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 2018 pertaining to UNDP**

|  | **Audit**  **Type** | **Report No.** | **Audit Subjects** | **Rating** |
| --- | --- | --- | --- | --- |
| **Headquarters** | | | | |
| 1 | Performance audits | 1998 | Vertical Funds - Green Climate Fund (GCF) | Satisfactory |
| 2 | 1911 | Regional Bureau for Latin America and the Caribbean | Partially Satisfactory/Some Improvement Needed |
| 3 | 1912 | UNDP Clustering Process | Partially Satisfactory/Major Improvement Needed |
| 4 | 1895 | Government Cost Sharing Management | Partially Satisfactory/Major Improvement Needed |
| 5 | Headquarter audits | 2021 | UNDP Global Procurement | Satisfactory |
| 6 | 1997 | Human Development Report Office | Satisfactory |
| 7 | 1783 | United Nations Volunteers Programme | Partially Satisfactory/Some Improvement Needed |
| 8 | Inter-Agency | 1965 | Consolidated Report on the Audits of SDG-Fund | N/A |
| 9 | Global Fund grants | 2022 | Consolidated Report on the Audits of Sub-Recipients of Grants from Global Fund | N/A |
| 10 | 1917 | Consolidated Report on the Audits of PR of Grants for the Global Fund | N/A |
| 11 | DIM Projects | 1999 | Enabling Responsive, Coherent and Inclusive Support to the Implementation of the 2030 Agenda for Sustainable Development – Project No. 93806 | Satisfactory |
| 12 | 1982 | UNCDF Project in Belgium – Mobile Money for the Poor – Project No. 83579, Output No. 91979 | N/A |
| 13 | 1983 | UNDP Regional Bureau for Arab States – Arab Knowledge Report – Project No. 79215, Output No. 89271 | N/A |
| 14 | 1984 | UNDP Regional Bureau for Latin America and the Caribbean – Japan-Caribbean Climate Change Partnership – Project No. 88096, Output No. 94903 | N/A |
| 15 | 1985 | UNDP Regional Bureau for Latin America and the Caribbean – Evidence-Based Information Management for Citizen Security in Central America – Project No. 80822, Output No. 90391 | N/A |
| 16 | 1986 | UNDP Regional Bureau for Latin America and the Caribbean – Information System Programme for Resilience in Food and Nutrition Security of the SICA Region (PROGRESAN-SICA) – Project No. 95387, Output No. 99396 | N/A |
| 17 | 1980 | UNDP Post-2015 Development Platform – Digital Good Project – Project No. 86947 | Partially Satisfactory/Major Improvement Needed |
| **Country Offices** | | | | |
| **Africa** | | | | |
| 18 | General Scope | 2014 | UNDP Uganda | Partially Satisfactory/Some Improvement Needed |
| 19 | 1925 | UNDP Gambia | Unsatisfactory |
| 20 | 2003 | UNDP Kenya | Partially Satisfactory/Major Improvement Needed |
| 21 | 1924 | UNDP Equatorial Guinea | Unsatisfactory |
| 22 | 1981 | UNDP Democratic Republic of the Congo | Partially Satisfactory/Major Improvement Needed |
| 23 | 1990 | UNDP Zambia | Partially Satisfactory/Major Improvement Needed |
| 24 | 1920 | UNDP Nigeria | Partially Satisfactory/Some Improvement Needed |
| 25 | 1921 | UNDP Madagascar | Partially Satisfactory/Some Improvement Needed |
| 26 | 1910 | UNDP South Sudan | Partially Satisfactory/Some Improvement Needed |
| 27 | 1903 | UNDP Sao Tome and Principe | Partially Satisfactory/Some Improvement Needed |
| 28 | 1896 | UNDP Central African Republic | Unsatisfactory |
| 29 | DIM projects | 1976 | UNDP Zambia – Strengthening Supply Chain Management in Health Sector in Zambia – Project No. 101751, Output No. 104048 | N/A |
| 30 | 1966 | UNDP Malawi – National Registration Identification System – Project 100113, Output No. 103222 | N/A |
| 31 | 1968 | UNDP South Sudan – Support to Public Administration National and State Institutions – Project No. 72642, Output No. 85700 | N/A |
| 32 | 1963 | UNDP Senegal – *Programme d’Urgence de Developpment Communautaire* – Project No. 86871, Output No. 94053 | N/A |
| 33 | 1967 | UNDP Kenya – 2KEN014/235 Strengthening the Electoral Process in Kenya – Project No. 85584, Output No. 93173 | N/A |
| 34 | 1961 | UNDP Central African Republic – Joint Project to Support Fight Human Rights Violation and Revival of Justice in CAR – Project No. 87828, Output No. 94730 | N/A |
| 35 | 1962 | UNDP Togo – PUDC Togo – Project No. 105760, Output Nos. 106856 & 106860) | N/A |
| 36 | Follow-up audit | 2012 | UNDP Chad - Global Fund Follow-up Audit | N/A |
| 37 | Global Fund grants | 1904 | UNDP Zimbabwe - Global Fund | Partially Satisfactory/ Some Improvement Needed |
|  | **Asia and the Pacific** | | |  |
| 38 | General Scope | 2000 | UNDP Lao PDR | Partially Satisfactory/Some Improvement Needed |
| 39 | 2007 | UNDP Democratic People's Republic of Korea | Partially Satisfactory/Major Improvement Needed |
| 40 | 2006 | UNDP Indonesia | Satisfactory |
| 41 | 1991 | UNDP Iran | Partially Satisfactory/Major Improvement Needed |
| 42 | 1922 | UNDP Bangladesh | Partially Satisfactory/Some Improvement Needed |
| 43 | 1913 | UNDP Samoa | Partially Satisfactory/Some Improvement Needed |
| 44 | DIM Projects | 1956 | UNDP Afghanistan – Ministry of Foreign Affairs and Police Development – Nationally Implemented Project No. 101479, Output Nos. 103909 & 103912 | N/A |
| 45 | 1959 | UNDP Philippines – DSS 2016 K to 12 Basic Education Program – Project No. 95022, Output No. 99082 | N/A |
| 46 | 1957 | UNDP Bangladesh – Early Recovery Facility Project – Project No. 61275, Output No. 77582 | N/A |
| 47 | 1958 | UNDP India – Improving Efficiency of Vaccination Systems in Multiple States of India – Project No. 78163, Output No. 88568 | N/A |
| 48 | 1960 | UNDP Papua New Guinea – Enhancing Adaptive Capacity of Communities to Climate Change-Related Floods in the North Coast and Islands Region of Papua New Guinea – Project No. 59799, Output No. 74956 | N/A |
| **Arab States** | | | |  |
| 49 | General Scope | 2009 | UNDP Programme of Assistance to the Palestinian People | Partially Satisfactory/Major Improvement Needed |
| 50 | 1918 | UNDP Syrian Arab Republic | Partially Satisfactory/Some Improvement Needed |
| 51 | 1900 | UNDP Saudi Arabia | Partially Satisfactory/Major Improvement Needed |
| 52 | DIM Projects | 1969 | UNDP Somalia – Enhancing Climate Resilience of the Vulnerable Communities and Ecosystems in Somalia – Project No. 84974, Output Nos. 92743 & 104633 | N/A |
| 53 | 1970 | UNDP Somalia – Support to Emerging Federal States (StEFS) – Project No. 85367, Output No.101049 | N/A |
| 54 | 1971 | UNDP Somalia – Electoral Assistance, Joint Programme on Elections – Project No. 85370, Output No. 97672 | N/A |
| 55 | 1972 | UNDP Somalia – Joint Programme on Rule of Law – Project No 85372, Output Nos. 93042, 94812 & 99788 | N/A |
| 56 | 1973 | UNDP Somalia – Somalia Capacity Development Strengthening Institutional Performance (SIP) – Project No. 85379, Output No. 96643 | N/A |
| 57 | 1974 | UNDP Somalia – Joint Programme on Local Governance – Project No. 91140, Output No. 96534 | N/A |
| 58 | 1946 | UNDP PAPP – Support to Education Sector in East Jerusalem – Project No. 75685, Output No. 106598 | N/A |
| 59 | 1943 | UNDP PAPP – Hebron Courthouse Building – Project No. 57409, Output No. 77024 | N/A |
| 60 | 1944 | UNDP PAPP – Community Resilience and Development Programme for Area C and East Jerusalem – Project No. 69435, Output No. 84013 | N/A |
| 61 | 1933 | UNDP Lebanon – Increasing Access to Water – Project No. 77399, Output No. 88194 | N/A |
| 62 | 1934 | UNDP Lebanon – CEDRO IV, Energy and Waste Solutions – Project No. 77650, Output No. 90039 | N/A |
| 63 | 1935 | UNDP Lebanon – Gatherings 2, Palestinian Gatherings Host Communities 2 – Project No. 93058, Output No. 97505 | N/A |
| 64 | 1936 | UNDP Libya – Resilience of Local Communities – Project No. 101890, Output No. 104137 | N/A |
| 65 | 1932 | UNDP Lebanon – Early Recovery for Displaced Syrians, Lebanese Hosting Communities – Project No. 65799, Output No. 84708 | N/A |
| 66 | 1930 | UNDP Jordan – Mitigating the Impact of the Syrian Refugee Crisis on Jordanian Vulnerable Host Communities – Project No. 72487, Output Nos. 94965 & 98935 | N/A |
| 67 | 1931 | UNDP Kuwait – Institutional Capacity Development for Implementation of the Kuwait National Development Plan – Project No. 91562, Output No. 96707 | N/A |
| 68 | 1947 | UNDP PAPP – Right to Education in the Gaza Strip – Project No. 87840, Output No. 94739 | N/A |
| 69 | 1948 | UNDP PAPP – KFW-Poverty Oriented Infrastructure-Phases V, VI, VII, VIII, IX, Z – Project No. 41098, Output Nos. 46774, 60764, 73017, 80762, 86843 & 93278 | N/A |
| 70 | 1950 | UNDP Syrian Arab Republic – Disrupted Livelihoods – Project No. 94473, Output No. 98577 | N/A |
| 71 | 1951 | UNDP Syrian Arab Republic – Reparation and Restoring – Project No. 94474, Output No. 98582 | N/A |
| 72 | 1953 | UNDP Syrian Arab Republic – Disrupted Livelihoods – Project No. 97173, Output No. 101023 | N/A |
| 73 | 1945 | UNDP PAPP - Procurement of Drugs to Gaza – Project No. 74904, Output No. 87068 | N/A |
| 74 | 1952 | UNDP Syrian Arab Republic – German Support to Income Generation – Project No. 97172, Output Nos. 100999 &103325) | N/A |
| 75 | 1949 | UNDP Syrian Arab Republic – Emergency Support to Banias & Al-Zara Power Stations – Project No. 86567, Output No. 99249 | N/A |
| 76 | 1942 | UNDP PAPP – Construction of 300 Housing Units in Rafah – Project No. 42831, Output No. 99288 | N/A |
| 77 | 1941 | UNDP PAPP – Construction of Khan Younis Waste Water Treatment Plant – Project No. 41529, Output No. 47395 | N/A |
| 78 | 1975 | UNCDF Project in Somalia – Somalia Multi Window Trust Fund – Project No. 94467, Output No. 98569 | N/A |
| 79 | Global Fund grants | 1909 | UNDP Djibouti - Global Fund | Partially Satisfactory/Major Improvement Needed |
| **Europe and CIS** | | | | |
| 80 | General Scope | 1987 | UNDP Ukraine | Satisfactory |
| 81 | 1916 | UNDP Armenia | Satisfactory |
| 82 | 1928 | UNDP Moldova | Satisfactory |
| 83 | 1899 | UNDP Kosovo | Satisfactory |
| 84 | DIM Projects | 1992 | UNDP Kyrgyzstan – Active Citizenship and Account, Parliamentary Democracy – Project No. 98320, Output No. 101685 | N/A |
| 85 | 1988 | UNDP Ukraine – Procurement Support Services to the Ministry of Health of Ukraine – Project No. 90474 | Satisfactory |
| 86 | 1939 | UNDP Ukraine – CBA Project-Phase III, Knowledge Management – Project No. 83522, Output No. 91960 | N/A |
| 87 | 1940 | UNDP Ukraine - Recovery of Social Services, Restoration of Governance – Project No. 84715, Output No. 101191 | N/A |
| 88 | 1937 | UNDP Bosnia & Herzegovina – Revitalizing Local Communities – Project No. 80525, Output No. 90164 |  |
| 89 | 1938 | UNDP Bosnia & Herzegovina – Municipal Environmental and Economic Governance – Project No. 80522, Output No. 90162 |  |
| 90 | 1955 | UNDP in the former Yugoslav Republic of Macedonia – Municipal Councils Support II – Project No. 90463, Output No. 96214 | N/A |
| 91 | Global Fund  grants | 2005 | UNDP Tajikistan Global Fund | Partially Satisfactory/Some Improvement Needed |
| **Latin America & the Caribbean** | | | | |
| 92 | General Scope | 2004 | UNDP Venezuela | Partially Satisfactory/Some Improvement Needed |
| 93 | 1989 | UNDP Nicaragua - Desk Review | Satisfactory |
| 94 | 1954 | UNDP Trinidad and Tobago | Partially Satisfactory/Some Improvement Needed |
| 95 | 1914 | UNDP Peru | Partially Satisfactory/Some Improvement Needed |
| 96 | 1907 | UNDP Belize | Partially Satisfactory/Major Improvement Needed |
| 97 | 1901 | UNDP Ecuador | Partially Satisfactory/Some Improvement Needed |
| 98 | DIM Projects | 1996 | UNDP Colombia – *Mercado laboral: productividad y competitividad –* Project No. 97254, Output No. 104954 | N/A |
| 99 | 1993 | UNDP Colombia – *Apoyo Jurisdicción Especial para la Paz-MPTF –* Project No. 102322, Output Nos. 104421,104422 & 104423 | N/A |
| 100 | 1994 | UNDP Colombia – *Manos a la Obra Fase I* –Project No. 84305, Output Nos. 103060, 103143 and 106952 | N/A |
| 101 | 1995 | UNDP Colombia – *Ecosistemas Secos* – Project No. 78235, Output No. 88611 | N/A |
| 102 | 1965 | UNDP Peru – Strengthening of the National School Feeding Programme Qali Warma MIDIS – Project No. 96804, Output No. 100712 | N/A |
| 103 | 1977 | UNDP El Salvador – *Programa de modernización y de gestión de los activos estratégicos de CEPA Fase II* – Project No. 92375, Output No. 97116 | N/A |
| 104 | 1979 | UNDP Haiti – *Appui au Gouvernement Post-Matthew –* Project No. 99905, Output No.103320 | N/A |
| 105 | 1978 | UNDP Haiti – *Appui au Processus Electoral* – Project No. 76471, Output No. 87841 | N/A |
| 106 | Global Fund grants | 2001 | UNDP Bolivia - Global Fund | Partially Satisfactory/Some Improvement Needed |
| 107 | 1919 | UNDP Jamaica - Global Fund | Partially Satisfactory/Some Improvement Needed |
| 108 | 1929 | UNDP Panama - Global Fund | Partially Satisfactory/Some Improvement Needed |
| 109 | 1908 | UNDP Belize - Global Fund | Partially Satisfactory/Some Improvement Needed |

**Annex 3: Recommendations unresolved for 18 months or more as of 31 December 2018**

|  |  |  |  |
| --- | --- | --- | --- |
| **Audit ID/Title**  **Issue Date** | **Title of Audit Issue** | **Recommendation (Priority)** | **No. of months unresolved** |
| 1749/Bureau for Policy and Programme Support  17 March 2017 | Bureau for Policy and Programme Support Terms of Reference, intranet, and job descriptions not updated | The Bureau for Policy and Programme Support should: (a) finalize its Terms of Reference and maintain up-to-date intranet pages of all thematic clusters with their roles, responsibilities, key contacts and a catalogue of services; and (b) review and ensure that all job descriptions are fully aligned with its Terms of Reference and communicate these to the incumbents. (Medium) | 22 |
| 1766/E-Tendering System  2 June 2017 | Delayed roll-out of E-Tendering Business Process | The Office of Sourcing and Operations should roll-out the E-Tendering business process by: (a) determining which types of procurement processes should be conducted using E-Tendering and proposing a timeline of when the mandatory use of the system will commence; and (b) updating the 'UNDP Programme and Operations Policies and Procedures' to include guidance on the E-Tendering business process. (High) | 19 |
| 1766/E-Tendering System  2 June 2017 | Weaknesses in E-Tendering system design and implementation | The Office of Sourcing and Operations should improve the E-Tendering system design and implementation by developing and implementing corrective actions to address the various weaknesses of the business process and system, as outlined above. (High) | 19 |
| 1766/E-Tendering System  2 June 2017 | Inadequate monitoring and oversight of E-Tendering business process | The Office of Sourcing and Operations should improve oversight and monitoring of the E-tendering business process by: (a) developing relevant reports for the E-Tendering business process, taking into account the needs of Country Offices and other stakeholders; and (b) defining key performance indicators for the E-Tendering business process, their measurement procedures, how often and to whom they will be reported. (Medium) | 19 |

**Annex 4: Details of 15 recommendations withdrawn in 2018**

| **Audit ID/Title**  **Issue Date** | **Title of Audit Issue (Priority)** | **Recommendation** | **OAI Assessment** |
| --- | --- | --- | --- |
| 1420/UNDP Legal Support Office  15 April 2015 | Delays in management of disciplinary cases | 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 | The Office management accepted the residual risk. |
| 1712/UNDP Senegal  16 December 2016 | Government Contributions to Local Office Costs outstanding since 2010 | The Office should, in consultation with the Regional Bureau, communicate with the Bureau for Management Services for guidance on the possibility of using the provision of a building for the Regional Office as a substitute for Government Contributions to Local Office Costs. | The Regional Bureau and the Office management accepted the residual risk. |
| 1729/UNDP Burundi  19 October 2016 | Office's financial sustainability at risk | The Office should strengthen its financial sustainability by: (a) pursuing efforts towards the Global Environment Fund and mobilizing the level of resources targeted in the Country Programme Document; and (b) regularly following up with the Government to recover Government Contributions to Local Office Costs. | The Regional Bureau and the Office management accepted the residual risk. |
| 1740/UNDP Tunisia  3 February 2017 | Lapses in resource mobilization | The Office should enhance resource mobilization in order to secure long-term operations by: (a) finalizing the resource mobilization strategy and the related action plan soonest; (b) filling project funding gaps or substantively reviewing them to adjust their size and objectives to available resources; (c) pursuing discussions with the national counterpart to recover Government Contributions to Local Office Costs arrears. | The Regional Bureau for Africa and the Office management accepted the residual risk. |
| 1759/UNDP Atlas (UNDP's Enterprise Resource Planning System)  21 June 2017 | Weak protection of personal information | The Office of Information Management and Technology, where possible, should encrypt employee personal data used in non-production instances. | The Office management accepted the residual risk. |
| 1760/UNDP Sudan  26 April 2017 | Long-outstanding Government Contributions to Local Office Costs | The Office should, with the support of the Regional Bureau, continue to actively pursue with the Government the settlement of the outstanding Government Contributions to Local Office Costs totalling $2.1 million. | The Regional Bureau and the Office management accepted the residual risk. |
| 1760/UNDP Sudan  26 April 2017 | Delays in value added tax reimbursements | The Office should, with the support of the Regional Bureau, continue to actively pursue with the Government the value added tax reimbursement. | The Regional Bureau and the Office management accepted the residual risk. |
| 1836/UNDP Haiti - Appui au Processus Electoral  27 July 2017 | Expenditure recorded but activities not completed | The Office should improve its controls over the approval of invoices. Specifically, the person who authorizes the invoice must ensure that the invoice agrees with the actual goods delivered or the service provided. | The Regional Bureau and the Office management accepted the residual risk. |
| 1877/UNDP Fiji  26 July 2017 | Absence of Standard Basic Assistance Agreement & lack of refunds of value added tax payments | The Office should, in consultation with the Regional Bureau for Asia and the Pacific, pursue its efforts the matter on signing the SBAA with the Government and reimbursing value added tax payments. | The Regional Bureau and the Office management accepted the residual risk. |
| 1880/UNDP Comoros  11 August 2017 | Long outstanding Government Contributions to Local Office Costs | The Office should improve the management of Government Contributions to Local Office Costs and of its cost recovery mechanism by continuing its advocacy towards the national counterpart to recover arrears of Government Contributions to Local Office Costs. | The Regional Bureau and the Office management accepted the residual risk. |
| 1883/UNDP Cuba  1 December 2017 | Pending collection of Government Contributions to Local Offices Costs | The Office should continue making efforts to recover the uncollected Government Contributions to Local Office Costs in association with the Regional Bureau for Latin America and the Caribbean and the Permanent Mission of Cuba to the United Nations. | The Office and the Regional Bureau have taken the necessary follow-up actions on the uncollected Government Contributions to Local Offices Costs. This matter has been assessed as beyond the Office’s control. |
| 1883/UNDP Cuba  1 December 2017 | Weaknesses in bank reconciliation | The Office should improve the handling of checks by: (a) Establishing a mechanism to monitor and control bank, outstanding, and used checks; and (b) Clarifying with the Office of Human Resources the practice of paying international staff with checks prepared manually and outside ATLAS, in order to discontinue it. | OAI assessed that recommendation (a) has been implemented and recommendation (b) as beyond the control of the Office. |
| 1615/UNDP Brazil  28 June 2016 | Harmonized approach to cash transfers not fully implemented | The Office 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. | Full implementation of the recommendation is out of the Office’s control. The Government requires nationally implemented projects to be covered by the NGO/NIM audit regime. |
| 1715/UNDP Suriname  22 December 2016 | Harmonized approach to cash transfers not fully implemented | The Office should fully adopt HACT by using FACE forms for direct payment requests and developing an assurance plan and conducting spot checks as required. | OAI noted the difficulties in undertaking the macro-assessment in the country, despite of the efforts made by the Office and the Regional Bureau. |
| 1731/UNDP Afghanistan - Financial Management Audit  23 November 2016 | Delays in financial closure of projects | The Office should implement the procedures on the financial closure of projects by: (a) timely monitoring and financially closing projects that have operationally ended; (b) reviewing and financially closing within a specific time frame all 109 projects that have operationally ended for more than 12 months or have a project end date of more than 12 months; and (c) considering communicating to the donors that, in the event responses are not received on the unused contributions within a specified timeframe, the Office will reallocate the unused funds to other projects. | The same recommendation was raised in the Country Office Report No. 1897 issued in December 2017. |

**Annex 5: Summary of substantiated investigation cases in 2018, by type of allegation**

|  | **Regional Bureau** | **Allegation** | **Estimated Loss to UNDP[[1]](#footnote-1)** | **Report sent to** | **Status[[2]](#footnote-2)** |
| --- | --- | --- | --- | --- | --- |
|  | | ***Abuse of authority*** | | | |
| 1 | Asia and the Pacific  (Other UN Agencies) | Staff member allegedly pressured the management of a private company providing security services at the compound to remove one of its employees from her post after she had complained against the said staff member. | No financial loss to the Organization. | Legal Office | Under review by Legal Office. |
| 2 | HQ | Staff member allegedly failed to disclose his personal relationship with a candidate during a recruitment process and allegedly favoured and facilitated the recruitment of the said individual. | No financial loss to the Organization. | United Nations Secretariat[[3]](#footnote-3) | Staff member retired.  Under review pursuant to Art. 72(a) of the UNDP Legal Framework. |
|  | | ***Entitlements Fraud*** | | | |
| 3 | Africa | Staff member submitted fraudulent claims for reimbursement of medical expenses. | $1,506.83  (recovered) | Legal Office | Staff member was separated from service with one-month compensation in lieu of termination notice and without termination indemnity. |
| 4 | Staff member received assistance from students in completing Master’s dissertations for which he had received an Education Assistance Grant. Staff member also engaged in unauthorized outside activities, conflicts of interest, misuse of resources, and did not cooperate in good faith with the investigation. | $10,478 | Legal Office | Staff member was dismissed. |
| 5 |  | Staff member allegedly submitted fraudulent claims for reimbursement of medical expenses. | $5,518.83 | Legal Office | Under review by Legal Office. |
| 6 | Staff member submitted fraudulent claims for reimbursement of medical expenses. | $3,366.57  (recovered) | Legal Office | Staff member retired.  A letter was placed in the staff member’s file pursuant to Art. 72(a) of the UNDP Legal Framework. |
| 7 | Staff member submitted fraudulent claims for reimbursement of medical expenses. | $1,222.82  (recovered) | Legal Office | Staff member was separated from service with three-months compensation in lieu of termination notice and without termination indemnity. |
| 8 | Staff member allegedly submitted fraudulent claims for reimbursement of medical expenses. | $914.11  (recovered) | Legal Office | Under review by Legal Office. |
| 9 | Arab States | Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses. | No financial loss to the Organization. | Country Office | Under Review by Country Office. |
| 10 | Staff member allegedly submitted fraudulent claims for reimbursement of medical expenses. | $4,631.38  (recovered) | Legal Office | Under review by Legal Office. |
| 11 | Service contractor submitted fraudulent claims for reimbursement of medical expenses. | No financial loss to the Organization. | Country Office | Subject’s contract was terminated. |
| 12 | Service contractor submitted fraudulent claims for reimbursement of medical expenses. | No financial loss to the Organization. | Country Office | Subject’s contract as terminated. |
| 13 | Europe and the CIS | Service contractor submitted fraudulent claims for reimbursement of medical expenses. | No financial loss to the Organization. | Country Office | Subject’s contract was terminated. |
| 14 | Service contractor submitted fraudulent claims for reimbursement of medical expenses. | No financial loss to the Organization. | Country Office | Subject’s contract was terminated. |
| 15 | Service contractor submitted fraudulent claims for reimbursement of medical expenses. | No financial loss to the Organization. | Country Office | Subject’s contract was terminated. |
| 16 | Service contractor submitted fraudulent claims for reimbursement of medical expenses. | No financial loss to the Organization. | Country Office | Subject’s contract was terminated. |
| 17 | Service contractor admitted to assisting colleagues with the creation of false medical receipts that were submitted to Cigna for reimbursement of medical expenses. | No financial loss to the Organization. | Country Office | Subject’s contract was terminated. |
| 18 |  | Staff member allegedly submitted fraudulent claims for reimbursement of medical expenses. | $2,214.00  (recovered) | Legal Office | Under review by Legal Office. |
| 19 | Latin America and the Caribbean | Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses. | No financial loss to the Organization. | Country Office | Subject’s contract expired and was not renewed. |
|  | | ***Misrepresentation, forgery and false certification*** | | | |
| 20 | Africa | Non-governmental organization allegedly submitted irregular documents in support of its expenses as part of a UNDP project and failed to cooperate with the investigation. | $11,980.83 | Vendor Review Committee | Under review by Vendor Review Committee.  Vendor received an interim suspension while the case is being reviewed. |
| 21 | Non-governmental organization allegedly submitted documents that were irregular and ineligible for reimbursement in support of its expenses as part of a UNDP project. | $24,341.33 | Vendor Review Committee | Under review by Vendor Review Committee. |
| 22 | Non-governmental organization allegedly submitted documents that were irregular and ineligible for reimbursement in support of its expenses as part of a UNDP project. | $37,338.00 | Vendor Review Committee | Under review by Vendor Review Committee.  Vendor received an interim suspension while the case is being reviewed. |
| 23 | Africa  (Other UN Agencies) | Staff member admitted to forging the signature of a UNDP senior official on a UNDP letterhead and creating a letter containing false information that he submitted to his bank. | No financial loss to the Organization. | Legal Office | Staff member resigned.  Under review pursuant to Art. 72(a) of the UNDP Legal Framework. |
| 24 | Arab States | Non-governmental organization allegedly submitted false documentation for the reimbursement of expenses in the context of the implementation of a project. | $21,325 | Vendor Review Committee | Vendor was debarred for six years. |
| 25 | Non-governmental organization allegedly submitted false documentation for the reimbursement of expenses in the context of the implementation of a project. | $31,520 | Vendor Review Committee | Under review by Vendor Review Committee. |
| 26 | Service contractor allegedly misrepresented his employment experience and submitted forged employment certificates to obtain a contract with UNDP. | No financial loss to the Organization. | Country Office | Under review by Country Office. |
| 27 | Vendor allegedly modified a copy of an uncertified check, which it submitted as bid security during a procurement process. | No financial loss to the Organization. | Vendor Review Committee | Under review by Vendor Review Committee.  Vendor received an interim suspension while the case is being reviewed by the Vendor Review Committee. |
| 28 | Vendor allegedly submitted fraudulent bid securities in more than one procurement process. | No financial loss to the Organization. | Vendor Review Committee | Under review by Vendor Review Committee.  Vendor received an interim suspension while the case is being reviewed by the Vendor Review Committee. |
| 29 | Vendor allegedly submitted a fraudulent bid security during a procurement process. | No financial loss to the Organization. | Vendor Review Committee | Under review by Vendor Review Committee.  Vendor received an interim suspension while the case is being reviewed by the Vendor Review Committee. |
| 30 | Vendor allegedly delivered equipment that was unlawfully obtained to UNDP as part of a procurement process. | No financial loss to the Organization. | Vendor Review Committee | Under review by Vendor Review Committee.  Vendor received an interim suspension while the case is being reviewed by the Vendor Review Committee. |
| 31 | Vendor allegedly submitted a fraudulent bid security during a procurement process. | No financial loss to the Organization. | Vendor Review Committee | Under review by Vendor Review Committee.  Vendor received an interim suspension while the case is being reviewed by the Vendor Review Committee. |
| 32 | Vendor allegedly submitted a fraudulent bid security during a procurement process. | No financial loss to the Organization. | Vendor Review Committee | Under review by Vendor Review Committee.  Vendor received an interim suspension while the case is being reviewed by the Vendor Review Committee. |
| 33 | Vendor allegedly submitted fraudulent documentation in support of its bid during a procurement process. | No financial loss to the Organization. | Vendor Review Committee | Under review by Vendor Review Committee.  Vendor received an interim suspension while the case is being reviewed by the Vendor Review Committee. |
| 34 | Vendor allegedly submitted fraudulent bid securities in more than one procurement process. | No financial loss to the Organization. | Vendor Review Committee | Under review by Vendor Review Committee.  Vendor received an interim suspension while the case is being reviewed by the Vendor Review Committee. |
| 35 | Vendor allegedly submitted fraudulent documentation in support of its bid during a procurement process. | No financial loss to the Organization. | Vendor Review Committee | Under review by Vendor Review Committee.  Vendor received an interim suspension while the case is being reviewed by the Vendor Review Committee. |
| 36 | Asia and the Pacific | Staff member allegedly forged two signatures on an overtime request form. | $608.87 | Legal Office | Under review by Legal Office. |
| 37 | Europe and the CIS | Vendor allegedly submitted a false document in support of its bid during a procurement process. | No financial loss to the Organization. | Vendor Review Committee | Under review by Vendor Review Committee. |
|  | | ***Misuse of Official Resources*** | | | |
| 38 | Arab States | Service contractor allegedly used a UNDP project vehicle for his personal benefit, allowed unauthorized individuals to travel in the vehicle, and provided inaccurate meter readings. | No financial loss to the Organization. | Country Office | Subject’s contract expired and was not renewed. |
|  | | ***Other failure to comply with obligations*** | | | |
| 39 | Africa | Staff member managed a company while employed by UNDP and used her position and UNDP resources to benefit the company. | No financial loss to the Organization. | Legal Office | Staff member was separated from service with compensation in lieu of notice and without termination indemnities. |
| 40 | Service contractor provided confidential information to a candidate during a recruitment process. | No financial loss to the Organization. | Country Office | Subject resigned before the completion of the investigation. |
| 41 | Staff member allegedly intentionally disregarded UNDP procedures and created an intimidating working environment while managing a project under the direct implementation modality. | Unknown | Legal Office | Under review by Legal Office. |
| 42 | Vendor allegedly failed to cooperate with the OAI investigation, which prevented OAI from obtaining all relevant information. | Unknown. | Vendor Review Committee | Under review by Vendor Review Committee. |
| 43 | Arab States  (Other UN Agencies) | Staff member was allegedly grossly negligent in managing an armory where the theft of firearms and ammunitions occurred. | No financial loss to the Organization. | Legal Office | Returned to OAI for clarifications. |
| 44 | Europe and the CIS | Staff member allegedly failed to quote external sources used to answer two written tests as part of a UNDP recruitment process. | No financial loss to the Organization. | Legal Office | Staff member was separated further to a reclassification exercise.  Under review pursuant to Art. 72(a) of the UNDP Legal Framework. |
| 45 | HQ | Staff member allegedly performed duties for a Government while on medical leave from UNDP and shared confidential information with Government representatives. | No financial loss to the Organization. | UNFPA[[4]](#footnote-4) | Returned to UNDP for action. |
| 46 | Latin America and the Caribbean | Service contractor admitted to having engaged in remunerated outside employment while working for UNDP without authorization as required by the terms of his contract. | No financial loss to the Organization. | Country Office | Service contractor resigned before the completion of the investigation. |
|  | | ***Procurement Fraud*** | | | |
| 47 | Africa | Staff member failed to disclose a conflict of interest with a vendor and favoured the said vendor during procurement processes. | Unknown. | Legal Office | Staff member was separated from service with compensation in lieu of notice. |
| 48 | Staff member allegedly failed to disclose a relationship with a vendor and favoured the said vendor during procurement processes. Staff member also allegedly shared confidential UNDP information with third parties and accessed and downloaded sexually explicit images and videos on UNDP IT resources. | Unknown. | Legal Office | Under review by Legal Office. |
| 49 | Vendor allegedly colluded with a UNDP staff member to win contracts with UNDP and failed to disclose a conflict of interest during procurement processes. | Unknown. | Vendor Review Committee | Under review by Vendor Review Committee. |
| 50 | Staff member allegedly favoured a vendor and failed to disclose a conflict of interest with the said vendor during procurement processes. Staff member was offered a commission and other benefits from the said vendor. | Unknown. | Legal Office | Subject’s contract expired and was not renewed.  Returned to OAI for clarifications |
| 51 | Service contractor accepted the payment of a bribe from a vendor in relation to a UNDP contract. | $767 | Country Office | Subject’s contract expired and was not renewed. |
| 52 | Vendor allegedly failed to disclose a relationship with a staff member during a procurement process and was allegedly favoured during the said process. | Unknown. | Vendor Review Committee | Under review by Vendor Review Committee. |
| 53 | Vendor and its owner allegedly allowed companies associated to the owner to compete in the same procurement processes. | Unknown. | Vendor Review Committee | Under review by Vendor Review Committee. |
| 54 | Service contractor allegedly failed to disclose a conflict of interest with a vendor in which he had ownership and favoured the said vendor during a procurement process. | No financial loss to the Organization. | Country Office | Subject resigned before the completion of the investigation. |
| 55 | Vendor allegedly failed to disclose a relationship with a staff member during procurement processes in which the vendor was favoured. | Unknown. | Vendor Review Committee | Under review by Vendor Review Committee. |
| 56 | Vendor allegedly offered complimentary accommodations to UNDP employees involved in procurement and was involved in other practices that were not in line with UNDP’s procurement procedures. | Unknown. | Vendor Review Committee | Under review by Vendor Review Committee.  Vendor received an interim suspension while the case is being reviewed. |
| 57 |  | Vendor allegedly failed to disclose a conflict of interest and allowed companies associated to the same individual to compete in procurement processes. Vendor also allegedly failed to cooperate with the OAI investigation. | Unknown. | Vendor Review Committee | Under review by Vendor Review Committee. |
| 58 | Staff member allegedly colluded with other UNDP employees to manipulate a procurement process in which a vendor was favoured. | Unknown. | Legal Office | Under review by Legal Office. |
| 59 | Vendor allegedly failed to disclose a conflict of interest with a UNDP staff member during procurement processes. Vendor offered a commission and other benefits to the said staff member. | Unknown. | Vendor Review Committee | Under review by Vendor Review Committee.  Vendor received an interim suspension while the case is being reviewed. |
| 60 | Vendor allegedly failed to disclose a conflict of interest and colluded with a UNDP employee to manipulate procurement processes in order to win contracts with UNDP. | Unknown. | Vendor Review Committee | Under review by Vendor Review Committee. |
| 61 | Arab States | Vendor allegedly attempted to bribe a UNDP employee in return for the award of a contract. Vendor also allegedly failed to cooperate with the OAI investigation. | No financial loss to the Organization. | Vendor Review Committee | Under review by Vendor Review Committee. |
| 62 | Vendor allegedly obtained a draft UNDP Bill of Quantity not intended to be used by vendors that it submitted as part of a procurement process. | No financial loss to the Organization. | Vendor Review Committee | Under review by Vendor Review Committee.  Vendor received an interim suspension while the case is being reviewed. |
| 63 | Vendor allegedly misrepresented the amount of wages paid to labourers in a Cash for Work project. | No financial loss to the Organization. | Vendor Review Committee | Under review by Vendor Review Committee.  Vendor received an interim suspension while the case is being reviewed. |
| 64 | Vendor allegedly submitted forged documents during a UNDP procurement process. | No financial loss to the Organization. | Vendor Review Committee | Under review by Vendor Review Committee. |
| 65 | Arab States  (Other UN Agencies) | Staff member allegedly demanded money from a vendor for his own benefit. | No financial loss to the Organization. | Legal Office | Under review by Legal Office. |
| 66 | Europe and the CIS | Vendor allegedly submitted forged documents during a UNDP procurement process and failed to cooperate with an OAI investigation. The owner of the company also allegedly submitted two bids on behalf of the vendor after the company had legally been dissolved. | Unknown. | Vendor Review Committee | Under review by Vendor Review Committee. |
| 67 | Vendor allegedly failed to disclose a conflict of interest to UNDP, as a result of which the office organized events at a hotel owned by the vendor, a family business, where one of the family members personally participated as a UNDP beneficiary. | No financial loss to the Organization. | Vendor Review Committee | Under review by Vendor Review Committee.  Vendor received an interim suspension while the case is being reviewed. |
|  | | ***Sexual exploitation and abuse*** | | | |
| 68 | Africa | Staff member allegedly sexually abused a colleague by touching her in the chest area. | No financial loss to the Organization. | Legal Office | Returned to OAI for clarifications. |
| 69 | Asia and the Pacific  (Other UN Agencies) | United Nations Volunteer allegedly engaged in sexual activities with a national of the country where he was posted who was in a position of vulnerability and seeking employment with the UN. | No financial loss to the Organization. | Advisory Panel on Disciplinary Measures | United Nations Volunteer was dismissed. |
| 70 | Latin America and the Caribbean | Individual contractor made unwanted and inappropriate sexual advances to a beneficiary, the acceptance of which he required in order for her to receive materials to which she was entitled. | No financial loss to the Organization. | Country Office | Subject resigned before the completion of the investigation. |
|  | | ***Sexual Harassment*** | | | |
| 71 | Asia and the Pacific | Staff member allegedly made unwelcomed sexual advances to a subordinate. | No financial loss to the Organization. | Legal Office | Under review by Legal Office. |
| 72 | Service contractor allegedly developed a romantic interest in a colleague to whom he made a marriage proposal, sent unwanted messages and tried to call late at night. | No financial loss to the Organization. | Country Office | Under review by Country Office. |
| 73 | Latin America and the Caribbean  (Other UN Agencies) | Staff member allegedly made unwanted sexual remarks and advances to a colleague on four different occasions. | No financial loss to the Organization. | United Nations Secretariat[[5]](#footnote-5) | Under review by United Nations Secretariat. |
| 74 | Service contractor acted inappropriately with three colleagues, which included making unwanted remarks and sending messages, making them feel offended and humiliated. | No financial loss to the Organization. | Country Office | Subject’s contract was terminated. |
|  | | ***Theft and embezzlement*** | | | |
| 75 | Africa | Staff member allegedly colluded with individuals to embezzle money from UNDP by instructing a vendor to disburse Daily Subsistence Allowance and travel indemnities to individuals who had not attended UNDP activities. | $52,829 | Legal Office | Staff member’s contract expired and was not renewed.  Under review pursuant to Art. 72(a) of the UNDP Legal Framework. |
| 76 | Staff member allegedly kept undistributed DSA funds for his personal building project. | $4,516.00  (recovered) | Legal Office | Under review pursuant to Art. 72(a) of the UNDP Legal Framework. |
| 77 | Europe and the CIS | A third party allegedly misappropriated funds from UNDP in the context of a Global Fund project by compromising legitimate email accounts. | $414,329.58 | Office of Financial Resources Management | Referred to national authorities. |
|  | | ***Workplace Harassment*** | | | |
| 78 | Africa | Staff member allegedly shouted at a subordinate. The staff member apologized after the incident. | No financial loss to the Organization. | Legal Office | Staff member was cleared of the allegations. |

**Annex 6: Criteria supporting OAI opinion**

1. In accordance with Executive Board decisions 2015/13 of June 2015, 2016/13 of June 2016, and 2019/2 of October 2018, OAI provides an opinion in its annual report, based on the scope of work undertaken, on the adequacy and effectiveness of the organization’s framework of governance, risk management and control (GRC). The summary of the audit work performed is provided in the body of the annual report, under chapter IV. This annex provides a description of the criteria used and analysis to support the OAI opinion.
2. The OAI opinion is based on the following results:
   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’s review of audits of UNDP projects executed by non-governmental organizations and/or national governments (NGO/NIM); and
   6. the implementation rate for internal audit recommendations, including long-outstanding recommendations.
   7. Management Letters relating to investigations
3. The distribution of 2018 audit results regarding the adequacy and effectiveness of GRC at the audited entity level is presented in figure 2 in document DP/2019/23, which shows the distribution of the number of audit reports that were issued by OAI in 2018 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 2018. The result of this aggregation is then grouped by the four levels of audit ratings used by OAI: ‘satisfactory’, ‘partially satisfactory/some improvement needed’, ‘partially satisfactory/major improvement needed’ and ‘unsatisfactory’.

**Table 1: Distribution of ratings per audited expenditure**

**(excluding DIMs, and inter-agency audited expenditure)**

|  |  |  |
| --- | --- | --- |
| **Rating** | **Audited expenditure**  **$** | **Distribution**  **%** |
| Satisfactory | *702,503,607* | *29.1* |
| Partially Satisfactory/Some improvement needed | *1,025,094,316* | *42.4* |
| Partially Satisfactory/Major improvement needed | *470,897,622* | *23.6* |
| Unsatisfactory | *117,578,141* | *4.9* |
| ***Total*** | *2,316,073,686* | ***100*** |

* Headquarters audits: In 2017, the Office did not identify significant systemic deficiencies. In 2018, the Office noted issues that could significantly affect the achievement of the objectives of the audited entity/area. Specifically, the audit of the clustering process resulted in 10 recommendations. Five out of the 10 recommendations were rated as ‘high priority’ and pertained to the incomplete implementation of the Executive Group’s decision on corporate clustering, lack of end-to-end control over a process and an incomplete functional analysis, the unclear role of the Global Shared Services Unit, and lapses in business process re-engineering. In addition, the audit of UNDP’s management of government cost sharing resulted in three ‘high priority’ recommendations. The audit included a review of the Emergency Community Development Programme in Senegal, which highlighted weak practices such as government cost sharing schedule of payments not signed, government contributions not received, and outstanding commitments not reflected in Atlas, amounting to $96.44 million.

1. Adjustments were made in the aggregation of expenditure for the directly implemented projects (DIM) and the review of audits of projects executed by NGOs/NIM. The adjustments were as follows:
   1. The scope of the DIM audits focused mainly on the financial certification of expenditures. Therefore, the audits do not directly assess the GRC aspects of projects in UNDP. Nonetheless, they do give indirect assurance about UNDP GRC. To this effect, OAI converted the audit opinions rendered into OAI ratings using defined criteria[[6]](#footnote-6) and estimated that the results of the DIM financial audits give 50 per cent assurance about UNDP GRC. For the purposes of the current calculation, OAI excluded audited expenditures related to UNCDF DIM project audits (refer to table 2).

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

|  |  |  |
| --- | --- | --- |
| **Rating** | **DIM**  **audited expenditure**  **$** | **Distribution**  **(%)** |
| Satisfactory | 212,872,055 | 80.6 |
| Partially Satisfactory/Some improvement needed2 | 5,979,702 | 2.3 |
| Partially Satisfactory/Major improvement needed2 | 982,676 | 0.4 |
| Unsatisfactory | 44,229,892 | 16.7 |
| ***Total*** | ***264,064,325*** | ***100*** |

The calculated total net financial misstatement in 2018 was $45.4 million or 8.6 per cent of the total audited expenditure ($528.1 million) compared to $13.9 million in 2017 or 2.9 percent of the total audited expenditure ($476.7 million).

* 1. OAI’s review of audits of UNDP projects executed by NGO/NIM

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

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

|  |  |  |
| --- | --- | --- |
| **Rating** | **NGO/NIM audited expenditure**  **$** | **Distribution**  **(%)** |
| Satisfactory | 257,313,114 | 79.0 |
| Partially Satisfactory/Some improvement needed[[7]](#footnote-7) | 27,841,930 | 9.8 |
| Partially Satisfactory/Major improvement needed2 | 27,841,930 | 9.8 |
| Unsatisfactory | 12,690,787 | 1.4 |
| ***Total*** | ***325,687,762*** | ***100*** |

* NIM project audits: The calculated total net financial misstatement in 2018 was $25.9 million or 2 per cent of the total audited expenditures ($1.3 billion) compared to $6.1 million in 2017 or 0.4 per cent of the total audited expenditure ($1.4 billion).
* Review letters issued by the Office: The country offices with combined ‘satisfactory’ and ‘partially satisfactory’ ratings decreased in 2018 compared to 2017. ’Satisfactory’ ratings were the same at 75 per cent in 2017 and 2018. However, ‘partially satisfactory’ ratings decreased from 22 per cent in 2017 to 15 per cent in 2018. On the other hand, country offices with ‘unsatisfactory’ ratings increased from 3 per cent in 2017 to 10 percent in 2018.

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 Results and Resources Framework , the tool that has been implemented by UNDP to monitor the progress in achieving its 2018-2020 Strategic Plan. These targets are considered an expression of UNDP risk tolerance in respect of internal audit results (refer to table 4).

**Table 4:** **Comparison of distribution of audit ratings by audited expenditure and**

**by number of audit reports issued in 2017 and 2018 with UNDP targets**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Rating** | **By audited expenditure**  **(combined CO, GF, HQ, DIM, NGO/NIM)** | | **By number of audit reports issued**  **(Rated by the Office)** | | **UNDP**  **targets** |
| **2017** | **2018** | **2017** | **2018** | **2017-2018** |
| Satisfactory | 33.1% | 40.4% | 37.5% | 23.4% | More than 30% |
| Partially Satisfactory/Some improvement needed | 52.2% | 36.4% | 37.5% | 44.7% | More than 30% |
| Partially Satisfactory/Major improvement needed | 13.7% | 17.2% | 23.2% | 25.5% | Less than 35% |
| Unsatisfactory | 1.0% | 6.0% | 1.8% | 6.4% | Less than 15% |
| ***Total*** | ***100%*** | ***100%*** | ***100%*** | ***100%*** | ***N/A*** |

*CO = Country Office; GF = Global Fund; HQ = headquarters; DIM = directly implemented; NGO/NIM = non-governmental organization/nationally implemented*

\*Note: There were 56 and 47 reports rated by OAI in 2017 and 2018, respectively, that were included in the above calculation.

* By audited expenditure: The combined rates of audits with ‘satisfactory’ and ‘partially satisfactory/some improvement needed’ ratings decreased from 85.3 per cent in 2017 to 76.8 per cent in 2018. Additionally, the combined rates of audits with ‘partially satisfactory/major improvement needed’ and ‘unsatisfactory’ ratings increased from 14.7 per cent in 2017 to 23.2per cent in 2018.
* By number of audit reports issued: The combined rates of audits with ‘satisfactory’ and ‘partially satisfactory/some improvement needed’ ratings decreased from 75 per cent in 2017 to 68.1 per cent in 2018. Additionally, the combined rates of audits with ‘partially satisfactory/major improvement needed’ and ‘unsatisfactory’ ratings increased from 25 per cent in 2017 to 31.9 per cent in 2018.

1. The UNDP targets for audit ratings were set in the UNDP Integrated Results and Resources Framework, a tool used to monitor the progress in achieving its 2018-2021 Strategic Plan. The targets pertained to the number of audit reports that should be allocated to the various audit rating categories. In 2018, the percentage of ‘satisfactory’ ratings based on the number of audit reports rated by the Office was 23.4 per cent, which was below the UNDP target of more than 30 per cent. The percentages of the remaining three ratings (‘partially satisfactory/some improvement needed’, ‘partially satisfactory/major improvement needed’, and ’unsatisfactory‘) were within the UNDP targets.
2. The qualitative nature of the audit and the investigations results was also given due consideration, and these have been included in the annual report.
3. The implementation rate for internal audit recommendations, including long-outstanding recommendations increased in 2018.

* Implementation rate of audit recommendations: The implementation rate as of 31 December 2018 was 95 per cent compared to 92 per cent as of 31 December 2017.
* Long-outstanding recommendations: There were four long-outstanding recommendations as of 31 December 2018 compared to six long-outstanding recommendations as of 31 December 2017.

1. 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 2018 were, in aggregate, ‘**partially satisfactory/some improvement needed’**, which means that, in the majority of business units or projects audited in 2018, they were adequately established and functioning, but need some improvement.

1. “Unknown” means that OAI could not quantify the loss in the case concerned. [↑](#footnote-ref-1)
2. Status updates for Investigation Reports submitted to the Vendor Review Committee are as of April 2018, when they were

   last communicated to

   OAI by the Vendor Review Committee. Due to a change in staffing at the Vendor Review Committee, OAI could not obtain

   further updates at the time of writing this report. [↑](#footnote-ref-2)
3. Investigation Report sent to the United Nations Secretariat for independent review. [↑](#footnote-ref-3)
4. Investigation report sent to UNFPA as staff member was assigned to UNFPA at the time of the issuance of the report. [↑](#footnote-ref-4)
5. Investigation report sent to the United Nations Secretariat as the staff member moved to a United Nations Secretariat

   appointment shortly after the issuance of the report. [↑](#footnote-ref-5)
6. 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-6)
7. 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-7)