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

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Internal audit and oversight

UNDP: Report on internal audit and investigations

Summary

The present report provides information on the activities of the Office of Audit and Investigations for the year ended 31 December 2017. As requested by the Executive Board in its decision 2016/13, the report includes: an opinion, based on the scope of work undertaken, on 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.

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 as to whether the resourcing of the 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 presentation of the organizational risk assessment (all listed in decision 2015/13).

The report includes: the financial losses identified by investigations, and the manner and amount of recovery (decision 2014/21); the titles of all internal audit reports issued during the year, 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 (decision 2006/13), and the annual report of the Audit and Evaluation Advisory Committee is appended to this report (DP/2008/16/Rev.1).

Elements of a decision

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

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Appendix (available on the Executive Board website)

Annual report of the Audit and Evaluation Advisory Committee for 2017

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 2017. The report also contains information in response to 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 aims to provide UNDP with an effective system of independent and objective internal oversight to improve the effectiveness and efficiency of UNDP 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 was updated and approved by the Administrator in October 2017, reflecting 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 requires 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 2017, it was free from interference in determining its audit and investigation scope, performing its work and communicating its results.

5. Starting in December 2017, the Office of Audit and Investigations introduced a statement of independence, objectivity, and impartiality that will be signed annually by audit staff as a means of certifying the adherence of staff to the code of ethics and core principles of the Institute of Internal Auditors, as well as 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 undertaken in 2017 showed that clients were satisfied with the conduct of audits. External quality assurance reviews are conducted every five years. The third external review for internal audit was finalized in 2017, and assigned a 'generally conforms' rating to internal audit activities of the Office – the highest rating that can be achieved. The Office took note of suggested improvements and implemented relevant recommendations.

7. The Office continued to receive strong support from UNDP senior management. The Director participated in meetings of the expanded Organizational Performance Group (with other oversight office heads), which enabled discussions on long-outstanding recommendations and other audit-related matters of significance with potential risk to UNDP. It continued to hold regular meetings with the Bureau for Management Services and regional bureaus to discuss key and recurring audit and investigation issues.

8. The Audit and Evaluation Advisory Committee, an external independent oversight body of UNDP, continued to provide advice to the Administrator on maximizing the effectiveness of UNDP internal audit and investigation functions. In 2017, the Committee reviewed the 2017 annual work plan of the Office and its implementation through quarterly progress reports. The Committee reviewed audit and investigation activities in the 2016 annual report presented to the Executive Board in 2017. 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 2017.

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 audits¹ of projects implemented by non-governmental organizations or national governments.

Basis for providing independent assurance to the Administrator

10. To provide assurance on governance, risk management and control, the annual work plan of the Office for 2017 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 (the Global Fund). Following its review by the Audit and Evaluation Advisory Committee, the 2017 annual work plan was approved by the Administrator.

Organizational risk assessment for annual work planning (decision 2015/13)

11. The Office of Audit and Investigations formulated the 2017 audit plan after conducting a comprehensive risk assessment of its auditable areas in UNDP as a whole. The Office undertook the planning process in a participative manner, holding a series of discussions with senior management and heads of concerned bureaus that were informed by the results from risk assessment models. It 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.

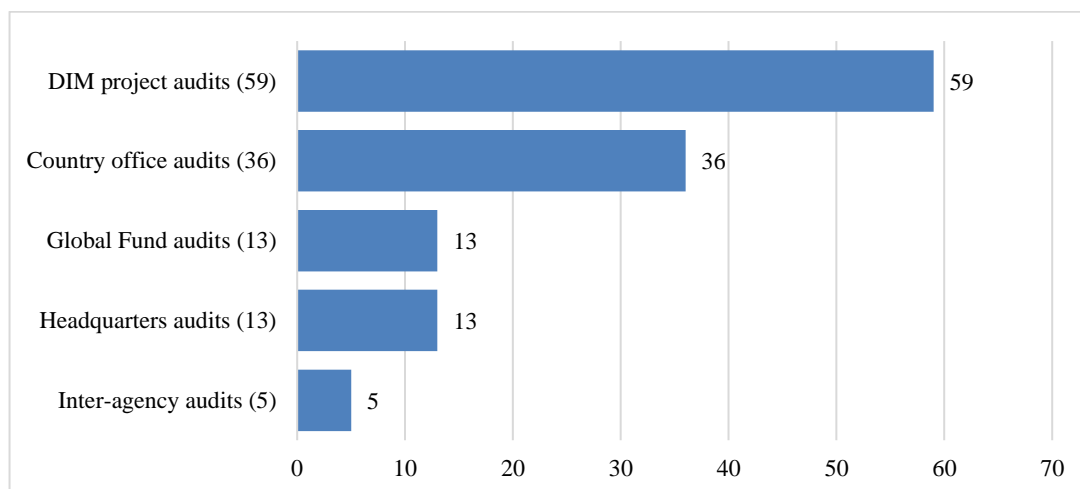
12. The risk assessment methodology covered the risk assessment process, from risk identification to risk measurement and risk ranking. Both quantitative and qualitative risk indicators were used – classified as strategic, contextual, political, operational or financial – in line with the UNDP enterprise risk management categories of risks. The final risk ranking, which determines the frequency of audits, may be adjusted after consultation with management. Generally, entities ranked ‘very high risk’ are 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 2017, the Office issued 126 audit reports: 13 headquarters audits; 36 country office audits; 13 Global Fund audits (including three consolidated reports); 59 audits of directly implemented projects (eight of which pertain to UNCDF); and five inter-agency audits (see figure 1). In accordance with decision 2013/24, annex 2 presents the titles and ratings of all the internal audit reports issued in 2017.

14. Considering that most of the audit reports issued in 2017 covered activities of UNDP offices during 2016, the audit results generally reflected the status of programmes and operations in 2016. The 108 country-level audits (country office audits, directly implemented project audits, and Global Fund audits) covered about \$3.1 billion (63 per cent) of approximately \$4.9 billion of UNDP field-level expenditures. An additional \$1.4 billion in expenditures was covered by third-party audits of non-governmental organization and nationally implemented projects.

¹ “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.

Figure 1. Number and type of audit reports issued in 2017

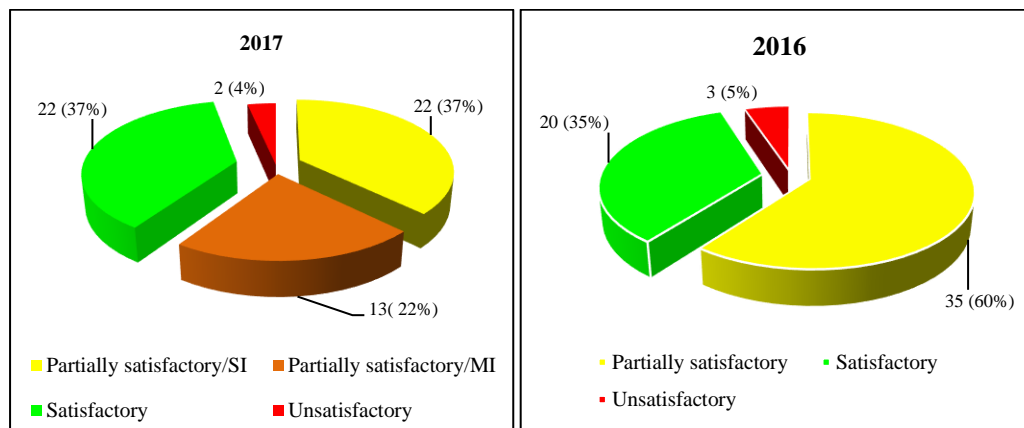
DIM = Directly implemented

Audit ratings

15. Based on audit results, the Office assigns an audit rating for the majority of its reports that reflects the adequacy and effectiveness of the governance, risk management and control processes at the audited-entity level. Exceptions include follow-up audits, solely financial audits of directly implemented projects, and consolidated reports of several audits.

16. In 2017, the Office introduced an expanded four-scale rating that replaced the previous three-scale rating. This was the result of a recommendation made in the 2016 United Nations Representatives of Internal Audit Services meeting, aiming at harmonizing the entity-level ratings among United Nations organizations. The main difference is that the 'partially satisfactory' rating is now split into two categories, namely: 'partially satisfactory/some improvement needed' and 'partially satisfactory/major improvement needed'. The new distribution of ratings was received positively by UNDP senior management.

17. Of the 126 reports, 67 did not contain an overall rating. Of the remaining 59 reports, 22 (37 per cent) had a 'satisfactory' rating; 22 (37 per cent) had a 'partially satisfactory/some improvement needed' rating; 13 (22 per cent) had a 'partially satisfactory/major improvement needed' rating and two (3 per cent) an 'unsatisfactory' rating (see figure 2). The comparison of the distribution of audit ratings in 2017 with that of 2016 shows a slight increase in 'satisfactory' ratings, a slight decrease in 'unsatisfactory' ratings (by 1 per cent), and a combined figure of 59 per cent in the 'partially satisfactory' category, which is similar with the one reported in 2016, the only difference being that ratings are now presented separately in the 'partially satisfactory/some improvement needed' and 'partially satisfactory/major improvement needed' sub-categories. The reports with 'unsatisfactory' ratings pertained to one inter-agency audit and one Global Fund audit.

Figure 2. Comparison of audit ratings (2017 versus 2016)

18. There are two types of directly implemented project audits: (a) a financial audit, encompassing statements of project expenditure, fixed assets and cash; and (b) a combined financial audit and audit of internal control systems. Those that are solely financial, and are performed by audit firms, result in an audit opinion on expenditure, assets and, where applicable, cash-at-hand. These financial audits do not entail the use of the audit rating defined by the Office. Of the 59 such audits (57 financial audits and two combined financial and internal control system audits) undertaken in 2017, 51 pertained to directly implemented UNDP projects and eight to directly implemented UNCDF-related projects. Out of the 59 audits of expenditure, the audit firms issued 52 unqualified, six qualified, and one adverse opinion on the statements of project expenditures. The net financial misstatement reported for the projects with qualified and adverse opinions was \$13.9 million (2.8 per cent of the total audited expenditure of \$503.8 million). The 40 audits of statements on fixed assets resulted in 35 unqualified opinions, four qualified opinions and one disclaimer of opinion. The net financial misstatement of the qualified and disclaimer opinions was \$6.3 million (55 per cent of the total audited asset value of \$11.4 million).

II. Disclosure of internal audit reports

19. In 2017, UNDP publicly disclosed 126 internal audit reports, one of which was withheld and three of which were partially redacted because they contained sensitive information (<http://audit-public-disclosure.undp.org>). There were 6,951 visits to the disclosure webpage, markedly higher than the 4,710 visits in 2016.

20. In accordance with decision 2011/23, the Office hereby informs the Executive Board that no request was received in 2017 for access to non-disclosed audit reports prior to 1 December 2012, when the disclosure policy for internal audit reports was implemented pursuant to decision 2012/8.

III. Staffing and budget

21. As of 31 December 2017, the Office had a total of 82 approved posts. That figure excludes four posts funded by UN-Women and one Junior Professional Officer post.

Recruitment process

22. Of those 82 posts, 78 were encumbered and four were vacant by the end of 2017. Recruitment for the four vacant posts had been completed by 31 December 2017; they were expected to be filled during the first quarter of 2018. In 2017, on a quarterly basis, the Office monitored its vacancy rate and the average number of months that staff positions had remained vacant. It attained an overall

vacancy rate of 5 per cent against a self-defined level of 7 per cent, and achieved an average rate of 4.6 months for a post to be encumbered, against an accepted period of six months.

Budget

23. In 2017, the Office had an overall approved budget of \$17.2 million funded from core and other resources (see figure 3). In addition, the Office received \$1.1 million for the audit and investigation of UNDP activities funded by Global Fund grants. This Global Fund allocation covers the funding of staff and operating costs for three Audit Specialist positions based in Dakar, Istanbul and Pretoria, and one Investigation Adviser position based in New York.

24. In addition, a total of approximately \$1 million in direct audit costs was charged to the respective budgets of each directly implemented project audited in 2017.

Figure 3. Resources in 2017, excluding Global Fund

	\$ millions
Audit	9.4
Investigations	6.1
Management and support	1.6
Audit and Evaluation Advisory Committee	0.1
Total	17.2

IV. Significant internal audit results

A. Headquarters audits

25. The Office performed 13 headquarters audits in 2017.

26. The audit of the Regional Bureau for Asia and the Pacific raised recommendations aimed at improving the oversight of the regional programme and projects, the clustering of country office operations, and the tracking of operational support provided to country offices.

27. The audit of UNDP resource mobilization management identified the need for greater organization-wide coordination; a clearer governance structure; and the development of funding-window-specific resource mobilization strategies. It concluded that while the assessed governance arrangements, risk management practices and controls were generally established and functioning, further improvement was needed.

28. The audit of the UNDP e-tendering system recommended actions to move forward with the roll-out of the e-tendering business process and correct weaknesses in its design and implementation. Two information and communication technology audits (OneICTbox and UNDP identity management) resulted in ratings of 'satisfactory' and 'partially satisfactory/some improvement needed', respectively. The identity management audit recommended improvements in the creation of user identifiers, and implementation of a trusted source for identity verification.

29. Two follow-up audits addressed the United Nations Office for South-South Cooperation and vendor management audits. In each case, significant progress was noted in the implementation of the recommendations raised in the initial audits by the Office.

30. The 13 headquarters audit reports resulted in 48 recommendations, 11 of which (23 per cent) were ranked 'high priority'.

B. Country office audits

31. The 36 country office audit reports issued in 2017 included 35 audits of general scope and one follow-up to a prior-year audit that had resulted in an 'unsatisfactory' rating. Figure 4 contains significant issues (recurrent in at least five offices) grouped by audit area or sub-area.

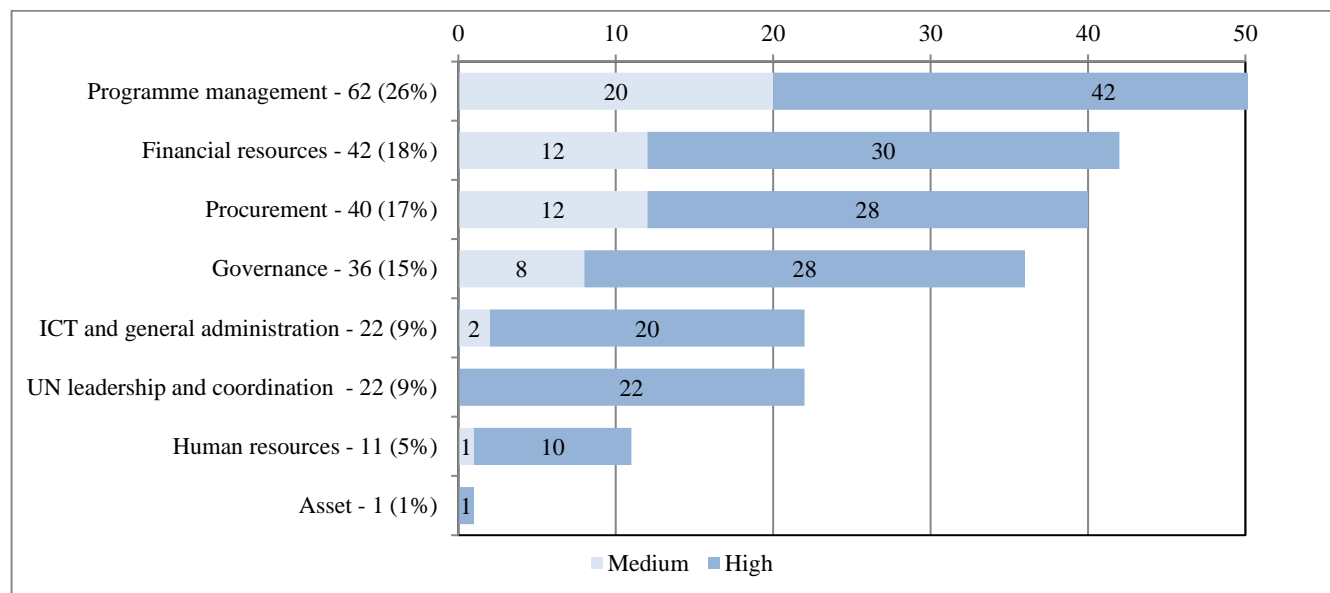
Figure 4. Recurrent country office audit issues

Audit area or sub-area	Recurrent audit issues
<i>Programme and project management</i>	<p>Insufficient programme/project monitoring, such as not maintaining up-to-date risk logs, not regularly conducting field monitoring, delayed project closures, and not establishing an overall monitoring framework (21 offices)*</p> <p>Delays in closing completed projects in the Atlas system (6 offices)*</p>
<i>Procurement</i>	<p>Inadequate controls in procurement processes, such as weak procurement planning, inadequate management of receipt of offers, and not raising e-requisitions in Atlas (22 offices)*</p> <p>Weak management of individual contracts, including inadequately justified use of direct contracting in accordance with the UNDP policy that identifies specific instances for its use, and inadequate monitoring of deliverables and payments (9 offices)</p> <p>Weak management of vendors, such as inadequate verification of vendor information in Atlas or inaccurate vendor profiles (6 offices)</p>
<i>United Nations leadership and coordination</i>	<p>Harmonized approach to cash transfers not fully implemented (16 offices)*</p>
<i>Financial management</i>	<p>Inadequate controls in handling payments and recording transactions in Atlas, including payment cancellations (11 offices)</p> <p>Weak management of cash such as the lack of monitoring of cash advances and the lack of appointment of cash custodians (8 offices)*</p> <p>Inadequate implementation of direct project costing (7 offices)</p>
<i>Governance</i>	<p>Outstanding government contributions to local office costs (6 offices)</p> <p>Weak risk management, such as not systematically assessing, documenting, and mitigating risks (6 offices)</p> <p>Weak organizational structure, such as unclear roles and responsibilities and reporting lines (5 offices)</p>
<i>ICT and general administrative management</i>	<p>Weak asset management, such as not maintaining a complete and up-to-date inventory (5 offices)</p> <p>Weak travel management, such as not ensuring itineraries with most direct and economical routes, and not submitting travel claims in a timely manner (6 offices)*</p>

* Issues also recurrent in 2016.

32. The above audits resulted in 236 recommendations, 55 (23 per cent) of which were rated ‘high priority’ (see figure 5, below). Figure 5 is a thematic breakdown of the recommendations.

Figure 5. Distribution and prioritization of country office audit recommendations in 2017 reports



ICT = Information and communication technology; UN = United Nations

C. Global Fund audits

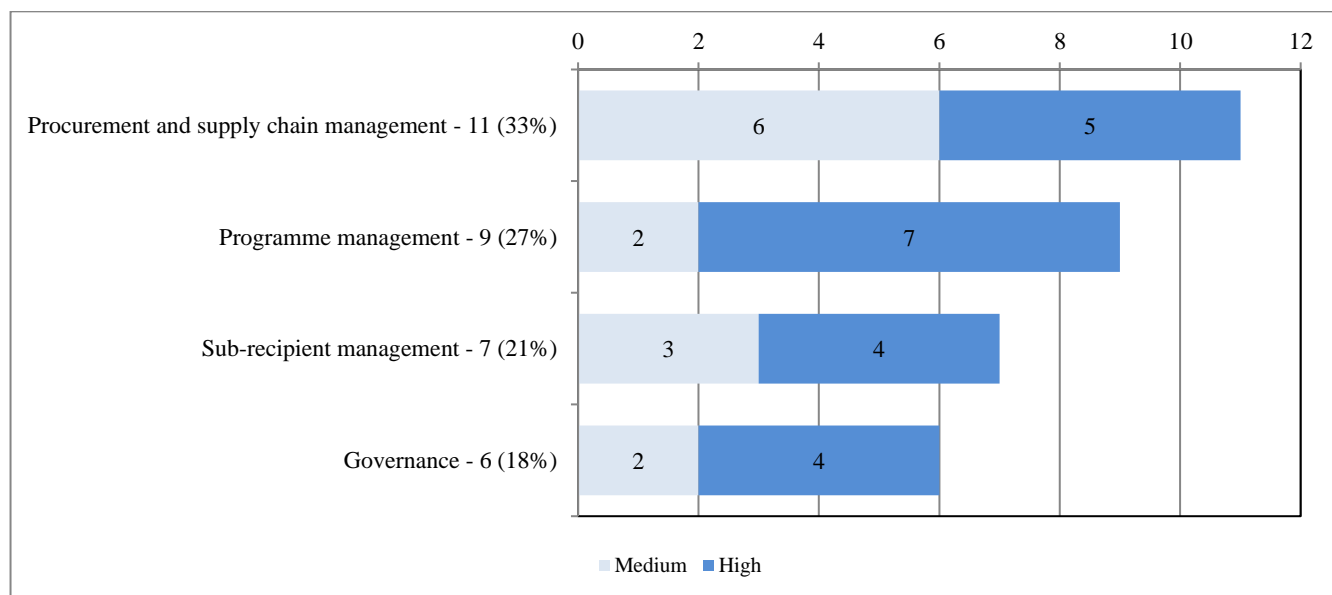
33. The Office issued 13 Global Fund audit reports in 2017. They covered the management of Global Fund grants in 10 country offices (three in Africa, four in the Arab States, one in Latin America and the Caribbean, and two in the Asia and the Pacific region). Figure 6 enumerates significant issues (recurrent in at least four offices) grouped by audit area or sub-area.

Figure 6. Recurrent Global Fund audit issues

Audit area/sub-area	Recurrent audit issues
<i>Project management, monitoring and evaluation</i>	Weaknesses in project management, such as not conducting monitoring and evaluation activities (5 offices)
<i>Sub-recipient management</i>	Weaknesses in sub-recipient management, such as delays in liquidating advances and delays in submitting quarterly reports (5 offices)
<i>Procurement and supply-chain management</i>	Lack of controls in storing pharmaceutical products, conducting quality control testing, and monitoring stock levels (4 offices)

34. The 13 audit reports related to grants managed by UNDP as principal recipient contained 33 recommendations (see figure 7), the majority (60 per cent) of which were in the areas of: (a) procurement and supply chain management; and (b) programme management. The significant issues are grouped, according to audit area, in figure 7.

Figure 7. Distribution and prioritization of Global Fund audit recommendations in 2017 reports

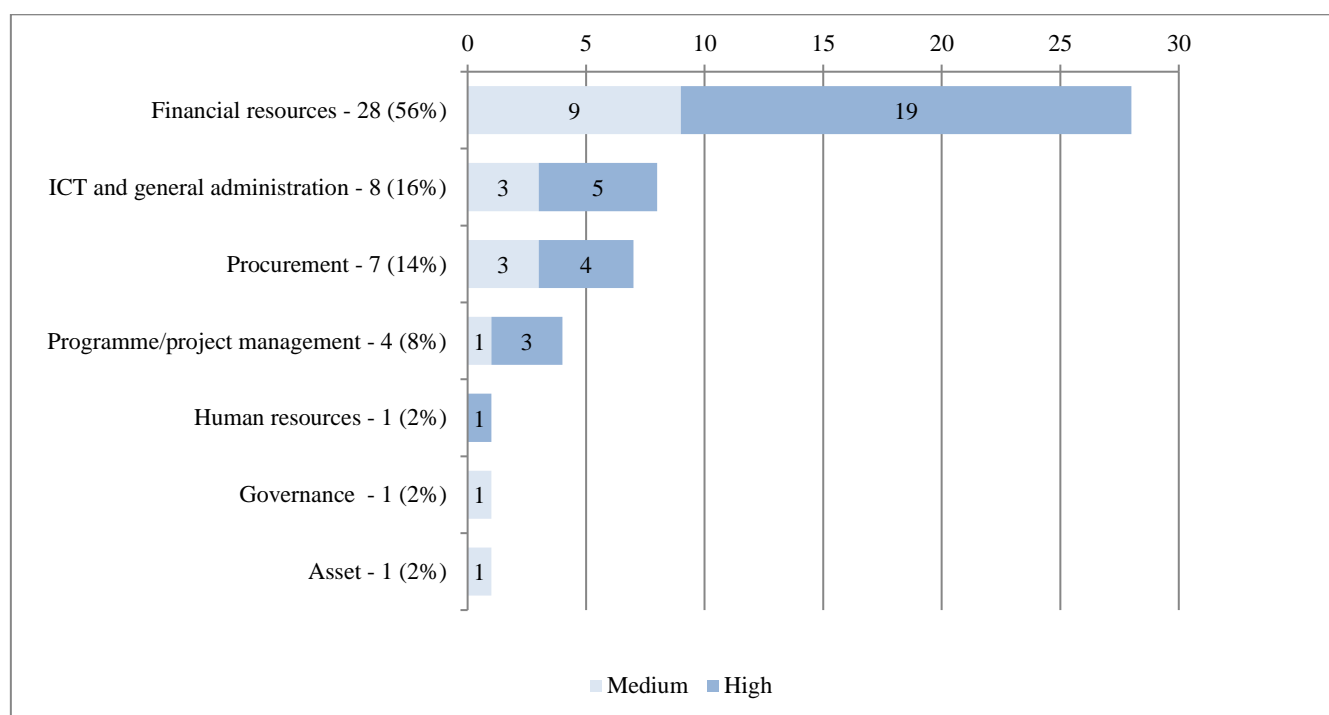


D. Project audits

35. Projects directly implemented by UNDP can be reviewed as part of the audit of an office or can be audited separately, especially if the project expenditure is significant or presents high risks. In 2017, 59 directly implemented projects were audited separately, with a total audited expenditure amounting to \$503.8 million. Out of these, 51 were directly implemented by UNDP and amounted to \$476.7 million. The remaining eight projects, directly implemented by UNCDF, amounted to \$27.1 million.

36. Audits of directly implemented projects resulted in 50 recommendations (see figure 8), with a significant number of recommendations (56 per cent) in the area of financial resources management, such as inaccurate recording and a lack of supporting documents to justify accounting entries. Other areas with a notable number of recommendations were project management, procurement, and asset management.

Figure 8. Distribution and prioritization of audit recommendations concerning directly implemented projects in 2017 reports



ICT = information and communication technology

E. Inter-agency audits

37. In 2017, the Office of Audit and Investigations issued five inter-agency reports resulting from joint and coordinated audit work among the internal audit services of several United Nations organizations.

38. The audit of the governance arrangements of the Sustainable Development Goals Fund identified weaknesses in internal controls and frequency of steering committee meetings, and incomplete monitoring, evaluation, and budgeting in secretariat work planning.

39. Since 2010, based on audit frameworks agreed with members of the United Nations Representatives of Internal Audit Services, the Office has issued 25 inter-agency audit reports covering selected multi-partner trust funds, ‘delivering as one’, and the harmonized approach to cash transfers. The experience continued to show that inter-agency audits require significantly more time to plan, conduct and report than others, owing to the need for consultations and inputs from the internal audit services and management of participating organizations.

V. Follow-up to audit recommendations

40. The overall implementation rate of audit recommendations was 92 per cent as of 31 December 2017, above the rate achieved in 2016 (87 per cent). The rate covered all reports issued by the Office from 1 January 2015 to 30 November 2017. There were six recommendations that had not been fully implemented for 18 months or more as at 31 December 2017 (see annex 3). This represents a major improvement from 2016, when 17 recommendations were outstanding for 18 months or more. Of the six recommendations, two (33 per cent) were ranked ‘high priority’, one of which pertained to an audit of the Legal Office, and the other to an audit of vendor management.

41. The implementation rate as of 31 December 2017 for recommendations raised in audit reports issued in 2017 was 55 per cent (at the same level as the 54 per cent reported as of 31 December 2016), indicating that immediate action was taken by management on the majority of audit issues raised by the Office.

42. In addition, 20 recommendations have been withdrawn since 2014. These recommendations were withdrawn after sharing the considerations with the Director of the Office (see figure 9). It is worth noting that out of the 20 recommendations withdrawn in total, 15 were withdrawn due to changed circumstances, and five as a result of management accepting the residual risks. A more detailed presentation of the recommendations is included in annex 3a.

Figure 9. No. of recommendations withdrawn in 2017

Year report issued	No. of recommendations
2014	1
2015	5
2016	14
Total	20

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

43. The Office reviews annual audits of nationally implemented UNDP projects executed by non-governmental organizations or national governments. The audits for fiscal year 2016 were conducted by supreme audit institutions or audit firms engaged and managed by UNDP country offices. As of 31 December 2017, the Office had received 765 audit reports, with only one audit report still outstanding (from the UNDP office in Burundi).

Review results

44. Of the 765 reports received, the Office reviewed 352 in depth, representing \$1.18 billion in expenses (84 per cent of the audited expenses). In the majority of cases, the auditors of non-governmental organization/nationally implemented projects found that financial expenses were presented fairly, and issued ‘unmodified’ opinions in respect of \$1.36 billion (97 per cent) of the total \$1.41 billion of audited expenses.

45. Review letters drawing the attention to areas requiring improvement were issued to all 100 country offices that had submitted project audit reports. Seventy-five country offices (75 per cent) received an overall ‘satisfactory’ rating from the Office for fiscal year 2016 compared to 72 per cent for fiscal year 2015. Twenty-two country offices (22 per cent) received ‘partially satisfactory’ ratings, compared to 21 per cent in 2015; and three country offices (3 per cent) received ‘unsatisfactory’ ratings in 2016, a decrease from the 7 per cent reported for 2015 (see figure 10, below). The overall rating 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 audit exercise. The ‘unsatisfactory’ ratings were due mainly to the materiality of the net financial misstatement, the severity of issues and observations raised in the reports, and inadequate follow-up to audit observations.

Figure 10. Results of assessment of the quality of audit reports of non-governmental organizations/nationally implemented projects

Rating	Overall rating			
	Fiscal year 2016 (Audits conducted in 2017)		Fiscal year 2015 (Audits conducted in 2016)	
	Number of countries	%	Number of countries	%
Satisfactory	75	75	81	72
Partially satisfactory	22	22	23	21
Unsatisfactory	3	3	8	7
Total number of country offices	100	100	112	100

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

46. The audit reports of non-governmental organization/nationally implemented projects that were reviewed in detail contained 1,411 issues, the majority of which (61 per cent) were ranked 'medium priority'. Forty-nine per cent of the issues pertained to financial management. The majority of the remaining issues pertained to procurement of goods and/or services, human resources selection and administration, and management and use of equipment/inventory.

47. The Office monitored the actions taken by country offices to implement the audit recommendations and noted that, as of 31 December 2017, 62 per cent of the 1,411 audit issues had been implemented or were no longer applicable.

Audit opinions and net financial misstatement

48. For the reports with modified opinions, the Office calculated the total net financial misstatement for fiscal year 2016 to be a net overstatement of \$6.15 million, or 0.4 per cent over the total audited expenditure (\$1.41 billion). The net financial misstatement resulted from modified opinions on 56 projects in 28 country offices. The qualifications were due mainly to unsupported or ineligible expenses (30 projects), or unrecorded expenses and incorrect recording of advances or expenses (12 projects).

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

49. For financial year 2016, 13 country offices (Bhutan, Cabo Verde, the Democratic Republic of the Congo, India, Indonesia, Malawi, Malaysia, Morocco, Rwanda, Samoa, Thailand, the United Republic of Tanzania, and Viet Nam) had fully transitioned to HACT and applied the corresponding assurance activities outlined in the HACT framework of February 2014 in lieu of the audits of non-governmental organization/nationally implemented projects. The HACT framework is a common operational (harmonized) framework for transferring cash to government and non-governmental implementing partners, irrespective of whether those partners work with one or multiple United Nations organizations. It is intended to serve as a simplified set of procedures on requesting, disbursing, providing assurance, and reporting on funds as a way of effectively managing risks, reducing transaction costs and promoting sustainable development in a coordinated manner.

50. As of 31 December 2017, the Office had received 109 of the 120 HACT audit reports planned, and had completed the review of 53 audit reports, which was an improvement compared to 31 December 2016, when the Office had received 30 of 49 reports planned and had completed the review of 21 audit reports. The auditors were predominantly audit firms hired by the country offices. The auditors provided 'unmodified' opinions for 42 of the 53 financial audit reports reviewed and 'modified' opinions for four other financial reports with a net financial misstatement of \$156,043,

representing 7 per cent of the related audited expenses. For the seven cases where only an audit of internal controls was carried out, the auditors did not raise any major concerns.

VII. Investigations

51. During 2017, the Office opened 255 new cases and carried over 176 cases from 2016, bringing the 2017 caseload to 431.

52. The Office closed 205 of those 431 cases in 2017. At the end of 2017, 226 cases were carried over to 2018 (see figure 11).

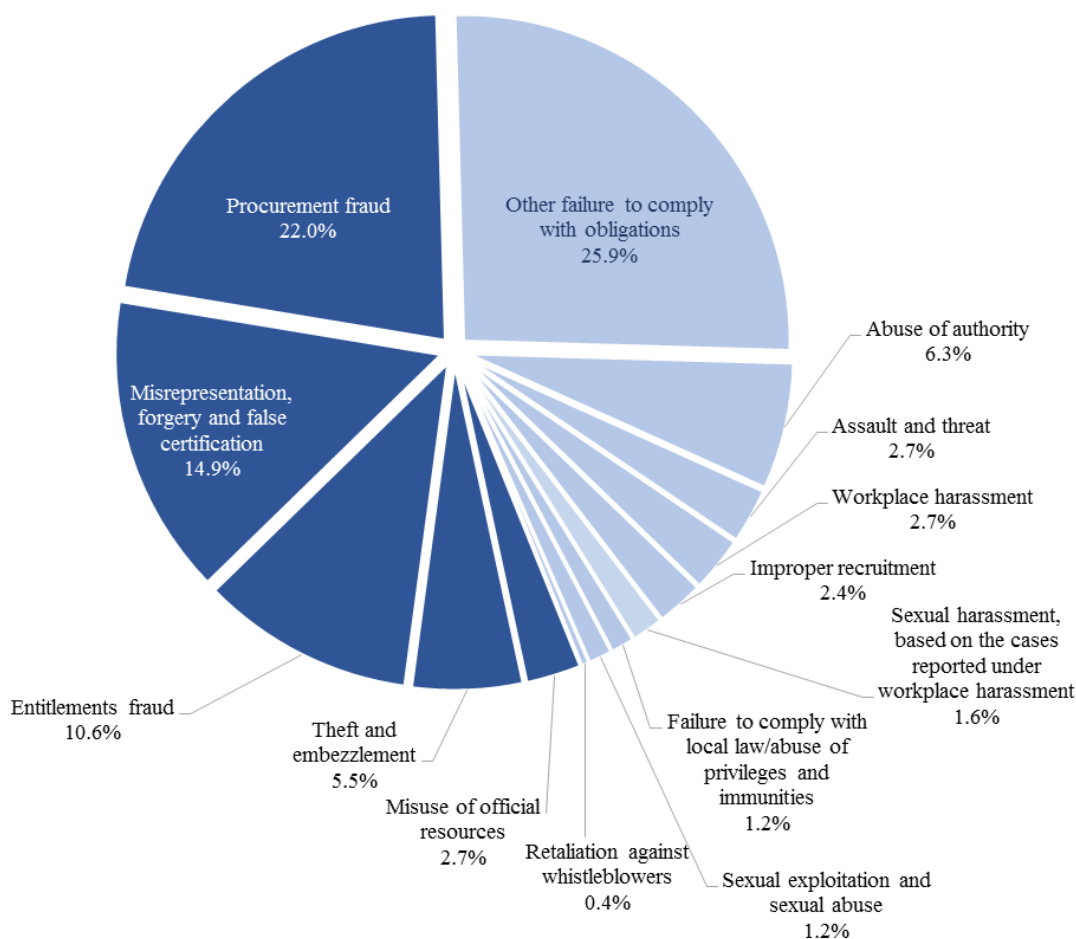
Figure 11. Office of Audit and Investigations caseload, 2016 and 2017

Caseload	2016	2017
Carry-over as of 1 January	204	176
Intake during the year	205	255
Total cases during the year	409	431
Closed (from cases carried over)	128	122
Closed (from intake)	105	83
Total closed	233	205
Carried forward as of 31 December	176	226

Types of complaints

53. Complaints relating to financial irregularities (procurement fraud; theft and embezzlement; misuse of official resources; misrepresentation, forgery and false certification; and entitlements fraud) constituted 55.7 per cent of the cases received by the Office in 2017, a slight increase compared to the 54.6 per cent recorded in 2016 (see figure 12).

**Figure 12. Types of complaints received in 2017
(financial irregularity complaints in deep blue)**



54. Four complaints of sexual harassment were reported in 2017. In addition, one of three cases originally reported as sexual exploitation and abuse was subsequently determined to be an allegation of sexual harassment.

55. In 2017 the Office received the most complaints from the Arab States region (73 cases), followed by Africa (64 cases), Europe and the Commonwealth of Independent States (40 cases), Asia and the Pacific (30 cases) and Latin America and the Caribbean (8 cases). The Office also received seven complaints involving headquarters, 32 involving staff members or other personnel on UNDP contracts assigned to other United Nations organizations, and one involving a staff member from another United Nations organization (see figure 13).

Figure 13. Complaints received in 2017, by region

	Number of complaints received
Arab States	73
Africa	64
Europe and the Commonwealth of Independent States	40
Other United Nations organizations	33
Asia and the Pacific	30
Latin America and the Caribbean	8
Headquarters	7
Total	255

Processing of cases

56. Of 205 cases that were closed in 2017, 48 (23 per cent of the cases finalized) were closed after an initial assessment because evidence of wrongdoing was insufficient to justify an investigation; because the allegations did not fall within the mandate of the Office; or because an investigation was not warranted.

57. The remaining 157 cases were closed as a result of an investigation in which 65 cases (41 per cent) resulted in an investigation report, 63 of which established evidence of misconduct or other wrongdoing. Two investigation reports were produced, even though the allegations were not substantiated due to the procedural requirements of the office receiving the report. The remaining 92 cases were found to be unsubstantiated and were closed after investigation (see figure 14).

58. At the end of 2017, 27 cases were still under assessment and 199 under investigation.

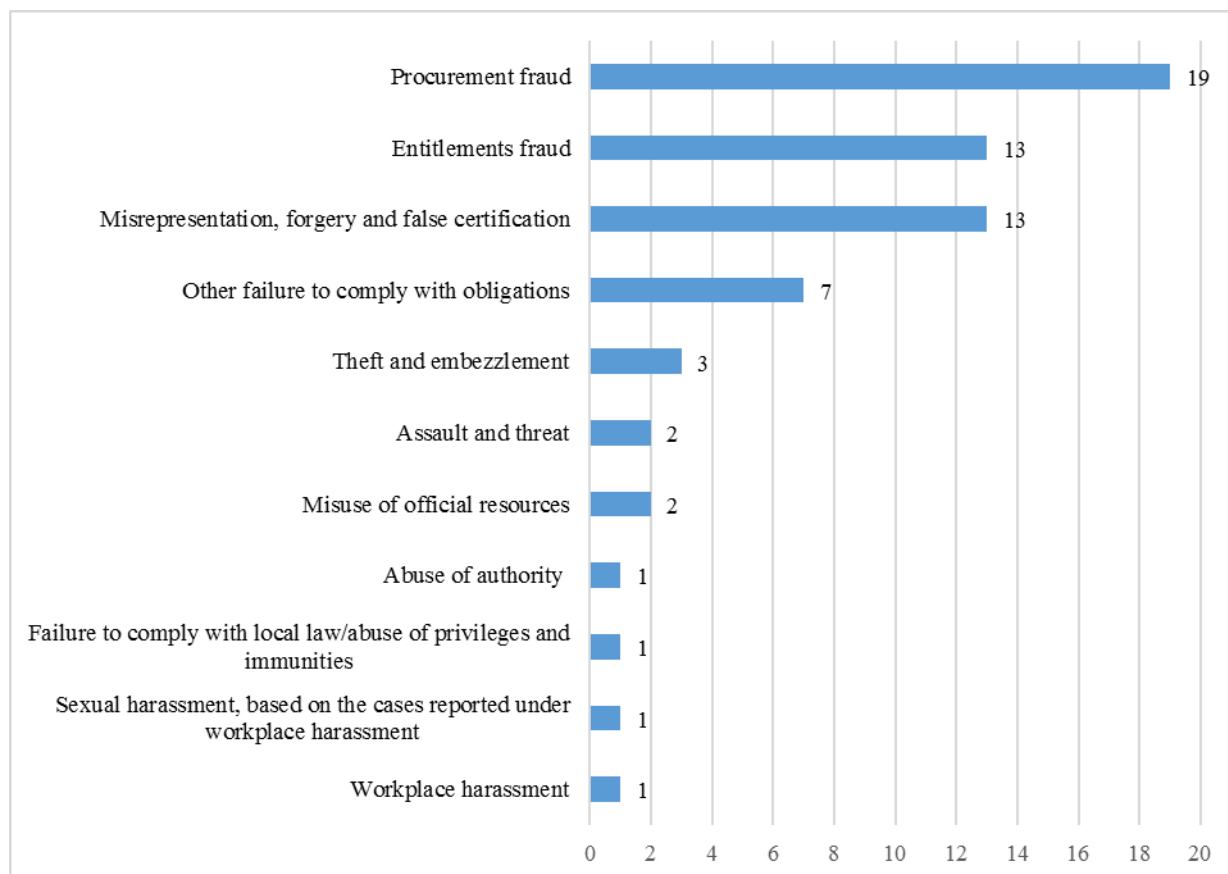
Figure 14. Disposition of cases

Actions taken	No. of cases 2016	No. of cases 2017
<i>After assessment</i>		
Closed, investigation not warranted	68	48
Referred to other UNDP offices	7	-
Total	75	48
<i>After investigation</i>		
Closed (<i>not substantiated</i>)	92	94
Closed (<i>substantiated</i>)		
- Submitted to Legal Office	23	33
- Submitted to country offices	13	11
- Submitted to Vendor Review Committee	25	17
- Submitted to other organizations	3	-
- Submitted to other UNDP offices	2	2
- Other investigation reports	-	-
Subtotal (<i>substantiated</i>)	66	63
Total cases closed after investigation	158	157
Total cases closed during the year	233	205
Investigation reports issued	60	65
Management letters issued	15	15

Substantiated cases

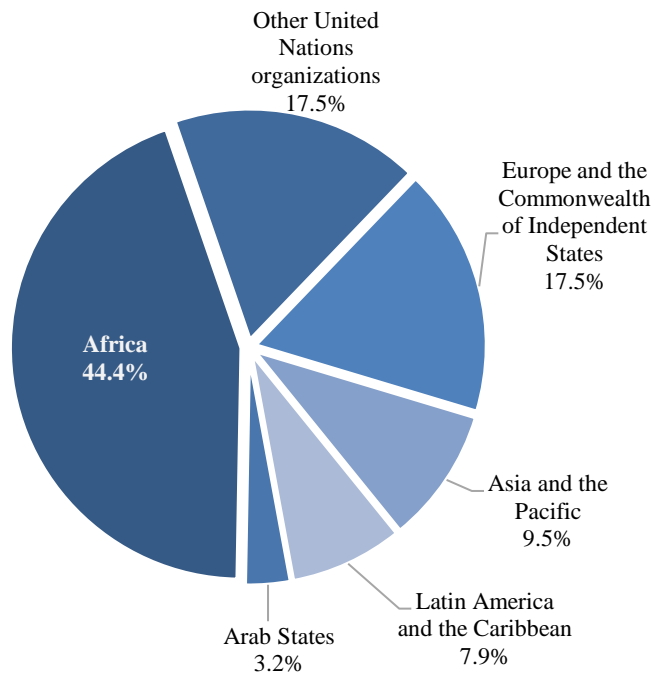
59. The misconduct identified in the 63 substantiated investigations was mainly procurement fraud (19 cases, or 30 per cent); entitlements fraud (13 cases, or 21 per cent); and misrepresentation, forgery and false certification (13 cases, or 21 per cent) (see figure 15). A summary of the substantiated investigations in 2017, by type of allegation, is included in annex 4.

Figure 15. Cases substantiated in 2017, by category



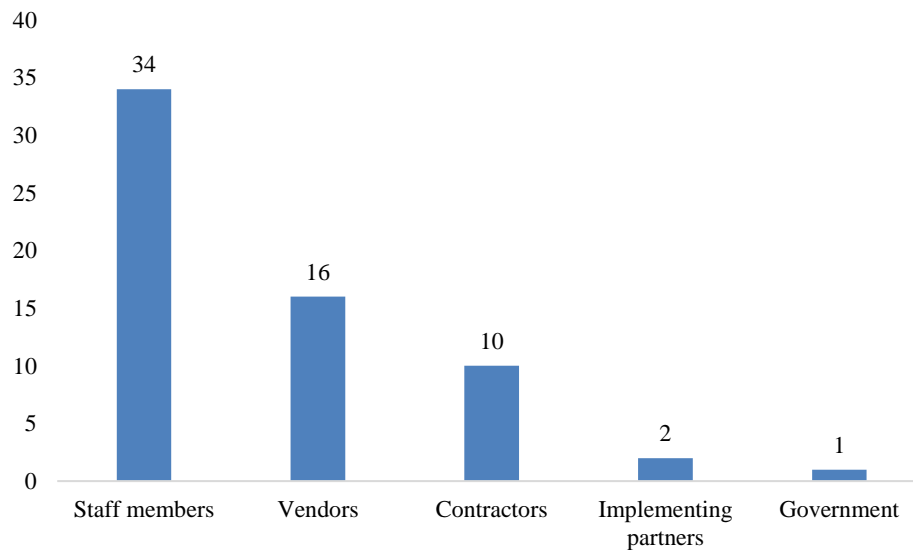
60. Of the 63 substantiated cases, 44.4 per cent (28 cases) occurred in the Africa region, 17.5 per cent (11 cases) in the Europe and the Commonwealth of Independent States region, and 17.5 per cent (11 cases) in other United Nations organizations (see figure 16).

Figure 16. Cases substantiated in 2017, by region



61. The 63 substantiated cases involved 34 staff members, 16 vendors, 10 contractors (service contract holders), two implementing partners, and one government employee (see figure 17).

Figure 17. Cases substantiated by contractual status



Management letters

62. In 2017, the Office issued 15 management letters to relevant business units to address weaknesses in internal controls, as noted in the investigations performed by the Office.

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

63. The total financial loss for UNDP, substantiated in investigation reports from the Office during 2017, amounted to \$569,358 (see annex 4). The loss related to six cases of entitlements fraud; four cases of procurement fraud; three cases of misrepresentation, forgery and false certification; one case of theft and embezzlement; one case of abuse of authority; and one case of misuse of official resources. As of the date of preparation of this report, UNDP had recovered \$11,828 of the identified loss – slightly more than two per cent. In addition, approximately \$2.67 million was recovered in 2017 for 12 cases reported between 2013 and 2016, and three cases for which no investigation report was issued since no UNDP personnel were involved and the matter was settled before the investigation was finalized.

64. In 2017, the Office continued to collaborate with the Bureau for Management Services on mechanisms to facilitate the recovery of losses, which included the establishment of a standing board on assets recovery and implementation of an assets tracker tool to monitor and track the recovery of physical and financial assets.

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

65. Follow-up actions taken by other offices (the Legal Office, the United Nations Ethics Office, country offices, the Vendor Review Committee, and regional bureaus) in the cases substantiated by the Office are detailed below.

66. Based on the 33 investigation reports sent to the Legal Office concerning staff members in 2017, one staff member was dismissed and one had an agreed disciplinary measure imposed consisting of demotion of one grade without deferment of eligibility for promotion, and a fine of three months' net base salary. Pursuant to Article 72 of the legal framework, a letter was placed in the files of four staff members who had separated prior to the completion of the investigation, indicating that they would have been charged with misconduct had they remained employed with the organization. The remaining 27 reports sent to the Legal Office were still under review at the end of 2017.

67. The Office submitted one investigation report to the United Nations Ethics Office, which made its independent determination that the complainant had not suffered retaliation.

68. Of the 11 reports that the Office submitted to country offices, five service contract holders had their contracts terminated, while the contracts of two were not renewed. Two service contract holders had resigned prior to finalization of the investigation. The remaining two reports were still under review by the country offices at the end of 2017.

Other investigation reports

69. In 2017, the Office submitted 17 investigation reports to the Vendor Review Committee. One investigation report had been returned to the Office for additional evidentiary support and clarification prior to its presentation to the Committee. The remaining 16 investigation reports were still under review by the Committee at the end of 2017.

70. Two investigation reports were submitted to UNDP regional bureaus in 2017. One of these was forwarded to another United Nations organization.

71. The Office submitted to the Legal Office three requests for referrals to national authorities in 2017, for transmittal to the Office of Legal Affairs of the United Nations Secretariat. As of 31 December 2017, the Office of Legal Affairs had referred three cases to national authorities two requested by the Office in 2016 and one in 2017.

Social and environmental compliance

72. In 2017, the Social and Environmental Compliance Unit registered four new cases, for a total of six active cases, from Bosnia and Herzegovina, India, Lebanon, Malawi, Panama, and Uganda. As of 31 December 2017, the Unit had issued two final products: an informal advice note related to the India High Range Mountain Landscape project, and a formal compliance review related to the

'Business Call to Action' project. As the India case was informal, no monitoring role was contemplated. The Business Call to Action case was in its monitoring phase at the end of 2017.

73. In Guatemala, the Social and Environmental Compliance Unit participated in a joint outreach event with the independent consultation and investigation mechanism of the Inter-American Development Bank and the inspection panel of the World Bank, and conducted targeted outreach in Panama and Costa Rica. Additionally, the Unit updated its investigation guidelines; finalized a standard operating procedure for proactive investigations; participated in the annual meeting of the Independent Accountability Mechanism Network; increased the language offerings of its printed materials; and continued its 'in-reach' to UNDP country offices and management.

Other investigative activity

74. In October 2017, the Office co-hosted the annual Conference of International Investigators with the Office of Internal Oversight Services, UNFPA and the United Nations Children's Fund (UNICEF). The conference was attended by 150 participants from investigative offices throughout the United Nations system, multilateral development banks, and other organizations. It was preceded by a two-day training event and by the annual meeting of the Representatives of Investigative Services of the United Nations.

VIII. Coordination within the United Nations system

75. As a member of the United Nations Representatives of Internal Audit Services, the Director of the Office of Audit and Investigations participated in the Representatives' activities in 2017.

76. The Office continued to interact with Member States and counterparts 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. The Office is a member of the Secretariat of the Conference of International Investigators and co-organized the annual meeting of the Conference of International Investigators.

IX. Advisory and other audit services

Advisory services

77. The Office continued to provide advice to all levels of management at headquarters, regional centres and country offices. The advice covered a wide range of subjects, such as audit processes for non-governmental organization/nationally implemented projects and directly implemented projects; reporting and assessment for HACT; human resources processes; and information and communication technology policies. As requested, the Office regularly reviewed audit clauses in contribution agreements with donors.

78. In 2017, the Investigations Section continued to provide briefings to all UNDP regional bureaus and other offices, including the Bureau for Management Services, as well as to individual country offices, when required, on lessons learned from previous cases, with an emphasis on fraud prevention and early detection to mitigate the risk of fraud.

Audit and investigation services for the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)

79. Based on a two-year service agreement with the Executive Director of UN-Women that commenced in December 2015, the Office continued to provide internal audit and investigation services to UN-Women in 2017. However, following advice from the Office, UN-Women decided in 2017 to establish its own internal function, so the support of the Office to UN-Women was discontinued in December 2017.

X. Opinion

80. The Office provides independent internal oversight through internal audits on the adequacy and effectiveness of the UNDP governance, risk management and control framework.

81. The opinion of the Office is based on the audit reports issued between 1 January and 31 December 2017, the majority of which covered UNDP activities in 2016. A summary of the audit work supporting the opinion is included in chapter IV of the present report, and the supporting criteria and the methodology used to form the audit opinion are described in annex 5. The risk assessment methodology of the Office, which increases the frequency of audits of high-risk entities, is described in chapter I.

82. Based on the scope of work undertaken and the adequacy and effectiveness of the UNDP framework of governance, it is the opinion of the Office of Audit and Investigations that the elements of risk management and control covered in the audit reports issued in 2017 were, in aggregate, 'satisfactory', which means that, in the majority of business units or projects audited in 2017, they were adequately established and functioning well, and that the issues identified, if any, would not significantly affect the ability of the business unit or project to achieve its targets. The 92 per cent implementation ratio of audit recommendations as at 31 December 2017 was above the target set in the UNDP integrated results and resources framework. This implementation rate confirms that, in general, appropriate and timely action is taken as and when improvements in the governance, risk and control mechanisms become necessary.

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 2017 pertaining to UNDP

	Audit Type	Report No.	Audit Subjects	Rating
Headquarters				
1	Performance audits	1840	Regional Bureau for Asia and the Pacific	Satisfactory
2		1841	Regional Project for Advancing Inclusive and Sustainable Human Development in Asia and the Pacific	Satisfactory
3		1766	e-Tendering System	Partially Satisfactory/ Some Improvement
4		1750	UNDP Resource Mobilization Management	Partially Satisfactory/ Some Improvement
5		1749	Bureau for Policy and Programme Support	Satisfactory
6	Compliance audits	1890	Joint UNDP/DPA Programme on Building National Capacities for Conflict Prevention	Partially Satisfactory/ Some Improvement
7		1891	One ICT Box	Satisfactory
8		1889	Global Health Innovative Technology Fund (Project ID 00074638)	Satisfactory
9		1765	Staff Payroll, benefits and entitlements	Partially Satisfactory/ Some Improvement
10		1759	UNDP Atlas (UNDP's Enterprise Resource Planning System)	Partially Satisfactory/ Some Improvement
11		1753	UNDP Identity management	Partially Satisfactory/ Some Improvement
12	Inter-Agency	1885	Governance Arrangements of the SDG-F	Unsatisfactory
13		1810	SDG-F Joint Programme Colombia	Satisfactory
14	Inter-Agency	1785	Audit of the Administrative Agent Function of the SDG Fund	Satisfactory
15		1581	Joint Internal Audit of Delivering as One in Viet Nam	N/A
16		1618	South Sudan Common Humanitarian Fund - Consolidated Report	N/A
17	Global Fund grants	1902	Consolidated Report on the Audits of Sub-Recipients of Grants from Global Fund	N/A
18		1772	Consolidated Report on Audits of UNDP as PR of grants for	N/A
19		1763	Consolidated report on the audits of sub-recipients of grants from Global Fund	N/A
20	DIM Projects	1844	UNCDF DIM audit of project 89208/output 95554 Municipal Investment Financing	N/A
21		1845	UNCDF DIM audit of project 71188/output 84817 BTCA_GATES	N/A
22		1846	UNCDF DIM audit of Project 62259/output 79668 Microlead Expansion	N/A

	Audit Type	Report No.	Audit Subjects	Rating
23		1843	UNCDF DIM audit of Project 83579/output 91979 Mobile Money for the Poor MCF	N/A
24		1736	UNCDF Jordan DIM Project 85233, Output 92938 (DLDSP)	N/A
25	Follow-up audits	1905	Vendor Management Follow-up Audit	N/A
26		1754	Follow-up Audit - United Nations Office for South-South Cooperation	N/A
Country Offices				
Africa				
27	General Scope	1893	UNDP Botswana	Partially Satisfactory/ Major Improvement
28		1886	UNDP Chad	Partially Satisfactory/ Major Improvement
29		1881	UNDP Sierra Leone	Partially Satisfactory/ Major Improvement
30	General Scope	1880	UNDP Comoros	Partially Satisfactory/ Some Improvement
31		1830	UNDP Benin	Partially Satisfactory/ Major Improvement
32		1770	UNDP Swaziland	Partially Satisfactory/ Major Improvement
33		1768	UNDP Cameroon	Partially Satisfactory/ Major Improvement
34		1751	UNDP Liberia	Partially Satisfactory/ Some Improvement
35		1738	UNDP Guinea	Partially Satisfactory
36	DIM Projects	1819	UNDP Togo -Réduction de la pauvreté et lo No. 49972	N/A
37		1814	UNDP Congo (Dem. Republic of) - Projet Autorié de l'Etat No.72468 Output 86178 98556	N/A
38		1816	UNDP Mali - Projet Elections 2012-2014 No. 64570	N/A
39		1817	UNDP Mali - Project Restauration de l'Autorité de l'État au Nord Mali, Project No. 78266, Output No. 88627	N/A
40		1818	UNDP Senegal - Programme d'Urgence de Developpement Communautaire, Project No. 94053, Output No. 86871	N/A
41		1811	UNDP Central African Republic - Projet d'Appui au Cycle Electoral No. 86140	N/A
42		1812	UNDP Central African Republic - Joint Project to support	N/A
43		1822	UNDP South Sudan- Support to Public Admin 00072642	N/A
44		1821	UNDP Kenya-Strengthening the Electoral Process in Kenya-Project No. 85584	N/A

	Audit Type	Report No.	Audit Subjects	Rating
45		1828	UNCDF Tanzania LDFI-One UN Funds- 00062760	N/A
46	Follow-up audit	1784	UNDP Namibia Follow-Up	N/A
47	Global Fund grants	1892	UNDP South Sudan- Global Fund	Partially Satisfactory/ Some Improvement
48		1833	UNDP Angola- Global Fund	Partially Satisfactory/ Some Improvement
49		1758	UNDP Sao Tome and Principe- Global Fund	Partially Satisfactory/ Some Improvement
50		1732	UNDP Chad - Global Fund	Unsatisfactory
Asia and the Pacific				
51	General Scope	1897	UNDP Afghanistan - Comprehensive CO Audit	Partially Satisfactory/ Some Improvement
52		1894	UNDP Nepal	Satisfactory
53		1882	UNDP Bhutan	Satisfactory
54		1877	UNDP Fiji	Partially Satisfactory/ Some Improvement
55		1842	UNDP Thailand	Partially Satisfactory/ Some Improvement
56		1773	UNDP Vietnam	Partially Satisfactory/ Major Improvement
57		1767	UNDP Maldives	Satisfactory
58		1762	UNDP Pakistan	Partially Satisfactory/ Major Improvement
59		DIM Projects	1847	UNDP Afghanistan - LOTFA (Project No. 89620)
60	1850		UNDP Myanmar - Rule of Law and Access to Justice (Project No. 74044)	N/A
61	1854		UNDP Philippines - Time-critical debris management (Project No. 77295)	N/A
62	1851		UNDP Pakistan - Strengthening Rule of Law Project (Project	N/A
63	1852		UNDP Pakistan - FATA Transition and Recovery Programme	N/A
64	1853		UNDP Philippines - DSS 2016 K to 12 Basic Education Program (Project No. 95022)	N/A
65	1848		UNDP India - Improving Efficiency of Vaccination Systems	N/A
66	1849		UNDP Indonesia - Support to the Establishment of REDD+ I	N/A
67	1855		UNCDF Thailand – Clean Start Project (Project No. 86682)	N/A
68	Global Fund	1898	UNDP Afghanistan - Global Fund	Satisfactory
69	grants	1878	UNDP Fiji - Global Fund	Satisfactory

	Audit Type	Report No.	Audit Subjects	Rating
Arab States				
70	General Scope	1887	UNDP - JORDAN	Partially Satisfactory/ Major Improvement
71		1757	UNDP Somalia	Partially Satisfactory/ Some Improvement
72		1760	UNDP Sudan	Partially Satisfactory/ Some Improvement
73		1747	UNDP Libya	Partially Satisfactory/ Some Improvement
74		1740	UNDP Tunisia	Partially Satisfactory/ Major Improvement
75	DIM Projects	1807	UNDP Syria - Emergency Sup to Critical Sec (Project No: 86567, Output No: 94753)	N/A
76		1808	UNDP Yemen - Emergency Crisis (Project No: 97850 Output Nos: 101415 and 101417)	N/A
77		1799	UNDP PAPP -PAL/Construction (Project No: 42831 Output No: 99288)	N/A
78		1800	UNDP PAPP - Right to Education in Gaza (Project No: 87840 Output No: 94739)	N/A
79		1801	UNDP PAPP - Emergency Supply (Project No:50123 Output Nos: 92145, 92457, and 92895)	N/A
80		1802	UNDP PAPP - PAL/Construction of Treatment (Project No: 41529 Output no: 47395)	N/A
81		1803	UNDP PAPP - Procurement of Drugs (Project No: 74904	N/A
82		1804	UNDP PAPP - Strengthen ROL 2nd phase (Project No: 77565 Output Nos: 88270, 98489))	N/A
83		1805	UNDP PAPP -Community Resilience (Project No: 69435 (Output No: 84013))	N/A
84		1791	UNDP Iraq - ICRRP (Project No: 85156 (output No: 00100018))	N/A
85		1792	UNDP Iraq -Local Area Development EU (Project No: 86812 (Output No: 94013)	N/A
86		1795	UNDP Lebanon - Early Recovery for Displaced (Project No: 65799 (Output No: 84708)	N/A
87		1794	UNDP Kuwait - ICDI/KNDP (Project No: 91562 Output No: 96707)	N/A
88		1809	UNDP Yemen - Support to Eliminate (Project No: 72780 Output No: 85825)	N/A
89		1806	UNDP PAPP - Support to OQR (Project No: 47872 Output No: 62844)	N/A
90		1793	UNDP Jordan - Mitigating the impact (Project No: 72487 3 Outputs)	N/A
91		1823	UNDP Somalia- Support for Federal State (Project 85367, 2 Outputs)	N/A
92		1824	UNDP Somalia-Constitutional Review-Project 85369	N/A
93		1825	UNDP Somalia-Electoral Assistance-00085370	N/A
94		1826	UNDP Somalia-Joint Programme on Rule of Law 85372	N/A

	Audit Type	Report No.	Audit Subjects	Rating
95		1827	UNDP Somalia-Joint Prog on Local Governance-91140, Output 96534	N/A
96		1796	UNDP Lebanon - The Rehabilitation of Saida (Project No: 68385 Output No: 83622)	N/A
97		1797	UNDP Lebanon - Gatherings 2 (Project No: 93058 Output No: 97505)	N/A
98		1798	UNDP Lebanon - CEDRO IV (Project No: 77650 Output Nos: 88302, 90039)	N/A
99		1829	UNCDF Somalia-Multi Window Trust Fund-00094467	N/A
100	Global Fund grants	1761	UNDP Sudan Global Fund	Partially Satisfactory/ Major Improvement
Europe and CIS				
101	General Scope	1888	UNDP Belarus	Partially Satisfactory/ Some Improvement
102		1879	UNDP Project Management Office in Cyprus	Satisfactory
103		1831	UNDP Turkmenistan	Satisfactory
104		1771	UNDP Georgia	Satisfactory
105		1769	UNDP Serbia	Satisfactory
106		1741	UNDP Kyrgyzstan	Satisfactory
107	DIM Projects	1787	UNDP Bosnia and Herzegovina - Social Inclusion in Communities (Project No: 80525)	N/A
108		1788	UNDP Bosnia and Herzegovina - Municipal Governance (Project No: 80522 (output no: 90162))	N/A
109		1786	UNDP Armenia - Modernization (Project No: 68950 (output	N/A
110		1789	UNDP Ukraine - CBA Project Phase III (Project No: 83522	N/A
111		1790	UNDP Ukraine - Procurement Support Services to the Ministry of Health of Ukraine (Project No: 90474 (output Nos: 96228, 103344))	N/A
112	Global Fund grants	1832	UNDP Turkmenistan - Global Fund	Satisfactory
113		1742	UNDP Kyrgyzstan - Global Fund	Satisfactory
Latin America & the Caribbean				
114	General Scope	1883	UNDP Cuba	Satisfactory
115		1856	UNDP Haiti	Partially Satisfactory/ Some Improvement
116		1756	UNDP Argentina	Satisfactory
117		1764	UNDP Barbados	Partially Satisfactory/ Some Improvement
118		1755	UNDP Mexico	Partially Satisfactory/ Some Improvement
119		1752	UNDP Guyana	Partially Satisfactory/ Major Improvement
120		1724	UNDP El Salvador	Partially Satisfactory/ Major Improvement
121	DIM Projects	1838	UNDP Peru - Strengthening of capacities of Qali Warma National School Feeding Programme	N/A

	Audit Type	Report No.	Audit Subjects	Rating
122		1839	UNDP Peru - Enhancement of commercial services of Gran Mercado de Belen, Iquitos	N/A
123		1836	UNDP Haiti - Appui au Processus Electoral	N/A
124		1835	UNDP Venezuela - Apoyo a la Formacion Academico Musical, Fase II	N/A
125		1837	UNDP El Salvador - Dinamizacion de Economias Locales	N/A
126	Global Fund grants	1884	UNDP Cuba Global Fund	Satisfactory

Annex 3: Recommendations Unresolved for 18 Months or More as of 31 December 2017

Headquarters Audit Recommendations Unresolved for 18 Months or More	
Unresolved Recommendations (by cause, by year)	
HEADQUARTERS AUDIT	
Requires More Action by Offices Concerned	
	2015
	<i>Operations/General administration</i>
1	Reconvene and reactivate the working group to collaborate to reduce the processing time for disciplinary cases with the goal to achieve the six-month target. In this regard, consider a complete business process review of the management of disciplinary cases, as well as a reassessment of the capacity of the Office as recommended under Recommendation no.1.Estimated completion date: 30 September 2015Responsible HQ bureau: Bureau of Management, Legal Support Office. (R1420/2) (High)
	Requires More Action by Offices Concerned
	2016
	<i>Programme activities/Project management</i>
2	The Bureau for Policy and Programme Support should enhance the project quality assessment process by:(a) validating the content of the quality assurance tool through expert review, taking into consideration the feedback received from users; and (b)synchronizing and updating guidance material such as the Handbook and checklists for appraisal committees in line with the UNDP quality requirements. (R1549/2) (Medium)
	<i>Governance/Governance and strategic management</i>
3	In coordination with the Executive Office, the Bureau for Policy and Programme Support should assess if the required resources to implement all the measures are sufficient, and if necessary revise the roadmaps and targets accordingly. (R1549/4) (Medium)
4	The Bureau for Management Services should establish a central repository of vendor (including individual contractors) performance evaluations and make them available to all business units. The central repository should include individual contractors' pertinent information, such as daily rates, language skills, and areas of expertise. (R1602/5) (Medium)
	<i>Operations/Information and communication technology</i>
5	The Office of Operations, Legal and Technology Services should improve Atlas vendor management controls by incorporating additional functionalities to address the application control weaknesses. Specifically, Atlas should: (a)generate an alert to users if an existing vendor bank account number is being used for a different vendor, or when creating a vendor with the same name as a vendor that appears on the UNDP ineligibility list or the United Nations sanctions list; (b)automatically schedule vendors to be archived after three years of inactivity; (c)develop additional oversight reports to identify duplicate vendors using other criteria, such as the address of the vendor; and (d)enforce mandatory fields on vendor creation. (R1602/6) (High)
	Requires More Action by Offices Concerned
	2016
	Country Office audit recommendations unresolved for 18 months or more
	Unresolved Recommendations (by cause, by year)
	<i>UN Coordination/Harmonized Approach to Cash Transfers</i>
6	The Office (UNDP Brazil) should fully adopt the Harmonized Approach to Cash Transfers by: (a) completing the micro-assessments of all implementing partners; and (b) developing an assurance plan and conducting assurance activities. (R1615/3) (Medium)

Annex 3A: Details of recommendations withdrawn in 2017

Audit ID/Title Issue Date	Title of Audit Issue (Priority)	Recommendation	OAI Assessment
1402/UNDP Argentina 5 Dec 2014	Lack of adherence to corporate guidelines for nationally implemented projects (High)	Implement the valid guidelines for nationally implemented projects for all new and ongoing projects, as required. In addition, discontinue the use of the UNDP logo in project documentation.	OAI acknowledged the efforts undertaken by the action unit. OAI has withdrawn the recommendation but will further assess the adoption of valid guidelines for nationally implemented projects.
1420/UNDP Legal Support Office 15 Apr 2015	Absence of case and document management system (Medium)	Procure or otherwise acquire a case and document management system, with a proper intake and monitoring mechanism. Responsible HQ bureau: Legal Support Office.	Recommendation was withdrawn due to the lack of budget to fund the case management system.
1420/UNDP Legal Support Office 15 Apr 2015	No cost breakdown provided for fees charged to UNDP by Office of Legal Affairs (Medium)	Require the submission of a detailed breakdown of invoices prior to agreeing to the payment of fees to the Office of Legal Affairs. Responsible HQ bureau: Bureau of Management.	The Bureau for Management Services and the Office management accepted the residual risk.
1446/UNDP Travel Management 24 Jun 2015	Changes to UNDP entitlement policies and better planning could contribute to red (Medium)	Improve policies on entitlement travel by: (a) aligning UNDP policies for home leave and family leave with the United Nations Secretariat rules for types of tickets and calculation of lump-sum, bearing in mind the ongoing review of the common system compensation package by the International Civil Service Commission; and (b) amending entitlement travel policies to include requirements for planning and obtaining the price quote well in advance, e.g., 21 days prior to the travel date. Responsible HQ bureau: Office of Human Resources.	The Office of Human Resources informed OAI that UNDP was not in a position to implement the recommendation that will impact some of the most difficult duty stations.
1480/Performance Audit of UNDP Procurement Management 8 Oct 2015	Improvements of IT tools used in procurement can promote efficiency and cost saving (High)	The Bureau for Management Services, in consultation with the Office of Information Management and Technology where applicable, should improve IT tools used in procurement by: (a) mandating the use of the E-Tendering module for all UNDP offices; (b) developing a timeframe for further integrating relevant procurement tools with each other and with Atlas; and (c) use the UN Global Marketplace as the centrally-managed online vendor management system.	Recommendation was withdrawn as OAI conducted an audit of E-Tendering Business Process in 2017, which also included an assessment of the actions taken by the Bureau for Management Services on issues identified during the procurement management audit.
1554/UNDP Afghanistan - LOTFA Monitoring Agent Oversight-follow up 24 Dec 2015	Non-recovery of ineligible expenditure within the same fiscal year (Medium)	The Office should consult with the Project Board and the Regional Bureau for Asia and the Pacific to establish a feasible solution for the deduction of ineligible expenditure.	The Office of Financial Resources Management informed OAI that ineligible expenses could no longer be adjusted after the accounting books closure.
1559/UNDP Egypt 15 Jan 2016	Delays in implementation of Harmonized Approach to Cash	The Office should implement HACT, and complete the macro-assessment and micro-assessments of all implementing partners and develop the Joint Assurance Plan. In case of challenges, the Office should seek guidance	OAI acknowledged that the challenges to fully implement HACT in the country affected not only UNDP but also other UN

Audit ID/Title Issue Date	Title of Audit Issue (Priority)	Recommendation	OAI Assessment
	Transfers (Medium)	and support from the Regional Bureau for Arab States to determine the appropriate course of action, which will help the Office comply with the HACT guidelines.	agencies, including the difficulty in conducting micro-assessments on government partners.
1571/UNDP Mali - Global Fund 27 May 2016	Inadequate inventory management information system (High)	The Office should strengthen the inventory management information system to track and monitor pharmaceutical products throughout the supply chain.	The Regional Bureau for Africa and the Office management accepted the residual risk.
1577/UNDP Syria 10 May 2016	Weaknesses in project management (High)	The Office should improve the management of projects by: (a) having all projects and their substantive revisions reviewed and appraised by the Project Appraisal Committee, involving the most relevant participating partners, in line with the 'UNDP Programme and Operations Policies and Procedures'; (b) closing all existing projects in Atlas and opening new ones based on new and clear project documents fully aligned to the current Country Programme Document and approved by all parties required by the UNDP regulations and rules; (c) having the Project Boards or Steering Committees meet for all projects on a quarterly basis and undertake substantive reviews of progress of projects; and (d) expediting the financial closure of operationally closed projects and correcting the status of completed projects in Atlas.	The Regional Bureau for Arab State and the Office management accepted the residual risk.
1578/UNDP Syria - Global Fund 13 May 2016	Incomplete supporting documentation for procurement cases (Medium)	The Office should continue the effort to locate the missing supporting documents for the three procurement cases.	The Regional Bureau for Arab States and the Office management accepted the residual risk.
1582/UNDP Costa Rica 6 May 2016	Pending resolution on the applicability of local social security scheme to United Nations agencies (High)	Under the lead role of the United Nations Resident Coordinator, further collective actions should be taken among United Nations agencies in the Country to resolve the issue relating to the Government's alleged mandatory social security scheme, and the United Nations Resident Coordinator should seek advice from the Office of Legal Affairs of the United Nations.	OAI considered that the Office had taken appropriate actions and the full implementation of the recommendation was beyond the control of the Office. Therefore, the recommendation was withdrawn.
1582/UNDP Costa Rica 6 May 2016	Harmonized Approach to Cash Transfers not fully adopted (Medium)	The Office should fully adopt the Harmonized Approach to Cash Transfers by: (a) completing the micro-assessments of all 10 implementing partners; and (b) developing an assurance plan and conducting assurance activities under the Harmonized Approach to Cash Transfers.	OAI assessed that conducting assurance activities under HACT was no longer required as the Office was providing full country support to the respective NIM projects.
1602/UNDP Vendor Management 24 Jun 2016	Decentralized vendor management system (High)	The Bureau for Management Services should centralize vendor management processes to enable sharing of information among business units and central analysis of data.	OAI assessed that the actions taken could reduce the risk of creating duplicative vendor records and inefficient vendor creations in a decentralized system, if properly used.

Audit ID/Title Issue Date	Title of Audit Issue (Priority)	Recommendation	OAI Assessment
			OAI has withdrawn the recommendation. OAI would like to revert on the efficiency of controls in 2018.
1663/UNDP Peru – DIM Project No. 00073717 29 Jul 2016	Annual and quarterly reports not produced (Medium)	The Office should ensure compliance with PRODOC rules by insisting that all expected reports are produced and delivered.	OAI considered that no further action could be implemented in a closed fiscal year. The recommendation was therefore withdrawn.
1664/UNDP Peru - 00075011 - COP 20, 27 Jul 2016	No attempt made to recover VAT incurred (Medium)	By recovering VAT, more funds would be available for UNDP projects. We therefore recommend that all projects are registered for VAT and that all possibilities to recover VAT in future should be explored by the Office.	The recommendation was withdrawn because the project was already closed.
1688/"Pole Strategies de developpement et Finances publiques" 2 Sep 2016	Memorandum of Understanding not reflective of Project's existing management (High)	The Sub-Regional Platform, in coordination with the Donor, should revise the MOU to clarify roles, responsibilities, and accountabilities under the existing management structure of the Project.	The recommendation was withdrawn due to the cessation of agreement between the French Government and the Sub-Regional Platform.
1688/"Pole Strategies de developpement et Finances publiques" 2 Sep 2016	Inappropriate assignment of management responsibilities to personnel under Non-Reimbursable Loan Agreements (Medium)	The Sub-Regional Platform should align the contractual obligations of the project managers with the roles and responsibilities assigned to them.	The recommendation was withdrawn due to the cessation of agreement between the French government and the Sub-Regional Platform.
1699/UNDP Republic of Congo 31 Aug 2016	Inadequate management of UN Clinic (High)	The Office should improve the management of the UN Clinic by: (a) liaising with Headquarters units for concurrence on the principle of providing treatment to dependents of United Nations Volunteers and other non-UN personnel; (b) undertaking quarterly counts and submitting certifications of the inventory of medical items from the UN Clinic; and (c) following up with participating United Nations agencies to ensure that contributions are received timely and obtaining the concurrence of the Operating Committee for a reduction in the Office's 2016 contribution by the pre-financed amount in 2015.	The Regional Bureau for Africa and the Office management accepted the residual risk.
1716/UNDP Communication Management 25 Nov 2016	Weaknesses in defining communications roles (Medium)	BERA should discuss the discrepancy noted between the job description and the actual activities of the Project Coordination Specialist with the Executive Office, and agree on follow-up actions to correct the discrepancy.	Recommendation has been withdrawn because the post would not be filled under the existing Terms of Reference following the incumbent's departure from the post.
1731/UNDP Afghanistan - Financial	Government Contributions to Local Office Costs	The Office should seek the support of the Office of Financial Resources Management and of the Regional Bureau for Asia and the	OAI acknowledges that recovering the outstanding Government Contributions

Audit ID/Title Issue Date	Title of Audit Issue (Priority)	Recommendation	OAI Assessment
Management Audit 23 Nov 2016	not fully collected (Medium)	Pacific on the way forward to recover the outstanding Government Contributions to Local Office Costs.	to Local Office Costs would be difficult considering the reality on the ground.

Annex 4: Summary of substantiated investigation cases in 2017, by type of allegation

	Regional Bureau	Allegation	Estimated Loss to UNDP ^{1 2}	Report sent to	Status	
<i>Abuse of authority</i>						
1	Europe and the CIS	Service contractor allegedly provided former service contractor with the questions and answers of a written test for the recruitment process. The same service contractor also failed to reimburse DSA.	\$315 (recovered)	CO	Subject resigned.	
<i>Assault & Threat</i>						
2	Africa	UNDP staff member allegedly hit UNDSS staff member with his fists during an altercation in the building shared by both UN agencies.	No financial loss to the Organization.	LO	Under review.	
3	Africa (Other UN Agencies)	UNDSS staff member allegedly hit UNDP staff member with his fists during an altercation in the building shared by both UN agencies.	No financial loss to the Organization.	LO	Under review.	
<i>Entitlements Fraud</i>						
4	Africa	Staff member allegedly submitted fraudulent claims for reimbursement of medical expenses.	No financial loss to the Organization.	LO	Under review.	
5		Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses.	No financial loss to the Organization.	CO	Subject's contract was terminated.	
6		Staff member allegedly submitted fraudulent claims for reimbursement of medical expenses.	\$971 (\$699 recovered).	LO	Under review.	
7		Staff member allegedly submitted fraudulent claims for reimbursement of medical expenses.	\$849 (\$709 recovered).	LO	Under review.	
8		Staff member allegedly submitted fraudulent claims for reimbursement of medical expenses.	\$1234 (recovered).	LO	Under review.	
9		Staff member allegedly submitted fraudulent claims for reimbursement of medical expenses.	\$1224 (\$763 recovered).	LO	Under review.	
10		Staff member allegedly received payment for completing an MSc in Procurement after submitting a dissertation that was not the product of his own work.	\$1,096	LO	Staff member resigned. Under review pursuant to Art. 72(a) of the UNDP Legal Framework.	
11		Arab States	Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses.	No financial loss to the Organization.	CO	Subject's contract was not renewed.

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 ^{1 2}	Report sent to	Status
12	Europe and the CIS	Staff member allegedly submitted fraudulent claims for reimbursement of medical expenses.	\$1226 (recovered).	LO	Agreed disciplinary measure imposed consisting of demotion of one grade without a deferment of eligibility for consideration for promotion, and a fine of three months net base salary.
13		Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses.	No financial loss to the Organization.	CO	Under review.
14	Europe and the CIS (Other UN Agencies)	Staff member of another UN agency allegedly failed to report that her accommodation during a mission was paid for by the organization.	No financial loss to the Organization.	Other UN Agency	Allegations were not substantiated.
15	Latin America and the Caribbean	Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses.	No financial loss to the Organization.	CO	Subject's contract was terminated.
16		Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses.	No financial loss to the Organization.	CO	Under review.
17		Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses.	No financial loss to the Organization.	CO	Subject's contract was not renewed.
<i>Misrepresentation, forgery and false certification</i>					
18	Africa	Vendor allegedly signed fabricated documents to facilitate non-competitive procurement.	Unknown.	VRC	Under review.
19		Staff member allegedly prepared fabricated documents to facilitate direct procurement of a vendor by UNDP.	Unknown.	LO	Under review.
20		Staff member allegedly instructed another staff member to prepare fabricated documents to facilitate direct procurement of a vendor by UNDP.	Unknown.	LO	Under review.
21	Africa	Non-profit organization allegedly submitted fraudulent documents to support payments under a sub-recipient agreement.	\$423,612	VRC	Returned to OAI for additional evidentiary support and clarification prior to its presentation

	Regional Bureau	Allegation	Estimated Loss to UNDP ^{1 2}	Report sent to	Status
					to the Committee.
22		NGO allegedly received more DSA than it was entitled to by providing incorrect dates for a conference its members attended.	\$21,144	VRC	Under review.
23		Staff member allegedly instructed another staff member to prepare backdated MoU and fake letter to facilitate direct procurement of a vendor by UNDP.	Unknown.	LO	Under review.
24	Arab States	Responsible party allegedly misrepresented list of personnel working at project.	\$52,319	RBAS	Project closed before completion of investigation.
25	Asia and Pacific	Service contractor allegedly fabricated checks issued to vendors.	Unknown	RBAP	Subject's contract was not renewed as the project closed. The country office enhanced the internal control and oversight for project level expenses and transactions.
26		Vendor allegedly misrepresented its address and failed to provide accurate information about its ownership.	Unknown.	VRC	Under review.
27		Vendor allegedly misrepresented its address and failed to provide accurate information about its ownership.	Unknown.	VRC	Under review.
28	Europe and the CIS	Vendor allegedly misrepresented its address and failed to provide accurate information about its ownership.	Unknown.	VRC	Under review.
29		Vendor allegedly misrepresented its address and failed to provide accurate information about its ownership.	Unknown.	VRC	Under review.
30		Vendor allegedly misrepresented its address and failed to provide accurate information about its ownership.	Unknown.	VRC	Under review.
Misuse of Official Resources					
31	Africa	Staff member allegedly abused her authority by instructing staff that she supervised to pay for goods and services related to her private residence.	\$29,188	LO	Under review.
32	Arab States (Other	Staff member allegedly used office vehicles for personal purposes.	No financial loss to the Organization.	LO	Staff member's contract was

	Regional Bureau	Allegation	Estimated Loss to UNDP^{1 2}	Report sent to	Status
	UN Agencies)				not renewed upon expiration. Under review pursuant to Art. 72(a) of the UNDP Legal Framework.
<i>Failure to Comply with Local Laws / Abuse of Privileges & Immunities</i>					
33	Europe and the CIS (Other UN Agencies)	Staff member allegedly drove UN vehicle under the influence of alcohol and in breach of curfew	No financial loss to the Organization.	LO	Under review.
<i>Other Failure to Comply with Obligations</i>					
34	Africa	Staff member allegedly shared confidential UN documents and information with persons outside of the Organization.	No financial loss to the Organization.	LO	Under review.
35	Africa (Other UN Agencies)	Staff member allegedly carried a handgun with him on UN premises.	No financial loss to the Organization.	LO	Under review.
36	Arab States	Service contractor allegedly disclosed confidential information outside the normal course of her duties.	No financial loss to the Organization.	CO	Subject's contract was terminated.
37	Asia and Pacific	Staff member allegedly used social media to post politically sensitive opinions that affect the perception of the Organization's neutrality and impartiality.	No financial loss to the Organization.	LO	Staff member resigned. Under review pursuant to Art. 72(a) of the UNDP Legal Framework.
38	Europe and the CIS	Staff member allegedly informed the subject of an investigation about allegations of sexual exploitation and abuse against the subject.	No financial loss to the Organization.	LO	Under review.
39		Staff member allegedly assisted a candidate in cheating on a recruitment test and engaged in unauthorized outside activities.	No financial loss to the Organization.	LO	Staff member resigned. A letter was placed in the staff member's file pursuant to Art. 72 (a)

	Regional Bureau	Allegation	Estimated Loss to UNDP ^{1 2}	Report sent to	Status
					of the UNDP Legal Framework.
40	Latin America and the Caribbean	Staff member allegedly shared her passwords for Atlas and other financial systems with colleagues.	Unknown.	LO	Under review.
		Procurement fraud			
41	Africa	Vendor and one of its owners allegedly failed to disclose a conflict of interest and allowed companies associated to the same owner to compete in the same procurement process.	Unknown.	VRC	Under review.
42		Staff member allegedly received complimentary accommodation as gifts from vendors (hotels) while receiving DSA payment and benefited such vendors in the procurement process for venues for the Organization's events.	Unknown.	LO	Under review.
43		Vendor (hotel) allegedly colluded with staff members to be selected in a procurement process as the venue for a workshop even though it did not have the lowest bid. Vendor also allegedly provided free stays for staff members as gifts.	Unknown.	VRC	Under review.
44		Vendor's owner allegedly had prior connections to staff member conducting procurement processes for the Organization and co-owned another vendor with the staff member's wife.	Unknown.	VRC	Under review.
45		Vendor allegedly drafted the RFQ for the procurement process in which two related companies competed and failed to disclose that its shareholders were directly related to two vendors competing in the procurement process.	Unknown.	VRC	Under review.
46		Vendor allegedly had a pre-existing relationship with a staff member and was allegedly favored in the procurement processes conducted by that staff member.	Unknown.	VRC	Under review.
47		Vendor's owner was allegedly the daughter of a staff member involved in the procurement for the contract awarded to the vendor. The vendor and its owner allegedly colluded with the same staff member to conceal the nature of such relationship.	Unknown.	VRC	Under review.
48		Africa	Vendor has allegedly submitted forged trading license in a procurement process and engaged in anti-competitive conduct. One of the	Unknown.	VRC

	Regional Bureau	Allegation	Estimated Loss to UNDP ^{1 2}	Report sent to	Status
		vendor's co-owners was allegedly connected to other vendors and failed to disclose conflict of interest.			
49		Staff member allegedly had conflict of interest with at least three vendors and colluded with these vendors and other personnel to manipulate procurement processes.	Unknown.	LO	Staff member resigned. Under review pursuant to Art. 72(a) of the UNDP Legal Framework.
50		Staff member allegedly failed to disclose her connections with vendors competing in procurement processes managed by her and favored such vendors by disclosing confidential information and conspiring to fabricate fake bids.	\$6,882 (recovered)	LO	Staff member was dismissed.
51		Staff member allegedly favored vendors she had connections with and received several complimentary stays from hotels due to her position at the Organization which amounted to gifts she failed to declare.	\$12,253	LO	Staff member resigned. Under review pursuant to Art. 72(a) of the UNDP Legal Framework.
52		Vendor allegedly submitted fraudulent trading licenses, had common co-owners with other vendors it was competing against in procurement processes and failed to disclose such information.	Unknown.	VRC	Under review.
53		Staff member allegedly acted as an accomplice to a vendor's scheme to defraud money from another UN agency.	No financial loss to the Organization.	LO	Under review.
54	Africa (Other UN Agencies)	Staff member allegedly fabricated documents to defraud money from the CO and used documents from implementing partners to create fake bank accounts to collect the money.	No financial loss to the Organization.	LO	Staff member resigned. Under review pursuant to Art. 72(a) of the UNDP Legal Framework.
55	Asia and Pacific	Service contractor allegedly broke procurement rules to favor a specific vendor.	Unknown.	CO	Subject resigned.

	Regional Bureau	Allegation	Estimated Loss to UNDP ^{1 2}	Report sent to	Status
56		Staff member allegedly engaged in unauthorized outside activities and had conflict of interest as he was the owner of one of the bidding companies and forged payment vouchers and other documents to benefit of his own company.	\$7,931	LO	Staff member resigned. A letter was placed in the staff member's file pursuant to Art. 72 (a) of the UNDP Legal Framework.
57		Staff member allegedly had conflict of interest as he conducted procurement processes where he was the owner of the bidding companies and tampered with the process so that his company would be awarded the contract.	\$7,931 (already reported under line 56)	LO	Staff member resigned. A letter was placed in the staff member's file pursuant to Art. 72 (a) of the UNDP Legal Framework.
58	Europe and the CIS	Vendor allegedly colluded with other vendors in a procurement process for the supply of video surveillance equipment.	Unknown.	VRC	Under review.
59	Latin America and the Caribbean	Service contractor was allegedly the owner of the winning company in a procurement for which he drafted the terms of reference and participated in the evaluation panel. The service contractor also allegedly replaced the company's documents containing his name in the procurement file.	No financial loss to the Organization.	CO	Subject's contract was terminated.
<i>Retaliation against whistleblowers</i>					
60	Arab States (Other UN Agencies)	Staff member allegedly retaliated against another staff member for submitting a complaint against the head of the mission.	No financial loss to the Organization.	UN Ethics Office	Allegations were not substantiated.
<i>Theft and embezzlement</i>					
61	Africa	Former service contractor allegedly stole electronics that had been bought for one of the Organization's projects and sold the products in the black market.	\$9,114	CO	Subject's contract was terminated.
62	Africa	Staff member allegedly took the cell phone that belonged to another staff member and kept it to herself instead	No financial loss to the Organization.	LO	Under review.

	Regional Bureau	Allegation	Estimated Loss to UNDP^{1 2}	Report sent to	Status
	(Other UN Agencies)	of following the procedure for “lost and found” items.			
63		Staff member allegedly made several unjustified fuel purchases using Organization’s fuel cards. The same staff member had already received a letter of reprimand for the unauthorized use of an UN vehicle.	No financial loss to the Organization.	LO	Under review.
<i>Workplace harassment</i>					
64	Africa	Staff member allegedly sent an unsolicited and unwelcome email to another staff member containing offensive language and threats of physical violence.	No financial loss to the Organization.	LO	Staff member’s contract was not renewed upon expiration. A letter was placed in staff member’s file pursuant to Art. 72(a) of the UNDP Legal Framework
65	Africa (Other UN Agencies)	Staff member allegedly harassed a supervisee (service contractor), asking the supervisee to attend closed-door meetings at his office and intimidating the supervisee with improper solicitations in exchange of giving her the job position she was applying for.	No financial loss to the Organization.	LO	Under review.

ANNEX 5: Criteria Supporting OAI Opinion

1. In accordance with Executive Board decisions 2015/13 of June 2015 and 2016/13 of June 2016, OAI provides an opinion in this 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 audit report, under chapter IV. This annex provides a description of the criteria used 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;
 - e) OAI review of audits of UNDP projects executed by non-governmental organizations and/or national governments;
 - f) The implementation rate for internal audit recommendations, including long outstanding recommendations; and
 - g) Management Letters relating to investigations.
3. The distribution of 2017 audit results regarding the adequacy and effectiveness of the governance, risk management and control at the audited entity level is shown in Figure 2 in document DP/2018/18, which shows the distribution of the number of audit reports that were issued by OAI in 2017 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 2017. The result of this aggregation is then grouped by the four levels of audit rating used by OAI, ‘satisfactory’, ‘partially satisfactory/some improvement needed’, ‘partially satisfactory/major improvement needed’ and ‘unsatisfactory’.

**Table 1: Distribution of ratings per audited expenditure
(excluding DIMs, and inter-agency audited expenditure)**

Rating	Audited expenditure \$	Distribution %
Satisfactory	<i>557,965,597</i>	<i>21.5</i>
Partially Satisfactory/Some improvement needed	<i>1,630,374,203</i>	<i>62.8</i>
Partially Satisfactory/Major improvement needed	<i>397,320,091</i>	<i>15.3</i>
Unsatisfactory	<i>10,500,000</i>	<i>0.4</i>
<i>Total</i>	<i>2,596,159,891</i>	<i>100</i>

5. Adjustments were made in the aggregation of expenditure for the directly implemented projects (DIM) and the review of audits of projects executed by non-governmental organizations and/or national governments (NGO/NIM). The adjustments were as follows:

- a) The scope of the DIM audits focuses mainly on a financial certification of expenditure. Therefore, the audits do not directly assess the governance risk management and control (GRC) aspects of a project in UNDP. Nonetheless, they do give an indirect comfort 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 a 50 per cent assurance about UNDP GRC. For the purposes of the current calculation, OAI excluded audited expenditure related to UNCDF DIM project audits (refer to Table 2).

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

Rating	DIM audited expenditure \$	Distribution (%)
Satisfactory	216,388,775	90.8
Partially Satisfactory/Some improvement needed ²	-	-
Partially Satisfactory/Major improvement needed ²	4,426,160	1.8
Unsatisfactory	17,555,325	7.4
Total	238,370,260	100

- b) The NGO/NIM financial audits focus, like the DIM financial audits, on the financial certification of expenditure. They primarily reflect on how well the implementing partner is managing the financial resources. Nonetheless, the NGO/NIM audits indirectly offer a partial comfort 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 a 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 audited expenditure \$	Distribution (%)
Satisfactory	279,610,940	79.4
Partially Satisfactory/Some improvement needed ²	33,600,364	9.6
Partially Satisfactory/Major improvement needed ²	33,600,364	9.6
Unsatisfactory	4,835,664	1.4
Total	351,647,332	100

6. This leads to two different distributions by audit rating: one presented by number of audit reports issued and the second by amount of expenditure covered by the audits. The two are then compared with the targets for distribution of audit reports according to rating as set in the UNDP Integrated Resources and Results Framework (IRRF), the tool that has been implemented by UNDP to monitor the progress in achieving its 2014-2017 Strategic Plan. These targets are considered an expression of UNDP risk tolerance in respect of internal audit results (refer to table 4).

Table 4: Comparison of distribution of audit ratings by audited expenditure and by number of audit reports issued in 2017 with UNDP targets

Rating	By Audited expenditure (combined CO, GF, HQ, DIM, NGO/NIM)	By Number of Audit Reports Issued (Rated by OAI) *	UNDP Targets
	(a)	(b)	(c)
Satisfactory	33.1%	37.5%	More than 30%
Partially Satisfactory/Some improvement needed	52.2%	37.5%	More than 30%
Partially Satisfactory/Major improvement needed	13.7%	23.2%	Less than 35%
Unsatisfactory	1.0%	1.8%	Less than 15%
Total	100%	100%	N/A

*Note: There were 59 reports issued in 2017 that were rated by OAI. Of these, 56 reports were included in the above calculation and the remaining 3 reports were excluded as they related to inter-agency audits.

7. The majority of the audit reports issued in 2017 have a rating of either ‘satisfactory’ or ‘partially satisfactory/some improvement needed’, 85.3 per cent if considered by audited expenditure or 75 per cent if considered by the number of audit reports issued. This indicates that for the majority of business units or

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.

projects audited in 2017 as well as for the majority of the audited expenditure, the governance arrangements, risk management practices and controls are satisfactory and generally established and functioning. Identified issues, if any, will not significantly affect the business unit's or project's ability to achieve its targets.

8. The UNDP targets for audit ratings was also taken into consideration [refer to column (c)]. UNDP has set a target of 'Less than 65%' for the 'partially satisfactory' ratings. OAI has split this rating level in two categories so that it is fully aligned with the four levels of ratings that OAI implemented in 2017. When the combined scoring of satisfactory and partially satisfactory with some improvement needed is 60 per cent or higher, the corporate risk for UNDP is acceptable and the governance, risk management practices and controls in the organization are satisfactory.
9. The audit of headquarters areas did not identify significant systemic deficiencies.
10. In addition, the qualitative nature of the audit and the investigations results was also given due consideration, and these have been included in the annual report.
11. The actual implementation rate of internal audit recommendations at the end of 2017 was 92 per cent. This is satisfactory when compared to the UNDP target (equal or higher than 85 per cent). The rate of 92 per cent gives comfort that the organization takes effective and timely action to address deficiencies identified in audits.
12. Based on the scope of work reflected in the audit reports issued in 2017, it is OAI's opinion that the adequacy and effectiveness of the governance, risk management and control in the audit reports issued in 2017 were, in aggregate, 'satisfactory', which means that, in the majority of business units or projects audited in 2017 they were adequately established and functioning well and identified issues, if any, will not significantly affect the business unit's or project's ability to achieve its targets