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.

**Ill. 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 1Oth 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 SustainableHuman 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 NationalCapacities for Conflict Prevention | Partially Satisfactory/ Some Improvement  |
| 7 | 1891 | One ICT Box | Satisfactory |
| 8 | 1889 | Global Health Innovative Technology Fund (Project ID00074638) | 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 SDGFund | Satisfactory |
| 15 | 1581 | Joint Internal Audit of Delivering as One in Viet Nam | N/A |
| 16 | 1618 | South Sudan Common Humanitarian Fund - ConsolidatedReport | N/A |
| 17 | Global Fund grants | 1902 | Consolidated Report on the Audits of Sub-Recipients ofGrants from Global Fund | N/A |
| 18 | 1772 | Consolidated Report on Audits of UNDP as PR of grants forthe Global Fund | 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 95554Municipal Investment Financing | N/A |
| 21 | 1845 | UNCDF DIM audit of project 71188/output 84817BTCA\_GATES | N/A |
| 22 | 1846 | UNCDF DIM audit of Project 62259/output 79668Microlead Expansion | N/A |
| 23 | 1843 | UNCDF DIM audit of Project 83579/output 91979 MobileMoney 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-SouthCooperation | 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'EtatNo.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 supportfight No. 87828 | 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 |
| 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) | N/A |
| 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 (ProjectNo. 61652) | N/A |
| 63 | 1852 | UNDP Pakistan - FATA Transition and Recovery Programme(Project No. 88875) | N/A |
| 64 | 1853 | UNDP Philippines - DSS 2016 K to 12 Basic EducationProgram (Project No. 95022) | N/A |
| 65 | 1848 | UNDP India - Improving Efficiency of Vaccination Systems(Project No. 78163) | N/A |
| 66 | 1849 | UNDP Indonesia - Support to the Establishment of REDD+ I& C (Project No. 75619) | N/A |
| 67 | 1855 | UNCDF Thailand – Clean Start Project (Project No. 86682) | N/A |
| 68 | Global Fundgrants | 1898 | UNDP Afghanistan - Global Fund | Satisfactory |
| 69 | 1878 | UNDP Fiji - Global Fund | Satisfactory |
| **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 |
| 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)(output no: 90164)) | 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 (outputNo: 83816)) | N/A |
| 110 | 1789 | UNDP Ukraine - CBA Project Phase III (Project No: 83522(output nos: 91960, 91957)) | 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 Fundgrants | 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 WarmaNational School Feeding Programme | N/A |
| 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 AcademicoMusical, 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**

|  |  |
| --- | --- |
| 12345 | **Headquarters Audit Recommendations Unresolved for 18 Months or More** |
|  |
| **Unresolved Recommendations (by cause, by year)** |
| **HEADQUARTERS AUDIT** |
| Requires More Action by Offices Concerned |
| **2015** |
| *Operations/General administration*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** |
| *Programme activities/Project management*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)*Governance/Governance and strategic management*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)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)*Operations/Information and communication technology*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) |
| 6 | **Requires More Action by Offices Concerned** |
| **2016** |
| **Country Office audit recommendations unresolved for 18 months or more** |
| **Unresolved Recommendations (by cause, by year)** |
| *UN Coordination/Harmonized Approach to Cash Transfers*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 Argentina5 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 Office15 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 Office15 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 Management24 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 Management8 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 Egypt15 Jan 2016 | Delays in implementation of Harmonized Approach to Cash Transfers (Medium) | 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 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. | OAI acknowledged that the challenges to fully implement HACT in the country affected not only UNDP but also other UN agencies, including the difficulty in conducting micro-assessments on government partners. |
| 1571/UNDP Mali - Global Fund27 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 Syria10 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 Fund13 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 Rica6 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 Rica6 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 Management24 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. 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 Congo31 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 Management25 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 Management Audit23 Nov 2016 | Government Contributions to Local Office Costs not fully collected (Medium) | The Office should seek the support of the Office of Financial Resources Management and of the Regional Bureau for Asia and the Pacific on the way forward to recover the outstanding Government Contributions to Local Office Costs. | OAI acknowledges that recovering the outstanding Government Contributions 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]](#footnote-1) [[2]](#footnote-2)** | **Report sent to** | **Status** |
| --- | --- | --- | --- | --- | --- |
|  | ***Abuse of authority*** |
|  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. |
|  | ***Assault & Threat*** |
| 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. |
|  | ***Entitlements Fraud*** |
| 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. |
| 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. |
|  | ***Misrepresentation, forgery and false certification*** |
| 18 | AfricaAfrica | 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 | 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 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 | Europe and the CIS | 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 | 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 UN Agencies) | Staff member allegedly used office vehicles for personal purposes. | No financial loss to the Organization. | LO | Staff member’s contract was not renewed upon expiration.Under review pursuant to Art. 72(a) of the UNDP Legal Framework. |
|  |  | ***Failure to Comply with Local Laws / Abuse of Privileges & Immunities*** |
| 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. |
|  |  | ***Other Failure to Comply with Obligations*** |
| 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) 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 | AfricaAfrica | 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 | Vendor has allegedly submitted forged trading license in a procurement process and engaged in anti-competitive conduct. One of the vendor’s co-owners was allegedly connected to other vendors and failed to disclose conflict of interest. | Unknown. | VRC | Under review. |
| 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 | Africa(Other UN Agencies) | 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 | 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. |
| 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 the5terms 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. |
|  | ***Retaliation against whistleblowers*** |
| 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. | UNEthics Office | Allegations were not substantiated. |
|  | ***Theft and embezzlement*** |
| 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(Other UN Agencies) | Staff member allegedly took the cell phone that belonged to another staff member and kept it to herself instead of following the procedure for “lost and found” items.  | No financial loss to the Organization. | LO | Under review. |
| 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. |
|  | ***Workplace harassment*** |
| 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 filepursuant to Art. 72(a) of the UNDP LegalFramework |
| 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:
	1. Audits of UNDP country offices;
	2. Audits of UNDP headquarters functions or units;
	3. Audits of UNDP activities funded by the Global Fund;
	4. Audits of UNDP directly implemented projects;
	5. OAI review of audits of UNDP projects executed by non-governmental organizations and/or national governments;
	6. The implementation rate for internal audit recommendations, including long outstanding recommendations; and
	7. 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 | *557,965,597* | *21.5* |
| Partially Satisfactory/Some improvement needed | *1,630,374,203* | *62.8* |
| Partially Satisfactory/Major improvement needed | *397,320,091* | *15.3* |
| Unsatisfactory |  *10,500,000* | *0.4* |
| ***Total*** | *2,596,159,891* | ***100*** |

1. 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:
	1. 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 criteria[[3]](#footnote-3) 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 needed2 | - | - |
| Partially Satisfactory/Major improvement needed2 | 4,426,160 | 1.8 |
| Unsatisfactory | 17,555,325 | 7.4 |
| ***Total*** | ***238,370,260*** | ***100*** |

* 1. 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).

**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[[4]](#footnote-4) | 33,600,364 | 9.6 |
| Partially Satisfactory/Major improvement needed2 | 33,600,364 | 9.6 |
| Unsatisfactory | 4,835,664 | 1.4 |
| ***Total*** | ***351,647,332*** | ***100*** |

1. 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.

1. 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 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.
2. 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.
3. The audit of headquarters areas did not identify significant systemic deficiencies.
4. 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.
5. 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.
6. 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
1. “Unknown” means that OAI could not quantify the loss in the case concerned. [↑](#footnote-ref-1)
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. [↑](#footnote-ref-2)
3. 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 [↑](#footnote-ref-3)
4. 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. [↑](#footnote-ref-4)