**Annex 1: Charter of the Office of Audit and Investigations**

**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 stipulates that the internal audit function’s purpose, authority and responsibility shall be further defined in the Charter of the Office of Audit and Investigations.
4. This Charter sets out the purpose, authority and responsibility, policies and procedures applicable to the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP).

**Mission of OAI**

1. The mission of OAI is to provide UNDP an effective system of 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 related advisory services, and (ii) investigation services.

**Scope of work**

1. The internal oversight services cover all programmes, operations and activities undertaken by UNDP at its headquarters and its country offices, regional service centers, liaison offices and offices in any other location. The services also cover UNDP’s coordination function as well as the activities of UNDP’s affiliated entities, which include the United Nations Capital Development Fund and United Nations Volunteers. However, the investigation function in respect to United Nations Volunteers is restricted to persons working in UNDP projects or working on UNDP premises.

**(A) Internal Audit**

1. Internal auditing is an independent, objective assurance and advisory 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.
2. OAI shall undertake its internal audits in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics established by the Institute of Internal Auditors (IIA) as adopted by the Representatives of Internal Audit Services of the United Nations Organizations, Multilateral Financial Institutions and Associated Intergovernmental Organizations (RIAS).
3. OAI will audit risk exposures relating to UNDP’s governance, risk management and controls to ensure:
   1. achievement of the organization’s strategic objectives;
   2. reliability and integrity of financial and operational information;
   3. effectiveness and efficiency of operations;
   4. safeguarding of assets; and
   5. compliance with legislative mandates, regulations and rules, policies and procedures.
4. OAI shall assess and make appropriate recommendations for improving the governance, risk management and controls in the organization.
5. In order to provide the audit services efficiently and effectively, the Director shall prepare and submit for the review of the Audit Advisory Committee and approval of the Administrator
6. 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
7. Annually: A risk-based annual work plan that is flexible and adaptable to the emerging needs and issues.
8. The approval requirement does not prevent OAI from auditing any other area within the purview of its mandate, which OAI deems necessary.
9. 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 to identify and prioritize engagements to be undertaken during the year. OAI aims at covering all UNDP country offices on a cycle ranging from two to five years, depending on financial exposure and other risks.
10. In cooperation with the Internal Audit Services of other United Nations system organizations, OAI shall initiate and coordinate joint audits of inter-agency activities, including Multi Partner Trust Funds, Joint Programmes and Delivering as One Programmes.
11. 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.
12. In addition, OAI may submit special reports to the Administrator and senior management on cross-cutting or other significant issues, such as those related to specific functions, processes and programmes, including the potential for the improvement to processes.
13. In accordance with decision 2012/18 of the UNDP Executive Board, OAI shall make publicly available all internal audit reports issued from 1 December 2012. In exceptional cases, reports may be redacted, or withheld in their entirety, at the discretion of the Director of OAI. In accordance with Executive Board decisions 2008/37 and 2011/23, the Director of OAI may disclose, upon request, internal audit reports issued prior to 1 December 2012 and after 19 September 2008, to Member States and, in case of audits of projects (co-)funded by intergovernmental organizations or by the Global Fund, to the donor concerned.
14. OAI shall periodically inform the Audit Advisory Committee and the Administrator of:
    1. Progress made in the implementation of the annual plan, changes made thereto and other issues related to the implementation of the plan;
    2. Summaries of significant and systemic audit findings; and
    3. Action taken by management on the implementation of audit recommendations.
15. 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.
16. In addition to assurance services, OAI provides advisory services at the request of management on issues from an internal control perspective, on the design and adoption of practices and procedures that add value to the organization and contribute to the improvement of risk management and operational effectiveness.
17. OAI shall provide such advisory services in accordance with IIA standards, taking care to ensure that OAI’s independence and objectivity are not compromised.

**(B) Investigations**

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.

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

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

OAI shall assume the function of compliance review for UNDP’s social and environmental policies and procedures. In that regard, OAI will operate a reporting mechanism and will assess all reports received to determine whether an investigation is required or whether the issue raised is more appropriately dealt with through the separate Grievance Handling process. Where the assessment determines that an investigation is warranted, OAI will investigate allegations of non-compliance with UNDP’s social and environmental policies and procedures. On the basis of the evidence collected during the investigation, OAI will recommend action to bring a project into compliance.

1. OAI shall have sole responsibility for the conduct of all investigations within UNDP.
2. OAI shall conduct investigations in accordance with the Uniform Principles and Guidelines for Investigations endorsed by the 10th Conference of International Investigators, with the UNDP Legal Framework for Addressing Non-Compliance with the United Nations Standards of Conduct, and with the OAI Investigation Guidelines.
3. The assessment, investigation and reporting of alleged non-compliance with UNDP’s social and environmental policies and procedures will be conducted in accordance with generally accepted international processes.
4. 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.
5. OAI shall maintain an effective system for the recording and management of all cases.
6. OAI shall prepare an annual work plan for the efficient and timely management of all investigations. The plan shall be submitted to the Administrator for approval after review and advice by the Audit Advisory Committee.
7. OAI shall submit its investigation reports concerning UNDP staff members to the Legal Support Office for consideration and disciplinary or administrative action, as appropriate.
8. In cases involving contract personnel, OAI shall submit its investigation reports to the Head of Office concerned for administrative or other action, as appropriate.
9. In case the investigation results in credible allegations of criminal conduct, OAI shall prepare a case file with a recommendation for referral to national law enforcement authorities, as appropriate, for criminal investigation and prosecution.
10. 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 accordance with UNDP’s Vendor Sanctions Procedures.
11. OAI shall submit its investigation reports as soon as possible, based on the priority of the case and available resources.
12. OAI shall also submit reports 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.

**Responsibility and Authority**

1. 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.
2. The Director of OAI shall report to the Administrator on the performance of OAI against agreed key performance indicators.
3. The Director of OAI shall maintain a quality assurance and improvement program that covers all aspects of the internal audit and investigations activity.
4. 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.
5. 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.
6. OAI shall have:
   1. Free access to the organization’s records, personnel and premises, as necessary, in its opinion, for the performance of its duties; and
   2. 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.
7. 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.
8. The Director and staff of OAI are not authorized to:
   1. Perform any operational, managerial or supervisory duties for UNDP or its affiliates;
   2. Initiate or approve accounting transactions external to OAI; and
   3. 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.

**Independence**

1. 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 work and communicating results.
2. 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 Advisory Committee on the appointment, performance evaluation, extension and dismissal of the Director of OAI.
3. The Director shall have free and unrestricted access to the Chairpersons of the Executive Board and the Audit Advisory Committee and to the Board of Auditors.
4. 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.
5. The Director and staff of OAI must refrain from assessing 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. Allegations of misconduct against OAI staff members, which require an investigation, shall not be investigated by OAI.
6. 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.
7. The Director of OAI shall bring to the attention of the Audit Advisory Committee any impairment to independence, objectivity or professionalism.

**Resources**

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

**Cost Reimbursable Services**

1. **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**

1. 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.

**Accountability to the Executive Board**

1. OAI shall independently prepare and submit to the Executive Board, after review by the Audit Advisory Committee, an annual report for each completed calendar year on its activities, resources, disclosure of audit reports, significant audit findings, systemic weaknesses identified in audits, action taken by management to implement audit recommendations and such other matters as may be requested by the Executive Board.
2. In the annual report, the Director of OAI shall confirm to the Executive Board the organizational independence of the internal audit and investigation functions.

**Approval and revision of the Charter**

1. This revised version of the Charter was reviewed and endorsed by the Audit Advisory Committee and has been approved by the Administrator.
2. 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 Advisory Committee and shall be brought to the attention of the Executive Board.

Approved by the Associate Administrator on behalf of the Administrator

27 December 2013

**Annex 2: Office of Audit and Investigations audit reports issued in 2016 pertaining to UNDP**

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|  | **Audit Type** | **Report No.** | **Audit Subjects** | **Rating** |
| **Headquarters** | | | |  |
| 1 | Performance audits | 1549 | UNDP Results Based Management | Satisfactory |
| 2 | 1601 | Financial Sustainability and Effectiveness Exercise at the  local and regional level | Satisfactory |
| 3 | 1697 | UNDP Regional Bureau for Arab States | Satisfactory |
| 4 | Compliance audits | 1602 | UNDP Vendor Management | Unsatisfactory |
| 5 | 1576 | UNDP Enterprise Risk Management | N/A |
| 6 | 1557 | Cloud computing project | Satisfactory |
| 7 | 1551 | UNDP Global programme on Justice and Security Sector  Reform (JSSR) | Satisfactory |
| 8 | 1580 | United Nations Office for South-South Cooperation | Unsatisfactory |
| 9 | 1560 | UNDP Asset Management | Satisfactory |
| 10  11 | 1559 | UNDP Egypt | Partially  Satisfactory |
| 1716 | UNDP Communication Management | Partially  Satisfactory |
| 12 | Inter-Agency | 1558 | South Sudan Common Humanitarian Fund | Partially  Satisfactory |
| 13 | Global Fund grants | 1698 | Consolidated report on audits of UNDP as PR of grants for  the Global Fund | N/A |
| 14 | 1607 | Consolidated report on the audits of sub-recipients of grants from the Global Fund | N/A |
| **Country offices** | | | |  |
|  | **Africa** | | |  |
| 15 | General Scope | 1695 | UNDP Ethiopia | Partially  Satisfactory |
| 16 | 1729 | UNDP Burundi | Partially  Satisfactory |
| 17 | 1624 | UNDP Angola | Partially  Satisfactory |
| 18 | 1699 | UNDP Republic of Congo | Partially  Satisfactory |
| 19 | 1603 | UNDP Rwanda | Partially  Satisfactory |
| 20 | 1569 | UNDP Mali | Partially  Satisfactory |
| 21 | 1599 | UNDP Tanzania | Partially  Satisfactory |
| 22 | 1579 | UNDP Namibia | Unsatisfactory |
| 23 | 1550 | UNDP Eritrea | Satisfactory |
| 24 | 1497 | UNDP Burkina Faso | Partially  Satisfactory |

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|  | **Audit Type** | **Report No.** | **Audit Subjects** | **Rating** |
| 25 |  | 1730 | UNDP Zimbabwe | Satisfactory |
| 26 | 1719 | UNDP Mauritius and Seychelles | Partially  Satisfactory |
| 27 | 1712 | UNDP Senegal | Partially  Satisfactory |
| 28 | Follow-up | 1570 | UNDP The Islamic Republic of Mauritania - Follow up Audit | N/A |
| 29 | 1565 | UNDP Chad - Follow-up Audit | N/A |
| 30 | 1739 | UNDP Guinea Bissau - Follow up Audit | N/A |
| 31 | DIM Projects | 1696 | UNDP Madagacar - Projet d'Appui au Cycle Electo (Project  No. 70692) | N/A |
| 32 | 1665 | UNDP Burkina Faso - Projet d'Appui aux Elections (Project  ID 00087567) | Satisfactory |
| 33 | 1670 | UNDP Burundi - Appui au Cycle Electoral 2015 (Project ID  00077432) | N/A |
| 34 | 1666 | UNDP Central African Republic - Appui Institutionnel  (Project ID 00072855) | Satisfactory |
| 35 | 1667 | UNDP Central African Republic - Projet d'Appui (Project ID  00086140) | Satisfactory |
| 36 | 1668 | UNDP Democratic Republic of the Congo - Politiques et  Prog (Project No.00072471) | Satisfactory |
| 37 | 1669 | UNDP Senegal - Programme d'Urgence de Develop (Project  ID 00086871) | Partially  Satisfactory |
| 38 | 1671 | UNDP Mali - Project Elections 2012-2014 (Project No.  00064570) | N/A |
| 39 | 1680 | UNDP- Nigeria Capacity for Governance Programme - 00056855 | N/A |
| 40 | 1681 | UNDP Tanzania- Democratic Empowerment Project-  00068932 | N/A |
| 41 | 1688 | Pôle Stratégies de développement et Finances publiques | Partially  Satisfactory |
| 42 | 1683 | UNCDF Somalia- Somalia UNJPLG II - MPTF pass- 87943 | N/A |
| 43 | 1684 | UNCDF Uganda- Mobile Money for the Poor UNCD- 89778 | N/A |
| 44 | 1687 | UNCDF Thailand – Clean Start (Award No. 71250, Project No.  84836) | N/A |
| 45 | 1692 | UNCDF Senegal – Youth Start Second Phase (Projects No.  00060993 and 00060994) | N/A |
| 46 | 1693 | UNCDF Niger - Appui au Developpement (Project No.  70259) | N/A |
| 47 | 1694 | UNCDF Democratic Republic of the Congo - PASMIF II-  Belgium (Project No. 75050) | N/A |

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|  | **Audit Type** | **Report No.** | **Audit Subjects** | **Rating** |
| 48 | Global Fund grants | 1686 | UNDP South Sudan Global Fund Project 64223 | N/A |
| 49 | 1725 | UNDP South Sudan Global Fund Project 90124 | N/A |
| 50 | 1726 | UNDP South Sudan Global Fund Project 91065 | N/A |
| 51 | 1571 | UNDP Mali - Global Fund | Partially  Satisfactory |
| 52 | 1562 | UNDP Zimbabwe- Global Fund | Partially  Satisfactory |
| 53 | 1735 | UNDP Guinea Bissau - Global Fund | Partially  Satisfactory |
| 54 | Follow-up | 1567 | UNDP Chad Grants From the Global Fund to Fight Aids,  Tuberculosis And Malaria | N/A |
|  | **Audit Type** | **Report No.** | **Audit Subjects** | **Rating** |
| **Arab States** | | | |  |
| 55 | General Scope | 1606 | UNDP Lebanon | Partially  Satisfactory |
| 56 | 1577 | UNDP Syria | Partially  Satisfactory |
| 57 | 1564 | UNDP United Arab Emirates | Partially  Satisfactory |
| 58 | 1568 | UNDP Algeria | Partially  Satisfactory |
| 59 | Follow-up | 1700 | UNDP Iraq - Follow - up Audit | N/A |
| 60 | DIM Projects | 1646 | UNDP PAPP - PAL/KFW- V (Project No: 41098 | N/A |
| 61 | 1648 | UNDP PAPP - Construction of 100 housing UN (Output No:  70416) | N/A |
| 62 | 1650 | UNDP PAPP - Community Resilience Program (Output No:  84013) | N/A |
| 63 | 1649 | UNDP PAPP -Export Development 1 (Output No: 78517) | N/A |
| 64 | 1651 | UNDP PAPP -Capacity of Justice & Security (Output No:  88270) | N/A |
| 65 | 1647 | UNDP PAPP - Emergency Support & Advanced (Project No:  50123 (6 outputs)) | N/A |
| 66 | 1652 | UNDP PAPP - Rapid Support for Small Infrastructure (Proj  No: 78805 (2 outputs) | N/A |
| 67 | 1673 | UNDP Somalia- Enhancing Climate Resilience- 00084974 | N/A |
| 68 | 1674 | UNDP Somalia- Support to the Federal State- 00085367 | N/A |
| 69 | 1675 | UNDP Somalia- Constitutional Review- 00085369 | N/A |
| 70 | 1676 | UNDP- Somalia- Electoral Assistance- 00085370 | N/A |
| 71 | 1677 | UNDP Somalia- Joint Programme on Rule of Law-  00085372 | N/A |

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|  | **Audit Type** | **Report No.** | **Audit Subjects** | **Rating** |
| 72 | DIM Projects | 1678 | UNDP Somalia- Institutional Capacity Develop- 00085379 | N/A |
| 73 | 1679 | UNDP Somalia- Gender Equity and Women's Empo-  00085380 | N/A |
| 74 | 1644 | UNDP Lebanon - Lebanese Hosting Communities (Output  No: 84708) | N/A |
| 75 | 1645 | UNDP Lebanon - Rehabilitation of Saida Dump (Output No:  83622) | N/A |
| 76 | 1653 | UNDP Syria - Socio-Economic Recovery (Output No: 86651) | N/A |
| 77 | 1641 | UNDP Iraq - Local Area Development EU (Output No:  94013) | N/A |
| 78 | 1643 | UNDP Iraq - Fund Facility for Stabilization (Output No:  95684) | N/A |
| 79 | Global Fund grants | 1711 | UNDP Djibouti - Continue the fight against HIV (Project  No74979) | N/A |
| 80 | 1737 | UNDP Djibouti - Support to Djibouti's National Tuberculosis  (Project No77460) | N/A |
| 81 | 1654 | UNDP Iraq GF - Support to TB and HIV Programs (Output  No: 00056801) | N/A |
| 82 | 1578 | UNDP Syria - Global Fund | Partially  Satisfactory |
|  | **Europe and CIS** | | |  |
| 83 | General Scope | 1690 | UNDP Turkey | Satisfactory |
| 84 | 1619 | UNDP Tajikistan | Satisfactory |
| 85 | Follow-up | 1733 | UNDP Uzbekistan - Follow-up Audit | N/A |
| 86 | DIM Projects | 1637 | UNDP Kyrgyzstan - Automation of voters identification  (Output No: 95323) | N/A |
| 87 | 1632 | UNDP Armenia - Modernizing Border Cross Points (Output  No: 83816) | N/A |
| 88 | 1638 | UNDP FYRM - Initiation Municipal Councils Support  (Output No: 89225) | N/A |
| 89 | 1633 | UNDP BiH - Green Economic Development Environment  (Output No: 79758) | N/A |
| 90 | 1634 | UNDP BiH - EU Flood Recovery Programme (Output No:  91517) | N/A |
| 91 | 1635 | UNDP BiH - Municipal Governance (Output No: 90162) | N/A |
| 92 | 1636 | UNDP BiH - Revitalizing Local Communities (Output No:  90164) | N/A |
| 93 | 1639 | UNDP Ukraine - Rapid Response (Output No: 94682) | N/A |
| 94 | 1640 | UNDP Ukraine - Infrastructure Rehabilitation (Output No:  92607) | N/A |
| 95 | 1722 | UNDP Albania | Satisfactory |

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|  | **Audit Type** | **Report No.** | **Audit Subjects** | **Rating** |
|  | **Asia and the Pacific** | | |  |
| 96 | General Scope | 1720 | UNDP Timor Leste | Partially  Satisfactory |
| 97 | 1672 | UNDP Myanmar | Partially  Satisfactory |
| 98 | 1620 | UNDP Philippines | Partially  Satisfactory |
| 99 | 1605 | UNDP China | Partially  Satisfactory |
| 100 | 1585 | UNDP PNG | Partially  Satisfactory |
| 101 | 1744 | UNDP Democratic People's Republic of Korea | Satisfactory |
| 102 | 1715 | UNDP Suriname | Partially  Satisfactory |
| 103 | Functional Audit | 1731 | UNDP Afghanistan - Financial Management Audit | Partially  Satisfactory |
| 104 | Follow-up | 1746 | UNDP Afghanistan - ELECT II follow-up | N/A |
| 105 | DIM Projects | 1689 | UNDP Afghanistan - LOTFA (Project No. 89137, 85894, and  89620) | N/A |
| 106 | 1627 | UNDP Indonesia - REDD+ Interim Phase (Project No. 75619,  Output No. 87421) | N/A |
| 107 | 1625 | UNDP India - Improving Efficiency of Vaccination Systems  (Project No. 78163) | Partially  Satisfactory |
| 108 | 1626 | UNDP India - Improving Efficiency of Newborn & Infant  Care (Project No. 73062) | N/A |
| 109 | 1628 | UNDP Sri Lanka - Support District Dev Plans (Project No.  68311, Output No. 87393 | N/A |
| 110 | 1629 | UNCDF Fiji - Pacific Financial Inclusion Prog (Award No.  84011, Proj No. 92219) | N/A |
| 111 | 1630 | UNCDF Myanmar - MicroLead\_LIFT\_Myanmar (Award No.  71190, Proj No. 84819) | N/A |
| 112 | 1745 | UNDP Afghanistan - Local Governance Project (Project No.  90448) | Partially  Satisfactory |
| 113 | Global Fund grants | 1621 | UNDP Thailand Global Fund | Satisfactory |

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|  | **Audit Type** | **Report No.** | **Audit Subjects** | **Rating** |
|  | **Latin America & the Caribbean** | | |  |
| 114 | General Scope | 1691 | UNDP Panama | Satisfactory |
| 115 | 1655 | UNDP Colombia | Satisfactory |
| 116 | 1615 | UNDP Brazil | Partially  Satisfactory |
| 117 | 1582 | UNDP Costa Rica | Partially  Satisfactory |
| 118 | 1566 | UNDP Venezuela | Satisfactory |
| 119 | 1723 | UNDP Guatemala | Partially  Satisfactory |
| 120 | Follow-up | 1714 | UNDP Bolivia | N/A |
| 121 | DIM Projects | 1661 | UNDP Haiti - 00076471 - Appui au Processus Electoral | N/A |
| 122 | 1657 | UNDP Colombia - 00048240 - PROG FORTALECIMIENTO DE  LA JUS | N/A |
| 123 | 1658 | UNDP Colombia - 00076307 - Alianzas Territoriales para la | N/A |
| 124 | 1656 | UNDP Brazil - 00088231 - BRA/15/003 - Jogos Indígenas | N/A |
| 125 | 1662 | UNDP Peru - 00073160 - Proyecto Especial Apoyo Organi | N/A |
| 126 | 1663 | UNDP Peru - 00073717 - Fortalecimiento capacidades Pr | N/A |
| 127 | 1664 | UNDP Peru - 00075011 - COP 20 | N/A |
| 128 | Global Fund grants | 1659 | UNDP Haiti - 00061399 - Strengthening & Improvement of  Tuberculosis | N/A |
| 129 | 1660 | UNDP Haiti - 00061483 - Scaling up the Response | N/A |

**Annex 3: Recommendations unresolved for 18 months or more as of 31 December 2016**

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| 1  2  3  4  5  6 | **Unresolved Recommendations (by cause, by year)** |
| **HEADQUARTERS AUDIT** |
| Requires More Action by Offices Concerned |
| **2013** |
| OHR should review all documents on recruitment policies and procedures in their entirety and:(a) update and consolidate them and institute periodic reviews thereof;(b) remove exceptions from standard procedures which may lead to a breach of the guiding principles of recruitment and selection as defined in the UNDP Recruitment and Selection Framework; and(c) ensure that the formulation is understandable and unambiguous, using terms that are clearly defined and used consistently throughout all policy documents. (R1109/12) (High)  OHR should review the existing time-in-post policy to assess its relevance. (R1109/14) (Medium)  OHR should revise its policies on separations by removing inconsistencies with the Staff Rules and Staff Regulations of the United Nations, specifying requirements where not clearly defined and formulating a policy for 'unassigned staff'. (R1109/21) (High) |
| **2014** |
| Streamline the Fast Track Procedures governance arrangements by: (a) defining a clear owner who manages and oversees FTPs further development, implementation and maintenance, and clarifying the role and accountability of each unit in the activation of FTPs; and (b) establishing a clear timetable for developing the remaining relevant open items that were originally identified in FTPs and enforce them. Responsible HQ bureau: Crisis Response Unit, Bureau of Management. (R1411/1) (Medium)  Address the operational issues identified by:(a) limiting the use of FTPs to crises only and reviewing the need for activation trigger 4; and(b) establishing clear time limits for the application of FTPs, thereby re-emphasizing their stop- gap function and limiting the current widespread practice of extending FTPs. Responsible HQ bureau: Crisis Response Unit, Bureau of Management. (1411/2) (Medium)  Operationalize the signature products with the goal of having a readily available set of crisis response products, to be deployed immediately when crises occur. The operationalization should be adjusted to the different types of crisis that UNDP responds to, i.e., Level 3 emergencies, protracted crisis, political crisis and others. Responsible HQ bureau: Crisis Response Unit, Bureau of Management. (R1411/3) (Medium) |

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| 7  8  9  10  11  12  13  13 | **Headquarters Audit Recommendations Unresolved for 18 Months or More** |
|  |
| **Unresolved Recommendations (by cause, by year)** |
| **2015** |
| 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)  Design and submit for approval to UNDP senior management a policy note on settlement agreements, including commercial settlements, that would define:(a) when and in which cases settlements could be made;(b) who has the authority to make a final decision; and(c)a harmonized approach and framework for settlements with other United Nations agencies. Responsible HQ bureau: Bureau of Management. (R1420/3) (Medium)  Procure or otherwise acquire a case and document management system, with a proper intake and monitoring mechanism. Responsible HQ bureau: Legal Support Office. (R1420/5) (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. (R1420/6) (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. (R1446/4) (Medium) |
| Improve efficiency and effectiveness of entitlement travel operations by: (a) preparing a cost-benefit analysis of the lump- sum option compared to tickets arranged by the organization; and (b) centralizing the calculation of the lump-sum entitlement for home leave and family leave to the Administrative Services Division. Responsible HQ bureau: Office of Human Resources and Administrative Services Division. (R1446/5) (Medium) |
| **COUNTRY OFFICE AUDITS** |
| Requires More Action by Offices Concerned |
| **2014** |
| *Programme Actvities/Programme management*  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. (R1402/4) (High) |

|  |  |
| --- | --- |
| 14  15  16  17 | **2015** |
|  |
| *Operations/General administration*  Comply with the 'Programme and Operations Policies and Procedures' regarding travel management by:(a)ensuring that the most direct and economical route is used; (b) correctly calculating and validating the amount of Daily Subsistence Allowance to be paid; (c) requiring staff to submit travel claims along with adequate supporting documentation within two weeks after returning from official business travel and recover any overpaid amounts; (d)centralizing travel procurement requests in the Travel Unit and providing staff with the necessary training and understanding of the travel  policy; and (e) recover, as appropriate, the amount in excess of the allowable travel costs estimated at $8,000. (R1431/14) (Medium)  *GF/Procurement and Supply Management/Quality assurance of health products*  Improve the procurement and financial internal control environment by: (a) properly verifying that vendors designated by the Government are in line with the direct payments policy and the terms stipulated in vendor contracts; and (b) immediately addressing concerns regarding the legitimacy of vendors to the government counterpart. (R1454/2) (Medium)  *Operation/Finance*  Strengthen the monitoring of receivables by:(a)properly reviewing bank reconciliation results to ensure that any long- outstanding amounts are fully investigated and followed up on with the payee as part of the reconciliation exercise;(b)ensuring that salary advances are granted in compliance with organizational policies and procedures to avoid excessive numbers of advances and repeat requests;(c)recovering accumulated and long-outstanding advances from individuals as soon as possible; (d)ensuring that all receivable accounts are reconciled in a timely manner and followed up on regularly; and(e)establishing a mechanism as part of the staff check-out process to recover all receivables from separated staff before they leave the organization. (R1314/8) (Medium)  *Programme Activities/Project management*  Improve project monitoring by: (a) developing a checklist containing all reporting requirements, which should be shared with all programme staff; (b) complying with the requirements of “implementing a project” guidelines of the Programme and Operations Policies and Procedures’; (c) conforming to project document requirements in terms of reporting and ensuring that outstanding reports are prepared; (d) organizing a training session on using Atlas as a project management tool; (e)following up on outstanding advances made to responsible parties before previous tranches are liquidated; and (f) expediting the financial closure of projects that are operationally closed for more than 12 months. (R1314/5) (Medium) |

**Annex 4: Summary of substantiated investigation cases in 2016, 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 | Asia and the Pacific | Service contractor allegedly attempted to extort bribes in return for providing grant money. Service contractor was also alleged to have knowingly certified false invoices. | No financial loss to the Organization. | CO | Subject resigned. |
| ***Assault & Threat*** | | | | | |
| 2 | Latin America and the Caribbean | UNV allegedly assaulted another UNV by hitting him on the head with a slipper, and falsely accused that UNV of sexual assault. | No financial loss to the Organization. | UNV APDM | UNV was dismissed. |
| ***Entitlements Fraud*** | | | | | |
| 3 | Africa | Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses. | No financial loss to the Organization. | CO | Subject resigned. |
| 4 | Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses. | No financial loss to the Organization. | CO | Subject’s contract was not renewed. |
| 5 | UNV allegedly submitted fraudulent claims for DSA and reimbursement of security guards expenses. | Unknown. | UNV APDM | Under review. |
| 6 | Africa  (Other UN Agencies) | Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses. | No financial loss to the Organization. | CO | Subject’s contract was terminated. |
| 7 | Staff member allegedly forged another staff member’s signature on a customs form to obtain a tax emption for his car, to which he was not entitled. | No financial loss to the Organization. | LO | Staff member resigned.  Under review pursuant to Art. 72(a) of the UNDP Legal  Framework. |
| 8 | Staff member allegedly submitted fraudulent claims for reimbursement of medical expenses. | $6,983 | LO | Under review. |
| 9 | Staff member allegedly submitted fraudulent claims for reimbursement of medical expenses. | Alleged fraud detected before payment. | LO | Under review. |
| 10 | Arab States | Service Contractor allegedly submitted fraudulent claims for reimbursement of medical expenses. | No financial loss to the Organization. | CO | Subject’s resigned. |
| 11 | Latin America and the Caribbean | Service contractor allegedly received an overpayment for medical claims he submitted and did not report it although he was aware of the mistake. | No financial loss to the Organization. | CO | Subject’s contract was not renewed. |
| 12 | Latin America and the Caribbean  (Other UN Agency) | Staff member allegedly submitted fraudulent claims for reimbursement of medical expenses. | $33,517.96 | LO | Under Review. |
| 13 | Staff member allegedly submitted fraudulent claims for reimbursement of medical expenses. | $4,319.20 | LO | Under review. |
| 14 | HQ | Staff member allegedly falsified a lease agreement to obtain a higher rental subsidy. | $5,223.26  (recovered) | LO | Staff member resigned.  A letter was placed in staff member’s file  pursuant to Art. 72(a) of the UNDP Legal  Framework.  Referral made to national authorities. |
| ***Misrepresentation, forgery and false certification*** | | | | | |
| 15 | Africa | Implementing partner allegedly forged documents submitted for payment for services that were not provided. | $4,290 | RB | UNDP Liaised with implementing partner on this issue. |
| 16 | Africa  (Other UN Agency) | Staff member allegedly used his position to fraudulently solicit goods from 24 businesses. | No financial loss to the Organization. | LO | Staff member was separated from service for abandonment of post.  Under review pursuant to Art. 72(a) of the UNDP Legal  Framework. |
| 17 | Arab States | UNV allegedly submitted a forged a diploma to obtain his position. | No financial loss to the Organization. | UNV APDM | UNV was dismissed. |
| 18 | Asia and the Pacific | Subject allegedly held two UNDP contracts simultaneously and received his salary on two different bank accounts under the same name. | No financial loss to the Organization. | CO | Subject resigned. |
| 19 | Europe and the CIS | Vendor allegedly misrepresented its address, and is alleged to be an artificial business structure. | Unknown. | VRC | Under review. |
| 20 | Service contractor allegedly received a written test and answers for a position for which she applied, which she used to prepare her answers before the test was administered with the help of a UNDP personnel. Service contractor also attempted to influence panel members to obtain a position for another person. | No financial loss to the Organization. | CO | Subject’s contract was not renewed. |
| 21 | Vendor allegedly submitted false references and forged documents during a procurement process that it ultimately won. | No financial loss to the Organization. | VRC | Under review. |
| ***Other failure to comply with obligations*** | | | | | |
| 22 | Africa | Vendor was allegedly awarded contracts by his friend and business partner, a UNDP staff member, and did not report this conflict of interest. | No financial loss to the Organization. | VRC | Under review. |
| 23 | Arab States | Staff member was allegedly involved in the management of an NGO and authorized payments made to that NGO, but failed to report this conflict of interest. | No financial loss to the Organization. | LO | Staff member received a letter of reprimand, and an exoneration letter. |
| 24 | Staff member was allegedly involved in granting projects to an NGO, whose executive member was his partner in a cooperative, and failed to report this conflict of interest. The cooperative also allegedly used the UNDP logo without authorization. | No financial loss to the Organization. | LO | Staff member received a letter of reprimand, and an exoneration letter. |
| 25 | Asia and the Pacific | Staff member allegedly leaked sensitive UNDP information to external parties. | No financial loss to the Organization. | LO | Staff member’s contract was not renewed upon expiration.  A letter was placed in staff member’s file  pursuant to Art. 72(a) of the UNDP Legal  Framework. |
| 26 | HQ | Staff member allegedly requested and obtained a loan from a UNDP donor, in order to obtain financial support for his studies. Staff member also allegedly endorsed a risk assessment without disclosing critical information about the donor. | No financial loss to the Organization. | LO | Staff member was dismissed. |
| 27 | Latin America and the Caribbean | Staff member working in procurement allegedly shared her ICT passwords, enabling another personnel to both create and approve Atlas vouchers. | No financial loss to the Organization. | LO | Under review. |
| ***Procurement Fraud*** | | | | | |
| 28 | Africa | Staff member allegedly manipulated procurement processes and colluded with other UNDP personnel and vendors to favour the latter. Staff member also allegedly evaluated bids from companies that employed him, and failed to seek authorization for his outside employment. | Unknown. | LO | Staff member was dismissed. |
| 29 | Vendor allegedly colluded with UNDP personnel in order to be awarded procurement contracts. | Unknown. | VRC | Under review. |
| 30 | Vendors allegedly colluded with other vendors and UNDP personnel to win procurement processes. | Unknown | VRC | Under review |
| 31 | Staff member allegedly manipulated procurement processes and colluded with other UNDP personnel and vendors to favour the latter. Staff member also allegedly evaluated bids from companies with which he had personal ties. | Unknown. | LO | Under review. |
| 32 | Staff member allegedly manipulated procurement processes and colluded with other UNDP personnel and vendors to favour the latter. | Unknown. | LO | Under review. |
| 33 | Staff member allegedly manipulated procurement processes and colluded with other UNDP personnel and some vendors to favour the latter. | Unknown | LO | Staff member resigned.  A letter was placed in staff member’s file  pursuant to Art. 72(a) of the UNDP Legal  Framework |
| 34 | Arab States | NGO personnel allegedly diverted donor funds. | No financial loss to the Organization. | VRC | Under review. |
| 35 | Vendor allegedly paid kickbacks to UNDP personnel. | No financial loss to the Organization. | VRC | Under review. |
| 36 | Vendor allegedly paid kickbacks to UNDP personnel. | No financial loss to the Organization. | VRC | Under review. |
| 37 | Vendor allegedly paid kickbacks to UNDP personnel. | No financial loss to the Organization. | VRC | Under review. |
| 38 | Vendor allegedly paid kickbacks to UNDP personnel. | No financial loss to the Organization. | VRC | Under review. |
| 39 | Vendor allegedly paid kickbacks to UNDP personnel. | No financial loss to the Organization. | VRC | Under review. |
| 40 | Vendor allegedly paid kickbacks to UNDP personnel. | No financial loss to the Organization. | VRC | Under review. |
| 41 | Vendor allegedly paid kickbacks to UNDP personnel. | No financial loss to the Organization. | VRC | Under review. |
| 42 | Vendor allegedly paid kickbacks to UNDP personnel. | No financial loss to the Organization. | VRC | Under review. |
| 43 | Vendor allegedly paid kickbacks to UNDP personnel. | No financial loss to the Organization. | VRC | Under review. |
| 44 | Europe and the CIS | Service contractor was allegedly involved in the provision of forged reference letters by a vendor to UNDP in order to favour the said vendor during a procurement process. | No financial loss to the Organization. | CO | Subject’s contract was not renewed. |
| 45 | Service contractor allegedly manipulated a procurement process by misrepresenting quotes received and forging documents in order to favour a vendor. | No financial loss to the Organization. | CO | Subject’s contract was terminated. |
| 46 | Vendor allegedly misrepresented its address, shared by other vendors involved in the same procurement process, and was alleged to be an artificial business structure. | Unknown. | VRC | Under review. |
| 47 | Vendor allegedly misrepresented its address, shared by other vendors involved in the same procurement process, and was alleged to be an artificial business structure. | Unknown. | VRC | Under review. |
| 48 | Vendor allegedly misrepresented its address, shared by other vendors involved in the same procurement process, and was alleged to be an artificial business structure. | Unknown. | VRC | Under review. |
| 49 | Staff member allegedly failed to include a bid received during a procurement process, either deliberately or by gross negligence. Staff member also allegedly failed to reject late bids and to disclose a personal relationship during a procurement process. | Unknown. | LO | Staff member resigned. Under review pursuant to Art. 72(a) of the UNDP Legal  Framework. |
| ***Retaliation against whistleblowers*** | | | | | |
| 50 | Arab States  (Other UN Agency) | Staff member allegedly transferred another staff member he supervised and initially prevented him from participating in a training, in retaliation for having reported him to a higher authority. | No financial loss to the Organization. | Ethics Office | Ethics Office made its independent determination that the complainant did suffer retaliation, and reported the matter to LO. |
| ***Sexual exploitation and abuse*** | | | | | |
| 51 | Africa  (Other UN Agency) | Staff member was allegedly involved in sexual exploitation and sexual harassment of younger female UNDP personnel. | No financial loss to the Organization. | LO | Staff member resigned.  A letter was placed in staff member’s file  pursuant to Art. 72(a) of the UNDP Legal  Framework. |
| 52 | Asia and the Pacific | Service contractor allegedly attempted to have sexual relations in exchange for money. | No financial loss to the Organization. | CO | Subject’s contract was not renewed. |
| ***Theft and embezzlement*** | | | | | |
| 53 | Africa | Staff member allegedly stole fuel from UNDP cars. | $610.19 | LO | Under review. |
| 54 | Staff member allegedly stole fuel from UNDP cars. | $236.37 | LO | Under review. |
| 55 | Africa  (Other UN Agencies) | Staff member allegedly forged his supervisor’s signature and cashed cheques representing the payment of indemnities to security guards. | No financial loss to the Organization. | LO | Under review. |
| 56 | Staff member allegedly took funds from the office safe. | No financial loss to the Organization. | LO | Staff member resigned.  A letter was placed in staff member’s file  pursuant to Art. 72(a) of the UNDP Legal  Framework. |
| 57 | Asia and the Pacific | A Global Fund recipient allegedly diverted grant monies by fabricating fake invoices and supporting documents to justify expenses. | $264,961.32 | VRC | Under review. |
| 58 | Service contractor allegedly cashed fuel coupons instead of refueling UNDP vehicles. | $3,651.13 | CO | Under review. |
| 59 | Service contractor allegedly coordinated the fabrication of false invoices in order to obtain payment for activities that were not conducted under the programme. | $32,829  ($23,688 recovered) | CO | Subject resigned. |
| 60 | Latin America and the Caribbean | Staff member allegedly embezzled money by making payments to himself using Atlas. | $1,105,910.55  ($13,188.50 recovered) | LO | Staff member was dismissed. |

**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 brief 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; and
   6. Management Letters relating to investigations.
3. The distribution of 2016 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 2017/26, which shows the distribution of the number of audit reports that were issued by OAI in 2016 by type of audit rating, ’satisfactory’, ‘partially satisfactory’ and ‘unsatisfactory’.
4. In addition, the audit results are aggregated using the amount of expenditure covered by the audits undertaken in 2016. The result of this aggregation is then grouped by the three levels of audit rating used by OAI, ‘satisfactory’, ‘partially satisfactory’ and, ‘unsatisfactory’. The audited expenditure (excluding DIM audits) has been validated through Atlas as of 7 February 2017. For one functional audit, the expenditure was calculated at 20 per cent as the audit only covered one area of the office’s activities.

**Table 1: Distribution of ratings per audited expenditure (excluding DIMs)**

|  |  |  |
| --- | --- | --- |
| **Rating** | **Audited expenditure**  **$** | **Distribution**  **%** |
| Satisfactory | 507,727,350 | 25 |
| Partially Satisfactory | 1,508,531,930 | 73 |
| Unsatisfactory | 39,867,698 | 2 |
| ***Totals*** | ***2,056,126,978*** | ***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 (at 50 per cent)**

|  |  |  |
| --- | --- | --- |
| **Rating** | **DIM**  **audited expenditure**  **$** | **Distribution**  **(%)** |
| Satisfactory | 167,365,331 | 76 |
| Partially Satisfactory | 22,373,124 | 10 |
| Unsatisfactory | 29,197,542 | 13 |
| ***Totals*** | ***218,937,997*** | ***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 and 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 (at 25 per cent)**

|  |  |  |
| --- | --- | --- |
| **Rating** | **NGO/NIM audited expenditure**  **$** | **Distribution**  **(%)** |
| Satisfactory | 200,130,737 | 46 |
| Partially Satisfactory | 168,484,033 | 39 |
| Unsatisfactory | 63,963,169 | 15 |
| ***Totals*** | ***432,577,939*** | ***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 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 2016 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 | 32% | 33% | More than 30% |
| Partially Satisfactory | 63% | 62% | Less than 65% |
| Unsatisfactory | 5% | 5% | Less than 15 % |
| ***Totals*** | ***100%*** | ***100%*** | ***N/A*** |

1. For both types of actual distribution (column (a) and (b)), the partially satisfactory ratings are higher than 60 per cent. In other words, the majority of the audit reports issued in 2016 have an average rating of ‘partially satisfactory’, which indicates that governance, risk management and controls are generally established and functioning but need to be improved. Notwithstanding that the distribution of expenditures/reports are within the UNDP corporate targets, the majority of the expenditures and the majority of the reports are within the ‘partially satisfactory’ category. This makes ‘partially satisfactory’ the most appropriate overall rating.
2. In addition to the above quantitative comparison, the qualitative nature of the audit results was also given due consideration, and these have been included in the annual report.
3. The implementation rat of internal audit recommendations was also taken into consideration and compared to the UNDP targets (refer to table 5).

**Table 5: UNDP target implementation rate and rating of internal audit recommendations**

|  |  |
| --- | --- |
| **Implementation rate** | **Rating** |
| Equal or higher than 85% | Green (or satisfactory) |
| Between 81% and 85% | Amber (or partially satisfactory) |
| Lower than 81% | Red (or unsatisfactory) |

1. The actual implementation rate of internal audit recommendations at the end of 2016 is 87 per cent and is therefore satisfactory when compared to the UNDP target. The rate of 87 per cent gives comfort that the organization takes effective and timely action to address deficiencies identified in audits.
2. Based on the scope of work undertaken in 2016, in OAI’s opinion, the adequacy and effectiveness of the governance, risk management and control in the audit reports issued in 2016 were, in aggregate, ‘partially satisfactory’, which means that they were generally established and functioning but needed improvement.

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% - 2 % = Partially Satisfactory

   Qualified and NFM is > 2% or Adverse/Disclaimer Opinion = Unsatisfactory [↑](#footnote-ref-3)