

**United Nations Development Programme  
Office of Audit and Investigations**

**Annex I: Revised OAI Charter**

**Introduction**

1. This Charter sets out the purpose, authority, policies and procedures that shall be applied in the operations of the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP).

**Mission of OAI**

2. 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**

3. 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 affiliated entities, which include the United Nations Capital Development Fund and United Nations Volunteers.

**(A) Internal Audit**

4. 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.
5. 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). In addition, its audits shall also be governed by UNDP Financial Rule 103.2.
6. The internal audit activities assess the adequacy and effectiveness of governance, risk management, and control processes of UNDP, and provide reasonable assurance to the Administrator regarding the:
  - (i) Reliability and integrity of financial and operational information;
  - (ii) Effectiveness and efficiency of operations;
  - (iii) Safeguarding of assets; and
  - (iv) Compliance with legislative mandates, regulations and rules, policies and procedures;

Internal audit activities also aim at assisting the management of country offices and other business units in continuously improving governance, risk management, and control processes.

7. 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
  - (i) Every three years: An internal audit and investigation strategy covering a three-year period; and
  - (ii) 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. 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.
11. Upon request, the Director of OAI may provide Member States access to internal audit reports in accordance with the disclosure policy adopted by the Executive Board.
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. OAI shall periodically inform the Audit Advisory Committee and the Administrator of:
  - (i) Progress made in the implementation of the annual plan, changes made thereto and other issues related to the implementation of the plan;
  - (ii) Summaries of significant and systemic audit findings; and
  - (iii) Action taken by management on the implementation of audit recommendations.
14. 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.
15. 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.
16. 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**

17. 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.

18. 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.
19. In addition, OAI may undertake proactive investigations in high risk areas that are susceptible to fraud, corruption and other wrongdoings.
20. OAI shall have sole responsibility for the conduct of all investigations within UNDP.
21. OAI shall conduct investigations in accordance with the Uniform Principles and Guidelines for Investigations endorsed by the 10<sup>th</sup> 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.
22. 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.
23. OAI shall maintain an effective system for the recording and management of all cases.
24. 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.
25. OAI shall submit its investigation reports to the Legal Support Office for its consideration and disciplinary or administrative action, as appropriate. OAI aims at submitting its investigation reports within three months after the completion of investigation field work.
26. 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**

27. The Director of OAI is accountable to the Administrator for the provision of internal audit and investigation services in accordance with the provisions of this Charter and the Financial Regulations and Rules of UNDP.
28. The Director of OAI shall report to the Administrator on the performance of OAI against agreed key performance indicators.
29. The Director of OAI shall maintain a quality assurance and improvement program that covers all aspects of the internal audit and investigations activity.
30. 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 are necessary for the performance of the functions under this Charter.
31. 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.
32. The Director and staff of OAI shall have:
  - (i) Full and unrestricted access to all records, property, personnel and physical assets that OAI deems relevant to the subject under review; and

- (ii) 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.
- 33. 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.
- 34. The Director and staff of OAI are not authorized to:
  - (i) Perform any operational, managerial or supervisory duties for UNDP or its affiliates;
  - (ii) Initiate or approve accounting transactions external to OAI; and
  - (iii) 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**

- 35. 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.
- 36. 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.
- 37. 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.
- 38. 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.
- 39. 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.
- 40. 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.
- 41. The Director of OAI shall bring to the attention of the Audit Advisory Committee any impairment to independence, objectivity or professionalism.

### **Resources**

- 42. 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.
- 43. The Director of OAI shall keep the Audit Advisory Committee apprised on the funding and staffing of OAI.

### **Cost Reimbursable Services**

44. 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**

45. 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**

46. 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.
47. 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**

48. The Charter has been approved by the Administrator in February 2008 after consultation with the Audit Advisory Committee. This revised version was reviewed by the Audit Advisory Committee in its 17<sup>th</sup> meeting. This version shall take effect from 1 January 2011.
49. 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 Administrator  
13 December 2010

## Annex 2: Audit reports issued in 2010 pertaining to UNDP

	<b>Audit Type</b>	<b>Report no.</b>	<b>Audit Subjects</b>
Headquarters			
1	Regional Centres	689	Bratislava Regional Centre
2		673	Colombo Regional Centre
3	Headquarters	711	Regional Bureau for Europe and the Commonwealth of Independent States
4	Business Unit	741	Liaison Offices
5	Corporate	650	Global Payroll and Benefits and Entitlements
6	Functions	710	Safety and Security Function
7	Multi Donor Trust Funds	647	UNDP Sudan Common Humanitarian Fund
8	Follow-up	780	United Nations Capital Development Fund
9	Global Fund	793	Consolidated report on the audits of UNDP Country Offices as Principal Recipients of Grants from Global Fund
10		794	Consolidated report on the audits of Sub-recipients of Grants from Global Fund
Inter-Agency			
11		763	Consolidated report on the Coordinated audits of the Sudan Common Humanitarian Fund
12		761	Joint Audit of Harmonized Approach to Cash Transfers (HACT) in Vietnam
	<b>Audit Type</b>	<b>Report no.</b>	<b>UNDP Offices</b>
Africa			
13	Comprehensive	751	Angola
14		714	Democratic Republic of the Congo
15		736	Guinea Bissau
16		684	Namibia
17		727	Niger
18		695	Sierra Leone
19		720	South Africa
20		735	Zambia
21	Follow-up	755	Guinea
22		705	Malawi
23		702	Uganda
24	DIM projects	782	Guinea
25	Global Fund	690	Central African Republic
26		706	Chad
27		744	Democratic Republic of the Congo
28		728	Equatorial Guinea
29		675	Mauritania

Asia and the Pacific			
30	Comprehensive	708	Bhutan
31		722	Iran
32		723	Samoa
33		707	Sri Lanka
34		687	Vietnam
35	Follow-up	738	Afghanistan – USAID Funded Project
36	Procurement	674	Pakistan
37	DIM projects	701	Afghanistan – 15 DIM Projects
38		730	Afghanistan – ELECT Project
39		739	Fiji – National Initiative on Civic Education Project
40		709	Pakistan – Community Based Livelihood Recovery Program
41		700	Pakistan – Support to National Election Project (ELECT)
42		726	Timor Leste – PERWL and Participation in National Building Projects
43	Global Fund	729	Iran
Arab States			
44	Comprehensive	716	Djibouti
45		626	Iraq
46		685	Lebanon
47		747	Libyan Arab Jamahiriya
48		740	Programme of Assistance to the Palestinian People
49		715	South Sudan
50		697	United Arab Emirates
51	Follow-up	712	Somalia
52	DIM projects	672	Lebanon
53		632	Somalia
54	Global Fund	732	Programme of Assistance to the Palestinian People
55		746	Syrian Arab Republic
Europe and CIS			
56	Comprehensive	691	Bosnia and Herzegovina
57		713	Bulgaria
58		721	Croatia
59	DIM projects	776	Ukraine
60	Global Fund	748	Tajikistan
Latin America and the Caribbean			
61	Comprehensive	731	Argentina
62		655	Colombia
63		733	Paraguay
64	Follow-up	661	Chile
65		658	Haiti

66		660	Argentina
67	Procurement	662	Paraguay
68		657	Peru
69	Global Fund	656	Cuba

DIM=directly-implemented projects;  
Global Fund=Global Fund to fight AIDS, Tuberculosis and Malaria



### **Annex 3: Audit reports disclosed to Member States during 2010**

	<b>UNDP Country Offices</b>	<b>Requesting Government</b>
1)	Afghanistan – Support to the Centre of Government (DIM project)	Sweden
2)	Afghanistan	France, Sweden
3)	Afghanistan – 15 DIM projects	United States of America
4)	Afghanistan – DIM Enhancing Legal Electoral Capacity for Tomorrow Project	United States of America
5)	Angola – Global Fund projects	United States of America
6)	Argentina - procurement	United States of America
7)	Bolivia	Sweden
8)	Burundi	Sweden
9)	Central African Republic - Global Fund projects	United States of America
10)	Central African Republic – follow-up audit	France
11)	Chad – Global Fund projects	United States of America
12)	Cuba – Global Fund projects	Cuba
13)	Democratic Republic of the Congo – Global Fund projects	United States of America
14)	Ethiopia	Sweden
15)	Fiji	France
16)	Guatemala – DIM projects	Sweden
17)	Haiti	United States of America
18)	Honduras - procurement	United States of America
19)	Iraq	United States of America
20)	Lebanon	United States of America
21)	Mauritania	France
22)	Mauritania - Global Fund projects	United States of America
23)	Pakistan - procurement	United States of America
24)	Romania	France
25)	Rwanda	Sweden
26)	Sierra Leone	Ireland, United States of America
27)	Somalia	Sweden
28)	Somalia – follow-up audit	United States of America
29)	Sudan (Khartoum Office)	Sweden
30)	Sudan (Juba Office)	Sweden
31)	Sudan North – Global Fund Projects	Sweden
32)	Sudan South – Global Fund Projects	United States of America
33)	Sudan – Common Humanitarian Fund	United States of America
34)	Sudan – Resident Coordinator Office	France
35)	Tanzania	Sweden

DIM=directly-implemented projects;

Global Fund=Global Fund to fight AIDS, Tuberculosis and Malaria

**Note:** Unless otherwise specified the above reports pertain to comprehensive audits of the office

**Annex 4: High-priority recommendations unresolved for 18 months or more**

<b>Headquarters audit recommendations unresolved for 18 months or more</b>	
	<b>Unresolved recommendations (by cause, by year)</b>
	<b>HEADQUARTERS AUDIT</b>
	<b>Involves cooperation of other United Nations entity</b>
	<b>2008</b>
	<b>Procurement (Headquarters)</b>
1	Establish policy on suspending and removing vendors from UNDP vendor rosters if they perform poorly or are engaged in unethical or corrupt practices. (High)
	<b>Lack of resources (financial or human)</b>
	<b>2008</b>
	<i>Procurement (Headquarters)</i>
2	Develop a software tool for procurement planning. (High)
	<b>Depends on IPSAS implementation</b>
	<b>2005</b>
	<i>Atlas Wave 1 review – (Headquarters)</i>
3	Implement the Contracts Module in Atlas to improve the process of revenue management and billing (Medium)
	<i>Atlas implementation and controls – CEDAR (Headquarters)</i>
4	Implement the Contracts Module in Atlas to streamline the business processes and reporting requirements. (Medium)
5	Address cost collection management requirements. (Medium)
6	Implement billing report module. . (Medium)
	<b>Lack of or inadequate action by office concerned</b>
	<b>2005</b>
	<i>Atlas Wave 1 review</i>
7	Implement compensating controls to limit/monitor the budget override function to address the issue of the non-functioning budget override functionality in Atlas (Medium)
	<b>2008</b>
	<i>Atlas risks and controls (Headquarters)</i>
8	Provide project managers with payroll information regarding staff charged to their project(s) by either giving them restricted access to Atlas HR or by providing them with a report containing the necessary project related payroll data. (Medium)

<b>Country Office audit recommendations unresolved for 18 months or more</b>	
<b>Unresolved recommendations (by cause, by year)</b>	
<b>COUNTRY OFFICE AUDITS</b>	
<b>Involves action by host country Government</b>	
<b>2004</b>	
<i>Partnership and resource mobilization</i>	
9	Sign the Standard Basic Assistance Agreement. (High)
<b>2007</b>	
<i>Information Technology and Communications</i>	
10	Find an agreement with local authorities as soon as possible and negotiate the lowest rate on the VSAT. (High)
<b>2008</b>	
<i>Partnership and resource mobilization</i>	
11	Obtain assistance from RBA in collection of outstanding Government Contribution to Local Office Costs. (High)
12	Sign the Standard Basic Assistance Agreement. (High)
13	Sign the Standard Basic Assistance Agreement (High) *
<b>2009</b>	
<i>General Administration</i>	
14	Enter into a formal agreement on use of UNDP compound no. 1 (High)
<i>Partnership and resource mobilization</i>	
15	Seek guidance from Bureau of Management and RBAP in collection of outstanding GLOC and VAT recovery. (High)
16	Sign a Standard Basic Assistance Agreement. (Medium)
17	Intensify efforts to collect outstanding Government Contribution to Local Office Costs payments. (Medium)
18	Intensify efforts to collect outstanding Government Contribution to Local Office Costs payments. (Medium)
<b>Security situation in country</b>	
<b>2008</b>	
<i>Operational administration</i>	
19	Seek support from BOM for relocation of the CO to more safe and secure premises (High)
<b>Lack of resources (financial or human)</b>	
<b>2006</b>	
<i>Financial Management</i>	
20	Invite competition among local banks to get better value for financial services. (Medium)
<b>2007</b>	
<i>Governance and strategic management</i>	
21	Fill staffing gap and undertake organizational changes. (High)

<b>Country Office audit recommendations unresolved for 18 months or more</b>	
<b>Unresolved recommendations (by cause, by year)</b>	
	<b>2008</b>
	<i>Project Management</i>
22	Finalize the project monitoring strategy and plan of action. (High)
	<b>Lack of or inadequate action by country office concerned</b>
	<b>2007</b>
	<i>Project management</i>
23	Ensure that proper inventory records are established and organize physical count. (High)
24	Ensure that inventories are established in the beginning of the year and certified by project managers and national counterparts. (Medium)
	<b>2008</b>
	<i>Programme Management</i>
25	Ensure proper segregation of duties relating to HR, procurement and finance transactions for programme activities. (High)
	<i>Project Management/Procurement</i>
26	Improve project monitoring by preparing a well-defined project monitoring and evaluation plan, considering cross training with staff from other country offices, among others. (High)
27	Ensure that Programme Units clear all long outstanding advances and credits immediately. Establish a follow-up mechanism within the Programme Section to ensure that advances are cleared in a timely manner. (High)
28	Establish controls to ensure costs basis for all services provided to projects and other agencies are regularly and timely billed and recovered. (Medium)
	<i>Procurement</i>
29	Ensure all contracts with values exceeding \$2,500 are subject to the proper selection process; Formally review all contracts with suppliers against new service and goods providers to ensure contracts are still competitive. (Medium) *
30	Improve inventory management. (Medium)
31	Launch competitive process for the selection of travel agent. (Medium)
32	Periodically review all cumulative payments made by vendors and identify those needing CAP/ACP reviews. (High)
	<i>Financial Management</i>
33	Finalize bank reconciliation. (High)
	<i>HR management</i>
34	Discontinue the practice of issuing SSAs on a retroactive basis; Adhere to all prerequisites of recruitments; Conduct all performance evaluations. (High)
	<i>Project Management</i>
35	Sign agreement with Government to cover the provision of country office support services to NIM projects. (Medium)

<b>Country Office audit recommendations unresolved for 18 months or more</b>	
<b>Unresolved recommendations (by cause, by year)</b>	
	<b><i>Information Technology</i></b>
36	Change from a “within agency knowledge-sharing” to a “Joint Office knowledge-sharing” approach. (Medium)
	<b>2009</b>
	<b><i>General Administration</i></b>
37	Complete the improvement of inventory management system. (High)
38	Seek legal advice from Legal Services Office (LSO) on appropriate measures to be taken to properly establish UNICA as a separate legal entity and to operate the bank accounts. (High)
	<b><i>Governance and Strategic Management</i></b>
39	Implement Management Consulting Team recommendations. (High)
40	Ensure proper segregation of duties. (High)
	<b><i>HR management</i></b>
41	Establish controls that all posts are accurately classified in the Atlas staffing table. (Medium)

\* Recommendation ‘not implemented’, i.e., no action taken yet.