendor was awarded the contract.	No financial loss to the Organization.	VRC	Under review.
65	HQ	Individual contractor allegedly placed themselves in a conflict of interest situation during a procurement process and favored a candidate.	No financial loss to the Organization.	Other UNDP Office	Subject's contract expired.
Retaliation against whistleblowers					
66	Africa (Other UN Agency)	Staff member allegedly retaliated against another staff member for submitting two complaints against him.	No financial loss to the Organization.	Ethics Office	Allegations were not substantiated.
Sexual Assault					
67	Africa	Service contractor allegedly uncovered a patient's breasts and attempted to conduct an unnecessary medical procedure that involved touching the person's genitalia during a medical examination.	No financial loss to the Organization.	CO	Subject's contract was terminated.
Sexual exploitation and abuse					
68	Asia and the Pacific	UN Volunteer allegedly asked his real estate agent to assist them in finding a local girlfriend that he could pay.	No financial loss to the Organization.	APDM	Subject received a letter of censure.

	Regional Bureau	Allegation	Estimated Loss to UNDP ¹²	Report sent to	Status
69		Individual contractor allegedly exchanged food, beer and transportation money for sexual relations with nationals.	No financial loss to the Organization.	CO	Under review.
Sexual Harassment					
70	HQ	Staff member allegedly looked at pornographic images during a workshop that they attended on behalf of UNDP.	No financial loss to the Organization.	LO	Subject was exonerated from the allegations.
71	Latin America and the Caribbean	Staff member allegedly addressed a colleague inappropriately on several occasions, made unwelcome physical contact towards them, and belittled their complaint in front of others.	No financial loss to the Organization.	LO	Subject received charge letter.
72		Former service contractor allegedly made unwanted romantic advances towards a colleague, and following their refusal, removed them from a project.	No financial loss to the Organization.	CO	Subject resigned before the completion of the investigation.
73	Asia and the Pacific	Former staff member allegedly developed several close and personal relationships with junior colleagues, influenced their recruitment processes and favored them in the Office.	No financial loss to the Organization.	LO	Subject resigned before the completion of the investigation. Under review pursuant to Art. 72(a) of the UNDP Legal Framework.
74	Arab States (Other UN Agency)	Staff member allegedly engaged in improper and unwelcome physical contact with three colleagues.	No financial loss to the Organization.	LO	Under review.
Theft and embezzlement					
75	Africa	Staff member allegedly kept surplus funds returned to them by UN personnel and concealed her acts by manipulating financial reports and submitting fraudulent supporting documentation.	Amount unknown.	LO	Subject received a charge letter.
76	Africa (Other UN Agency)	Staff member allegedly misused fuel cards to withdraw funds from gas stations.	No financial loss to the Organization.	LO	Under review.

	Regional Bureau	Allegation	Estimated Loss to UNDP ¹²	Report sent to	Status
77		Former staff member allegedly colluded with another staff member to remove several ICT items belonging to a UN agency for their personal use.	No financial loss to the Organization.	LO	Subject resigned before the completion of the investigation. Under review pursuant to Art. 72(a) of the UNDP Legal Framework.
78	Arab States	Former staff member allegedly conducted several fraudulent procurement processes, falsified and fabricated documentation, misappropriated funds, and diverted fraudulently procured assets for them benefit, their family's benefit and the benefit of third parties.	\$846,900	Other UN Agency	Subject was terminated.
Workplace Harassment					
79	Asia and the Pacific (Other UN Agency)	Staff member allegedly aggressively yelled at and threatened two colleagues in the workplace.	No financial loss to the Organization.	LO	Under review.
80	HQ (Other UN Agency)	UN agency staff member allegedly embarrassed a junior team member at a professional event and engaged in a pattern of verbally abusive and aggressive behavior towards the junior team member prior, during and after a team meeting.	No financial loss to the Organization.	Other UN Agency	Under review.

Annex 6: Criteria supporting OAI opinion

1. In accordance with Executive Board decisions 2015/13 of June 2015, 2016/13 of June 2016, and 2019/2 of October 2018, OAI provides an opinion in its annual report, based on the scope of work undertaken, on the adequacy and effectiveness of the organization's framework of governance, risk management and control (GRC). The summary of the audit work performed is provided in the body of the annual report, under chapter IV. This annex provides a description of the criteria used and analysis to support the OAI opinion.
2. The OAI opinion is based on the following results:
 - a) audits of UNDP country offices;
 - b) audits of UNDP headquarters functions or units;
 - c) audits of UNDP activities funded by the Global Fund;
 - d) audits of UNDP directly implemented projects (DIMs);
 - e) OAI's review of audits of UNDP projects executed by non-governmental organizations and/or national governments (NGO/NIM);
 - f) the implementation rate for internal audit recommendations, including long-outstanding recommendations; and
 - g) Management Letters relating to investigations.
3. The distribution of 2019 audit results regarding the adequacy and effectiveness of GRC at the audited entity level is presented in figure 19 in document DP/2020/16, which shows the distribution of the number of audit reports that were issued by OAI in 2019 by type of audit rating: 'satisfactory', 'partially satisfactory/some improvement needed', 'partially satisfactory/major improvement needed' and 'unsatisfactory'.
4. In addition, the audit results are aggregated using the amount of expenditure reported in the audit reports issued in 2019. The result of this aggregation is then grouped by the four levels of audit ratings used by OAI: 'satisfactory', 'partially satisfactory/some improvement needed', 'partially satisfactory/major improvement needed' and 'unsatisfactory'.

Table 1: Distribution of ratings per audited expenditure per country office, Global Fund and headquarters audits
(excluding DIMs, NGO/NIM and inter-agency audited expenditure)

Rating	Audited expenditure \$	Distribution for reports issued in 2019 %	Distribution for reports issued in 2018 %
Satisfactory	422,746,822	17.4	29.1
Partially satisfactory/some improvement needed	721,403,812	29.74	42.4
Partially satisfactory/major improvement needed	1,144,838,527	47.2	23.6
Unsatisfactory	136,900,000	5.6	4.9
Total	2,425,889,161	100	100

5. Adjustments were made in the aggregation of expenditure for the DIM projects and the review of audits of projects executed by NGOs/NIM. The adjustments were as follows:

- a) The scope of the DIM audits focused mainly on the financial certification of expenditures. Therefore, the audits do not directly assess the GRC aspects of projects in UNDP. Nonetheless, they do give indirect assurance about UNDP GRC. To this effect, OAI converted the audit opinions rendered into OAI ratings using defined criteria¹ and estimated that the results of the DIM financial audits give 50 per cent assurance about UNDP GRC. For the purposes of the current calculation, OAI excluded audited expenditures related to UNCDF DIM project audits. The calculated total net financial misstatement in 2019 was \$10.6 million or 1.7 per cent of the total audited expenditure (\$619.4 million) compared to \$45.4 million in 2018 or 8.6 per cent of the total audited expenditure (\$528.1 million).

Table 2: Distribution of ratings per DIM audited expenditure (weighted at 50 per cent)

Rating	DIM adjusted audited expenditure \$	Distribution for reports issued in 2019	Distribution for reports issued in 2018
		(%)	(%)
Satisfactory	290,678,830	93.9	80.6
Partially satisfactory/some improvement needed ¹	0	0	2.3
Partially satisfactory/major improvement needed ¹	0	0	0.4
Unsatisfactory	19,009,234	6.1	16.7
Total	309,688,064	100	100

- b) OAI's review of audits of UNDP projects executed by NGO/NIM

The NGO/NIM financial audits focus, like the DIM financial audits, was on the financial certification of expenditure. They primarily reflect on how well the implementing partner is managing financial resources. Nonetheless, the NGO/NIM audits indirectly offer partial assurance about how well UNDP monitors these implementing partners, in other words, how well the UNDP GRC is managed in regard to NGO/NIM implementing partners. Consequently, OAI estimated that the results of the NGO/NIM financial audits offer 25 per cent assurance about UNDP GRC (refer to table 3).

¹ Net financial misstatement (NFM) (%) converted to OAI Rating:

- Unqualified or Qualified and NFM is less < 1% = Satisfactory
- Qualified and NFM is from 1% - 1.5% = Partially satisfactory/some improvement needed
- Qualified and NFM is from 1.6%-2% = Partially satisfactory/major improvement needed
- Qualified and NFM is > 2% or Adverse/Disclaimer opinion = Unsatisfactory

Table 3: Distribution per NGO/NIM audited expenditure (weighted at 25 per cent)

Rating	NGO/NIM adjusted audited expenditure \$	Distribution (%)	Prior year Distribution (%)
Satisfactory	121,188,782	42.3	79.0
Partially satisfactory/some improvement needed ²	55,630,421	19.4	9.8
Partially satisfactory/major improvement needed ²	55,630,421	19.4	9.8
Unsatisfactory	53,911,251	18.8	1.4
Total	286,360,875	100	100

6. This leads to two different distributions by audit rating: one presented by number of audit reports issued (which includes country office, headquarters, Global Fund, DIM audits conducted and rated by OAI); and the second by amount of expenditure covered by the audits (which includes country office, headquarters, Global Fund, DIM and NIM audits). The two are then compared with the targets for distribution of audit reports according to rating as set in the UNDP Integrated Results and Resources Framework, the tool that has been implemented by UNDP to monitor the progress in achieving its 2018-2020 Strategic Plan. These targets are considered an expression of UNDP risk tolerance in respect of internal audit results (refer to table 4 and 4.1).

Table 4: Distribution of adjusted audited expenditure for each of the audit types in 2019

Rating	CO/HQ/GF audited expenditure \$	DIM adjusted audited expenditure \$	NGO/NIM adjusted audited expenditure \$	TOTAL \$	%
Satisfactory	422,746,822	290,678,830	121,188,782	834,614,434	27.6
Partially satisfactory/some improvement needed	721,403,812	-	55,630,421	777,034,233	25.7
Partially satisfactory/major improvement needed	1,144,838,527	-	55,630,421	1,200,468,948	39.7
Unsatisfactory	136,900,000	19,009,234	53,911,251	209,820,485	6.9
Total	2,425,889,161	309,688,064	286,360,875	3,021,938,100	100

² The NGO/NIM rating system uses three scales ('satisfactory', 'partially satisfactory', 'unsatisfactory'). For the purposes of the overall audit opinion calculation, the 'partially satisfactory' rating is distributed evenly over 'partially satisfactory/some improvement needed' and 'partially satisfactory/major improvement needed'.

Table 4.1: Comparison of distribution of audit ratings by audited expenditure and by number of audit reports issued in 2018 and 2019 with UNDP targets

Rating	By audited expenditure (combined CO, GF, HQ, DIM, NGO/NIM)		By number of audit reports issued* (Rated by the Office)		UNDP targets
	2018	2019	2018	2019	2018-2019
Satisfactory	40.4%	27.6%	23.4%	30.0%	More than 30%
Partially satisfactory/some improvement needed	36.4%	25.7%	44.7%	40.0%	More than 30%
Partially satisfactory/major improvement needed	17.2%	39.7% ³	25.5%	26.0%	Less than 35%
Unsatisfactory	6.0%	6.9%	6.4%	4.0%	Less than 15%
Total	100%	100%	100%	100%	N/A

CO = country office; GF = Global Fund; HQ = headquarters; DIM = directly implemented; NGO/NIM = non-governmental organization/nationally implemented

*Note: There were 47 and 50 reports rated by OAI in 2018 and 2019, respectively, that were included in the above calculation. The reports include country office, Global Fund, headquarters audits and DIM audits conducted and rated by OAI.

- **By audited expenditure:** The combined rates of audits with ‘satisfactory’ and ‘partially satisfactory/some improvement needed’ ratings decreased from 76.8 per cent in 2018 to 53.3 per cent in 2019. Additionally, the combined rates of audits with ‘partially satisfactory/major improvement needed’ and ‘unsatisfactory’ ratings increased from 23.2 per cent in 2018 to 46.6 per cent in 2019.
 - **By number of audit reports issued:** The combined rates of audits with ‘satisfactory’ and ‘partially satisfactory/some improvement needed’ ratings increased from 68.1 per cent in 2018 to 70 per cent in 2019. Additionally, the combined rates of audits with ‘partially satisfactory/major improvement needed’ and ‘unsatisfactory’ ratings decreased from 31.9 per cent in 2018 to 30 per cent in 2019.
7. The UNDP targets for audit ratings were set in the UNDP Integrated Results and Resources Framework, a tool used to monitor the progress in achieving its 2018-2021 Strategic Plan. The targets pertained to the number of audit reports that should be allocated to the various audit rating categories. In 2019, the percentage of ‘satisfactory’ ratings based on the number of audit reports rated by the Office was 30 per cent, which was just below the UNDP target of more than 30 per cent. The percentages of the remaining three ratings of audit reports (‘partially satisfactory/some improvement needed’, ‘partially satisfactory/major improvement needed’, and ‘unsatisfactory’) were within the UNDP targets.
8. The implementation rate for internal audit recommendations, including long-outstanding recommendations decreased in 2019.

³ *Substantial audits with ‘partially satisfactory/major improvements needed’:* Three audits contributed to approximately 71 per cent of the audited expenditure classified as ‘partially satisfactory/major improvement needed’. The three were the country office audit of UNDP in Iraq; the country office audit of UNDP in Yemen; and the performance audit of the early recovery projects Yemen. The combined audited expenditure for these was \$854,101,000. The rest of the expenditure with this rating is incurred by eight country offices and one office managing a grant from the Global Fund. The relative size of the expenditure covered in these three audits and the corresponding rating has increased the percentage of audits with ‘partially satisfactory/major improvements needed’ (table 4.1) when comparing the figures for the prior year.

- Implementation rate of audit recommendations: The implementation rate as of 31 December 2019 was 90 per cent compared to 95 per cent as of 31 December 2018.
 - Long-outstanding recommendations: There were ten long-outstanding recommendations as of 31 December 2019 compared to four long-outstanding recommendations as of 31 December 2018 and six long-outstanding recommendations as of 31 December 2017.
9. The qualitative nature of the audit and the investigations results was also given due consideration, and these have been included in the annual report.
10. Based on the scope of work undertaken and the adequacy and effectiveness of the UNDP framework of governance, it is the opinion of OAI that the elements of risk management and control covered in the audit reports issued in 2019 were, in aggregate, **'partially satisfactory/some improvement needed'**, which means that, in the majority of business units or projects audited in 2019 they were adequately established and functioning, but need some improvement.