



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

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Internal audit and investigation

**UNDP: Annual report of the Office of Audit and
Investigations on internal audit and investigation activities
in 2023**

Summary

This report provides information on the activities of the Office of Audit and Investigations (the Office) and a summary of investigation activities conducted during the year ending 31 December 2023. It includes an opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the entity's governance, risk management and control framework; a concise summary of work and the criteria that support the opinion; a statement of conformance with the internal audit standards being adhered to; and a view on whether resourcing is appropriate, sufficient and effectively deployed to achieve the desired internal audit and investigation coverage.

The Office issued 102 audit reports and four advisory service notes in 2023. The 102 reports raised 242 recommendations, of which 177 were rated "medium" priority and 65 "high" priority. Eight of the 102 audit reports (two follow-up audits and six consolidated reports) did not contain an overall rating. Forty were financial audits that gave an opinion on the financial statements. Of the remaining 54 reports, 12 (22 per cent) had a "fully satisfactory" rating; 28 (52 per cent) received a rating of "satisfactory/some improvement needed"; 13 (24 per cent) had a "partially satisfactory/major improvement needed" rating; and one (2 per cent) was rated "unsatisfactory".

In country office audits, programme/project management continued to have the highest number of audit observations, including project design, monitoring, reporting and project risk management issues. Other areas with high numbers of recommendations were procurement management, governance processes and financial resources management.



In 2023, the Office opened 424 new investigations (63 per cent) and carried over 253 cases (37 per cent) from 2022, bringing the 2023 caseload to 677, the highest ever recorded. It finalized and closed a total of 415 cases in 2023 (61 per cent), the highest number in any year to date. At the end of 2023, 262 cases were carried over to 2024.

The report provides an overview of the implementation status of internal audit recommendations and includes the titles of all internal audit reports issued in 2023, ratings received (decision 2013/24), cases of fraud and actions taken in cases of misconduct (decision 2011/22).

The management response to this report is presented separately, as requested in decision 2006/13.

Elements of a decision

The Executive Board may wish to: **(a)** take note of the present report, which has been harmonized with those of other United Nations agencies¹ in line with Executive Board decision 2020/10; **(b)** express its continuing support for UNDP internal audit and investigation functions; and **(c)** take note of the annual Audit and Evaluation Advisory Committee report, which should be reviewed as a separate document within the framework of this report.

¹ The United Nations Population Fund, United Nations Children's Fund, United Nations Office for Project Services and United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women).

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I. Introduction

1. This report provides the Executive Board with a summary of the internal audit, advisory services and investigation activities conducted by the Office of Audit and Investigations (the Office) in 2023. It provides an overall opinion on the adequacy and effectiveness of UNDP governance, risk management and control processes.
2. The criteria to form this opinion include the results of internal audits in 2023; audits of projects directly implemented by UNDP; the review of audit reports of UNDP projects executed by non-governmental organizations and/or national Governments; the implementation rate of audit recommendations from 2023 and prior years, including long-outstanding recommendations; and management letters relating to investigations. The qualitative nature of the audits, advisory services and investigations results were given due consideration in the overall opinion.

II. Mandate

3. The Office aims to provide UNDP with an independent, objective internal oversight system to improve its operations' effectiveness and efficiency in achieving its development goals. The charter approved by the UNDP administrator defines the purpose, authority and responsibility of the Office (see annex VII).
4. The Institute of Internal Auditors' international professional practices framework stipulates that the chief audit executive must report to a level within the organization that allows the internal audit activity to fulfil its responsibilities. The Office's director is accountable to the UNDP administrator for the provision of internal audit and investigations services. The director is required to conduct internal audits and investigations independently, without interference from UNDP senior management or any outside party. The Office must confirm to the Executive Board, at least annually, the organizational independence of the internal audit activity.
5. The Office confirms its organizational independence in this regard in accordance with the Institute of Internal Auditors' international professional practices framework. In 2023, the Office was free from interference in determining its audit and investigation scope, planning, performing its work and communicating its results.
6. All audit staff completed the 2023 integrity, objectivity and confidentiality statement, certifying their adherence to the Institute of Internal Auditors and UNDP code of ethics and core principles.
7. The Office has an effective quality assurance and improvement programme that covers both internal audit and investigation functions. Post-audit client surveys conducted in 2023 showed that they were satisfied with the conduct of audits. Of the 78 respondents, 66 (85 per cent) gave overall satisfaction ratings of "excellent" and "good".
8. The Office continued to receive good support from UNDP senior management. The director, with the heads of the other oversight offices, is a member of the Organizational Performance Group, which enabled discussions on long-outstanding recommendations and other significant matters with potential risk to UNDP. The Office held monthly meetings with the associate administrator to share audit and investigations results as well as discuss any emerging matters that have an impact on it and UNDP. It also held regular meetings with the Bureau for Management Services and regional bureaux to discuss key and recurring audit and investigation issues.
9. The Audit and Evaluation Advisory Committee, an independent UNDP oversight body, regularly provides the administrator with advice on maximizing the effectiveness of UNDP internal audit and investigation functions.

III. Opinion

10. The Office independently assesses the adequacy and effectiveness of UNDP systems and processes based on a risk-assessment methodology and risk-based annual workplan. It covers business units, functions and activities at headquarters, regional and country levels, as well as directly implemented

projects, nationally implemented projects and grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund). The basis of the opinion is detailed in annex VI.

Basis of opinion

11. As detailed in annex VI, the opinion is based on the following:
- (a) Results of audits undertaken in 2023 in accordance with the approved annual workplan. These include audits of UNDP headquarters and regional functions or units, country offices, UNDP activities funded by the Global Fund, projects directly implemented by UNDP and advisory services;
 - (b) Results of the review of UNDP project audit reports executed by non-governmental organizations and/or national Governments;
 - (c) The implementation rate for internal audit recommendations, including long-outstanding recommendations;
 - (d) Management letters relating to investigations.

Exclusions

12. This opinion does not incorporate audit results provided by other United Nations entities such as the United Nations Volunteers programme (UNV), United Nations Office for South-South Cooperation and United Nations Capital Development Fund (UNCDF). The Office audits these entities separately.

13. However, to ensure that the annual report captures the totality of audit work undertaken by the Office, it includes the results of audits of the above-mentioned organisations in the year in which the work was completed. In this case, this report includes the results of the UNCDF audit.

14. For further details regarding the criteria for the Office's overall opinion, see annex VI.

Overall opinion

15. Based on the scope of work undertaken in 2023, in the Office's opinion, the adequacy and effectiveness of the governance, risk management and control in the reports issued in 2023 were, in aggregate, satisfactory, with some improvement needed. This means that they were generally established and functioning but needed some improvement. Issues identified do not significantly affect the achievement of the organization's objectives.

IV. Statement of conformance to internal audit standards

16. The Office conducts its internal audit work in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

17. The Office maintains an internal quality assurance and improvement programme. This includes engagement-level quality assurance, ongoing self-assessments (including an annual internal quality assessment and client feedback) and an external quality assessment of the internal audit function every five years.

18. The most recent assessment was completed in December 2022, and the Office received the top rating of "general conformance" with the International Standards for the Professional Practice of Internal Auditing and the Institute of Internal Auditors' code of ethics. It developed an action plan to address the external quality assessment recommendations, most of which have been implemented.

V. Budget and staffing

Budget

19. In 2023, the Office had an approved budget of \$22.98 million funded from institutional budget resources (see table 1).

20. The Office received an additional \$1.23 million for the audit and investigation of UNDP activities funded by Global Fund grants. This allocation covered staff and operating costs for three audit specialist positions and one investigation adviser, based in Dakar, Istanbul, Pretoria and New York, respectively.

21. In 2023, Office expenditures (excluding the Global Fund) reached \$21.65 million, leaving an unspent balance of \$1.34 million. The unspent balance resulted from savings of \$0.55 million from the staff budget (due to vacant posts) and \$0.79 million from non-staff budget (mostly due to vacant International Personnel Service Agreement posts).

Table 1. Resources in 2023, excluding the Global Fund

Category	Budget (millions of United States dollars)	Expenditures (millions of United States dollars)
Audit	10.29	9.68
Investigations	9.88	9.44
Management and support	1.45	1.32
Quality assurance	1.22	1.06
Audit and Evaluation Advisory Committee	0.15	0.14
Total	22.98	21.65

Staffing

22. As at 31 December 2023, the Office had 95 approved posts.

Recruitment process

23. Eighty-nine were filled and six were vacant at the end of 2023. The recruitments of two of the six posts were completed by 31 December 2023 and the incumbents were scheduled to join the Office in the first quarter of 2024. In 2023, the average vacancy rate was 6 per cent (against a target of 7 per cent) and the average time that staff positions remained vacant was 4.6 months (against a target of 6 months).

24. The Office conducted a total of 15 recruitment processes, including three lateral-move processes during 2023. Of the 18 posts, 12 were at the international professional level and three were at the general service level. The Office recruited eight new staff; five Office staff were moved to new posts (on the same level through either a lateral move or standard recruitment process) and two were promoted to a higher-level position. Among the eight new staff, five were male and three were female. Of the staff promoted, one was female and one was male. Of five staff who moved to the new posts at the same level, three were male and two were female (see table 2).

Table 2. Staff recruited in 2023, by gender

Gender	New recruit	Promotion	Lateral move	Total	Per cent
Female	3	1	2	6	40%
Male	5	1	3	9	60%
Total	8	2	5	15	100%

VI. Implementation of the 2023 risk-based audit plan

Risk-based audit planning and completion of the annual workplan

25. The Office formulated the 2023 audit plan after conducting a comprehensive risk assessment of its auditable areas in UNDP, including UNV, the United Nations Office for South-South Cooperation and UNCDF. The planning process was participatory, involving a series of discussions with senior management and heads of bureaux. The Office consulted the United Nations Board of Auditors to ensure adequate audit coverage of UNDP and minimize duplication of efforts in providing assurance to the administrator and the Executive Board.

26. The risk-assessment methodology covered the process from risk identification to risk measurement and risk ranking. Both quantitative and qualitative risk indicators were used, classified as strategic, organizational, political, operational and financial, in line with UNDP enterprise risk management categories.

27. The approved annual workplan for 2023 initially included 109 audit assignments. It was later adjusted to 108 assignments due to reductions in the number of audits of directly implemented projects. As at 31 December 2023, the Office had completed fieldwork in 106 of the 108 planned assignments (see table 3) and issued 87 reports from the 2023 revised annual workplan (see table 4).

Table 3. Implementation of the 2023 annual workplan

Audit Type	Approved annual workplan	Revised annual workplan ^b	Implementation of revised annual workplan
Advisory Service	5	6	6
Country Office Follow-up	2		2
Country Office	29	29	29
Directly implemented projects	48	42	42
Global Fund	8	9	9
Headquarters	12	13	13
Other audits		2	2
Regional thematic audits	5	5	5
Total	109	108	108^a
Per cent			99.1%

^a As at 31 December 2023, the fieldwork of 106 of the 108 planned assignments was completed. Of the 108 assignments, 87 reports were issued in 2023 from the 2023 revised annual workplan (see table 4 below), and the remaining 21 reports were in the process of issuance.

^b In addition to the 108 planned engagements, the Office received write-off requests from several business units. In 2023, it processed six write-off requests (see annex VI). These were not included in the annual workplan due to their ad hoc nature.

28. In 2023, the Office issued 102 audit reports and four advisory service notes. The 102 reports raised 242 recommendations, of which 177 were rated medium priority and 65 high priority. From 242 recommendations, country office audits had 132 recommendations, directly implemented project audits 37, headquarter audits 34, Global Fund audits 24 and thematic audits 15.

29. The reports issued in 2023 included audits conducted in 2022 and reported in 2023 as shown in table 4. The 102 audit reports included 10 headquarters audits (nine headquarters audits and one other audit report, 10 per cent); 29 country office audit reports (28 per cent); 11 Global Fund audits (including three consolidated reports, 11 per cent); 42 audits of directly implemented projects, including one directly implemented project audit of a crisis bureau project and one consolidated report for the 2022 directly implemented projects (41 per cent); and eight thematic audit reports (8 per cent; see figure I). The four

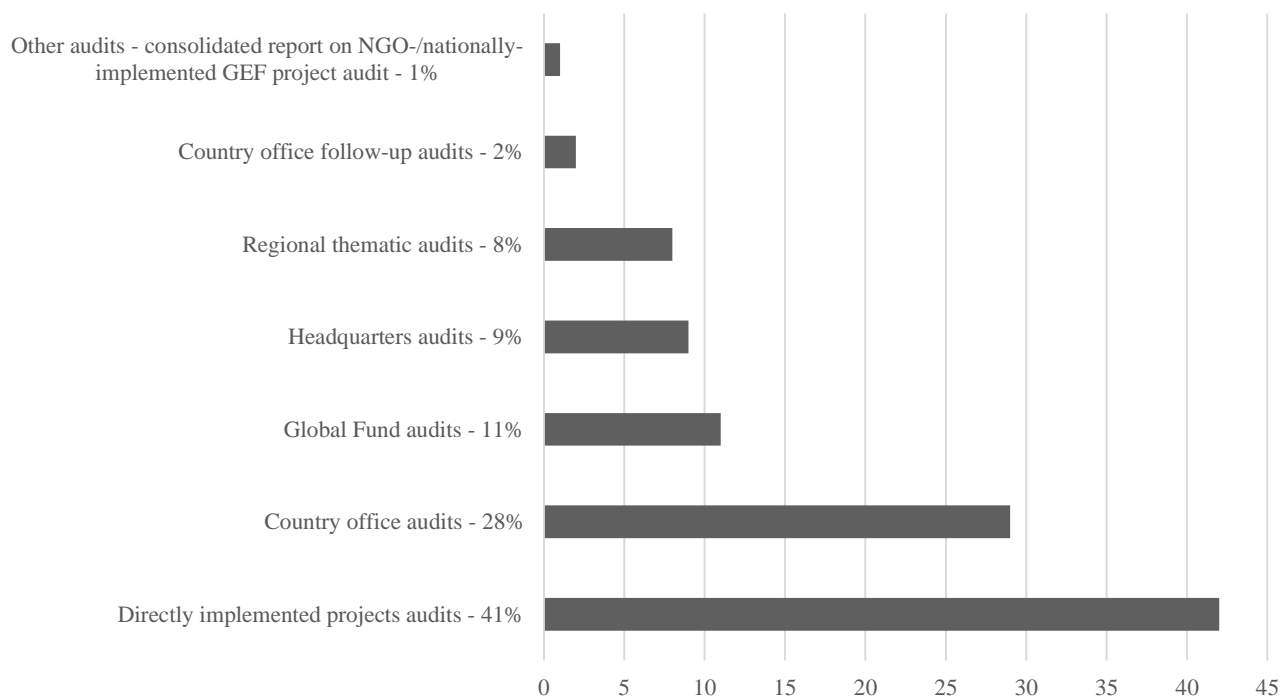
advisory services covered the area of information technology, procurement, local office costs and staff receivables. In accordance with decision 2013/24, annex I presents the titles and ratings of all internal audit reports and advisory services issued in 2023. It also includes six write-off requests processed in 2023.

Table 4. Number of reports issued in 2023

Audit Type	Carry over reports from 2022	Reports related to 2023 workplan	Total reports issued in 2023
Advisory Service	0	4	4
Country office follow-up	0	2	2
Country office	8	21	29
Directly implemented projects	0	42	42
Global Fund	5	6	11
Headquarters	0	9	9
Other audits	0	1	1
Regional thematic audits	6	2	8
Total	19	87	106*

* This includes 102 audit reports and four advisory services notes.

Figure I. Number, percentage* and type of audit reports issued in 2023



* The ratio (converted into a percentage) between the number of reports by audit type and the total reports issued.

30. In 2023, the Office met the key performance indicator on the number of days to issue audit reports from the end of fieldwork, achieving an average of 68 days per report against the target of 75 days, for headquarters, country office, Global Fund and directly implemented audits (see table 5). Complete information regarding the Office's key performance indicators is outlined in annex V.

**Table 5. 2023 Key performance indicator:
Average number of days to issue reports**

Audit Type	Target 2023 (days)	Number of days*
Country Office audits	75	80
Directly implemented audits	75	64
Country office-Follow-up audits	75	62
Global Fund audits	75	65
Headquarters audits	75	57

* Number of days from end of fieldwork to issuance of the report per audit type.

31. The combined expenditure for 78 country-level audits (29 country office audits, 41 directly implemented project audits and eight Global Fund audits) was \$2.7 billion (55 per cent) of the \$4.9 billion in UNDP field-level expenditures in 2023. An additional \$0.67 billion in expenditure coverage was obtained by third-party audits of non-governmental organizations and nationally implemented projects.

32. During 2023, the Audit and Evaluation Advisory Committee reviewed the implementation of the annual workplan.

33. The Office also communicated its annual workplan to, and met with, the United Nations Board of Auditors to promote coordination and efficiency.

Audit reports and ratings

34. For country office, Global Fund and headquarters audits, the Office assigns an audit rating of fully satisfactory, satisfactory/some improvement needed, partially satisfactory/major improvement needed and unsatisfactory, based on its assessment of the relevant governance, risk management and control processes. Ratings are not assigned to follow-up audits, consolidated reports and financial audits of directly implemented projects.² The latter are conducted in conformance with international auditing standards and include an opinion on whether the financial statements have been fairly presented in accordance with UNDP accounting policies.

35. Of the 102 audit reports, eight (two follow-up audits and six consolidated reports) did not contain an overall rating. Forty were financial audits that gave an opinion on the financial statements. Of the remaining 54 reports, 12 (22 per cent) had a fully satisfactory rating; 28 (52 per cent) had a satisfactory/some improvement needed rating; 13 (24 per cent) had a partially satisfactory/major improvement needed rating; and one (2 per cent) an unsatisfactory rating (see table 6).

Table 6. Distribution of audit ratings by audit area and region in 2023

Audited area	Number of audits	Rating			
		Fully satisfactory	Satisfactory/some improvement needed	Partially satisfactory/major improvement needed	Unsatisfactory
Country office audits	29	5	13	10	1
Regional Bureau for Africa	10	1	5	4	-
Regional Bureau for Asia and the Pacific	6	1	4	1	-
Regional Bureau for Arab States	4	-	1	3	-

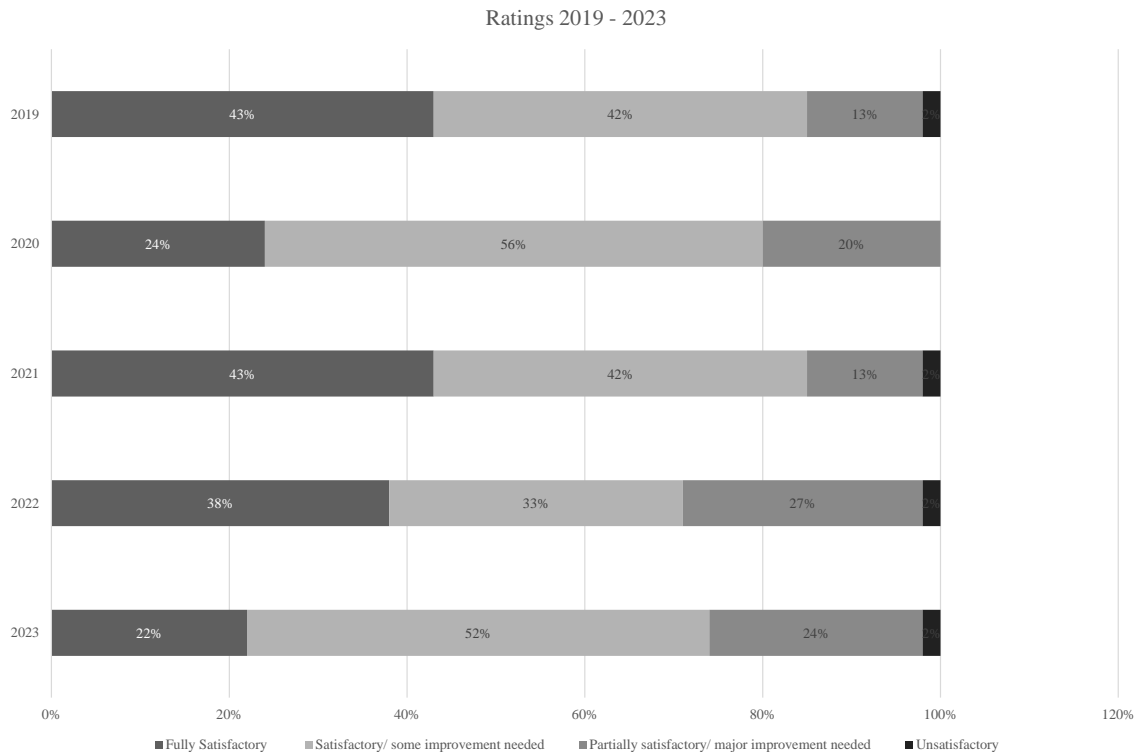
² Ratings can be given only to financial audits covering the review of governance, risk management and controls. These ratings are provided by audit firms conducting the audit.

Regional Bureau for Europe and the Commonwealth of Independent States	3	2	-	-	1
Regional Bureau for Latin America and the Caribbean	6	1	3	2	-
Directly implemented project audits*	1	1	-	-	-
Regional Bureau for Latin America and the Caribbean	1	1	-	-	-
Global Fund audits	8	3	3	2	-
Regional Bureau for Africa	3	-	1	2	-
Regional Bureau for Asia and the Pacific	1	-	1	-	-
Regional Bureau for Arab States	1	1	-	-	-
Regional Bureau for Europe and the Commonwealth of Independent States	1	1	-	-	-
Regional Bureau for Latin America and the Caribbean	2	1	1	-	-
Headquarters audits	9	3	5	1	-
Thematic audits	7	-	7	-	-
Total	54	12	28	13	1

* These are financial and control audits conducted on behalf of the Office by an external audit firm. They included the review of relevant systems, procedures and practices in place related to the project in terms of governance, programme and operations.

36. Comparing the distribution of audit ratings in 2023 with that of 2022 shows a decrease in fully satisfactory and partially satisfactory/major improvement needed ratings. It also shows an increase in satisfactory/some improvement needed ratings and the same percentage of unsatisfactory ratings. The comparative ratings since 2019 are shown in figure II.

Figure II. Overview of internal audit ratings, 2019–2023



VII. Implementation of audit recommendations

Implementation rate

37. The implementation rate of internal audit recommendations covering all reports issued by the Office from 1 January 2021 to 31 December 2023 was 83.2 per cent as at 31 December 2023. The aging status of recommendations as at 31 December 2023 is shown in table 7.

38. Two long-outstanding audit recommendations had not been fully implemented for 18 months or more as at 31 December 2023 (see details in annex II), compared to six long-outstanding audit recommendations as at 31 December 2022. Of the two recommendations, one, pertaining to the audit of UNDP Gabon, was ranked high priority and one, for the audit of the UN Volunteers Programme, medium priority.

Table 7. Aging status of recommendations as at 31 December 2023

Priority	Total outstanding recommendations	< 12 months	12–18 months	>18 months
High	62	47	14	1
Medium	142	123	18	1
Low	1	1		
Total	205	171	32	2

Withdrawn recommendations

39. In 2023, the Office withdrew four recommendations from audit reports issued in 2020, 2021 and 2022 because their implementation was no longer feasible or relevant in the related country. A more detailed overview is provided in annex III.

VIII. Key internal audit and advisory results

Overview of strategic and systemic issues and trends

40. In line with the 2023 UNDP Executive Board's annual session decision 2023/7, the Office conducted a substantive analysis of audit findings as a result of audit reviews undertaken that year. Some of the recurrent audit issues noted in audit reviews conducted in 2023 related to inadequate project and programme oversight, which may have an impact on the ability of UNDP country offices to achieve their intended outcomes. In addition, recurrent issues were noted in the areas of procurement and financial management. Details of these are illustrated in figure III and table 8 below. The results of this analysis were taken into consideration when the Office prepared its 2024 annual workplan designed to guide its audit work, with particular emphasis on covering risks arising from these areas, where most recurrent audit issues were noted. In addition, the investigations section will conduct more proactive scrutiny in 2024, which will enable reviews of high-risk areas that may be susceptible to fraud, financial irregularities and other wrongdoing.

Headquarters audits

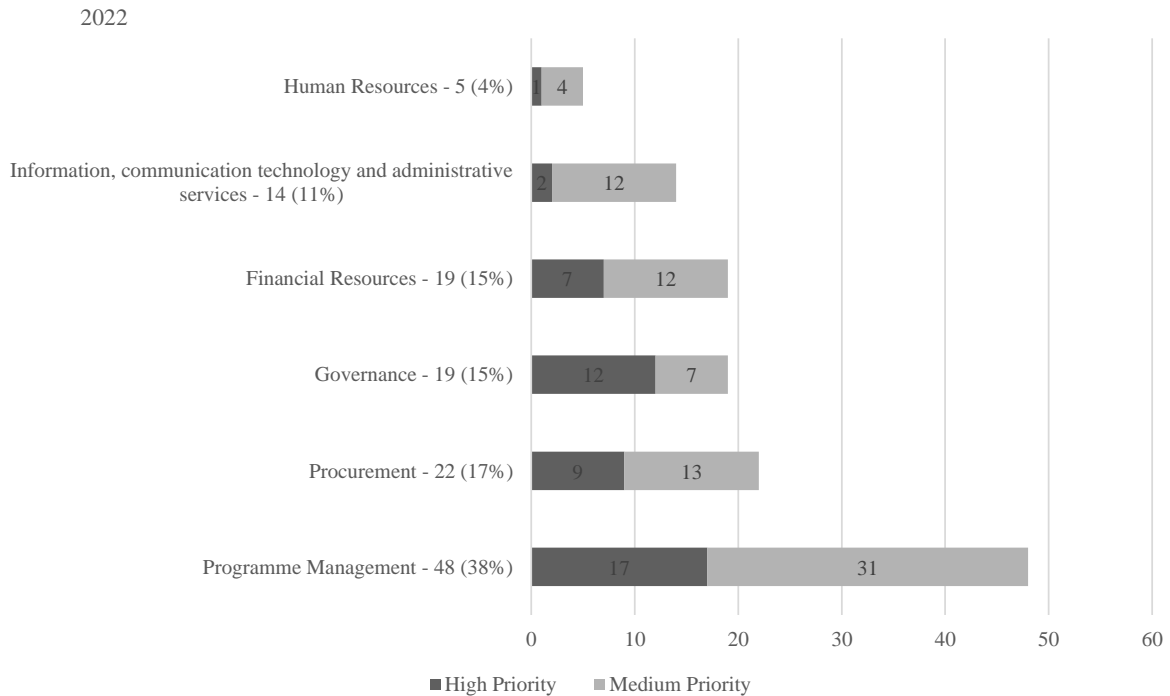
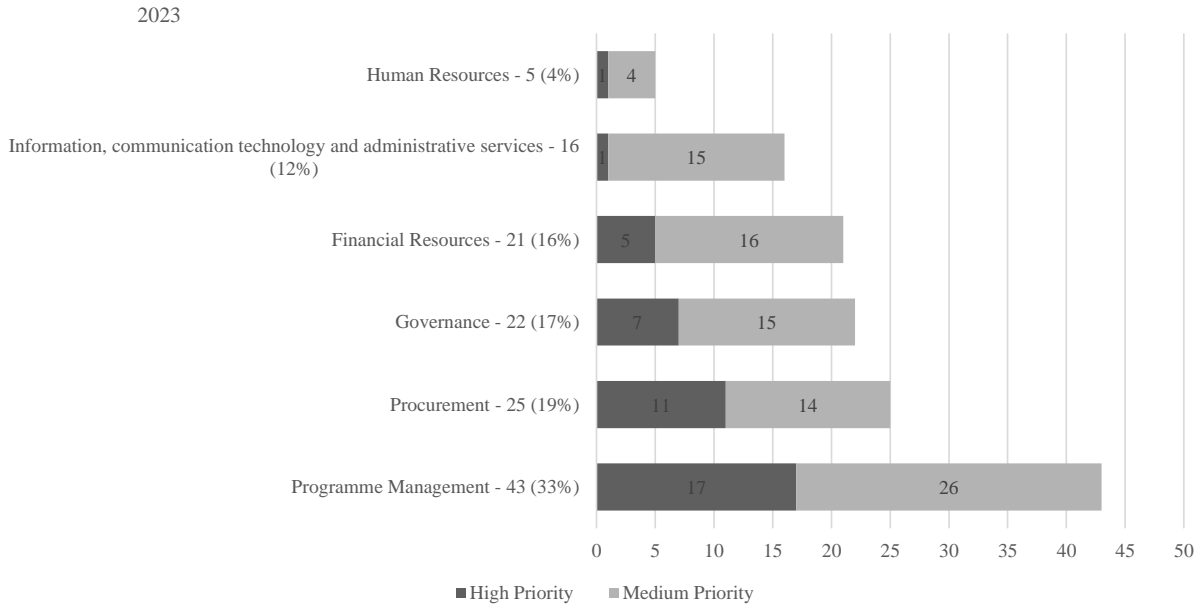
41. The Office conducted eight headquarters audits and issued one consolidated audit report in 2023. These audits covered the Regional Bureau for Asia and Pacific; the Office of Financial Management; UNCDF; the Office of the Ombudsman; UNDP resource mobilization and coordination practices; UNDP second line of defence; the UNDP Crisis Bureau; and Global Environment Facility (GEF) programme management. The consolidated report focused on project results monitoring.

42. Eight of 10 headquarters audit reports resulted in 34 recommendations, seven (21 per cent) of which were ranked high priority. In the prior year, the Office issued 10 headquarters audit reports that resulted in 29 recommendations, six (21 per cent) of which were ranked high priority.

Country office audits

43. The 29 country office audit reports issued in 2023 resulted in 132 recommendations, 42 (32 per cent) of which were rated high priority. In 2022, the Office issued 27 country office audit reports that resulted in 127 recommendations, 48 (38 per cent) of which were rated high priority. Figure III provides a breakdown by audit area of the issues and recommendations for 2022 and 2023.

Figure III. Issues and recommendations identified in 2022 and 2023 by audit area



44. In 2023, the Office identified significant issues (recurrent in at least four offices) in the audit areas described in table 8. In 2023, programme/project management continued to have the highest number of audit observations.

Table 8. Recurrent country office audit issues

Audit area	Recurrent audit issues
Programme/project management (22 offices)	Inadequate resource mobilization strategy; weaknesses in implementation of the harmonized approach to cash transfers; inadequate tracking of programme/project results; delays in project closure; weak project design and planning; deficiencies in project monitoring and reporting; inadequate project risk management; weaknesses in social and environmental screening procedures.
Procurement (18 offices)	Deficiencies in procurement planning and oversight; weakness in procurement processes; failure to submit to procurement committees when thresholds are reached; lapses in timely creation and approval of requisition; weaknesses in selection and management of direct contractors.
Governance (15 offices)	Financial sustainability concerns; inadequacies in organizational structure; inadequate risk management process; challenges in mobilizing resources.
Finance (13 offices)	Incorrect recording of financial transactions; shortcomings in payment processing; exceptions in financial management processes; ineffective application of delivery enabling services.
Administrative services (seven offices)	Weaknesses in asset management; shortcomings in travel management; inadequate lease agreement.
Human resources (four offices)	Challenges in recruitment processes.

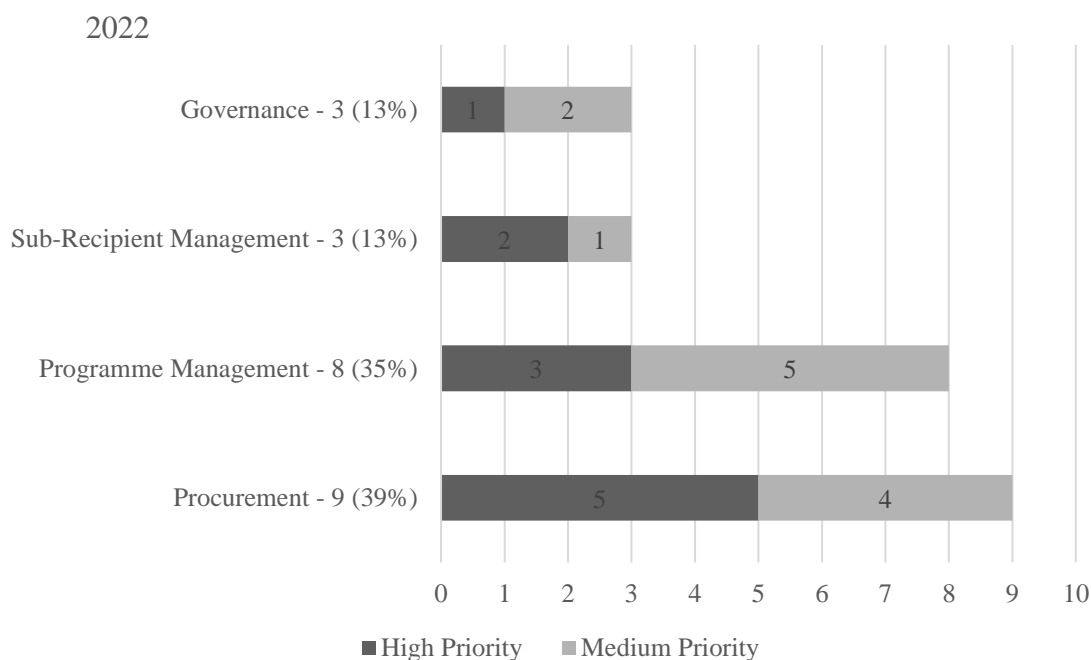
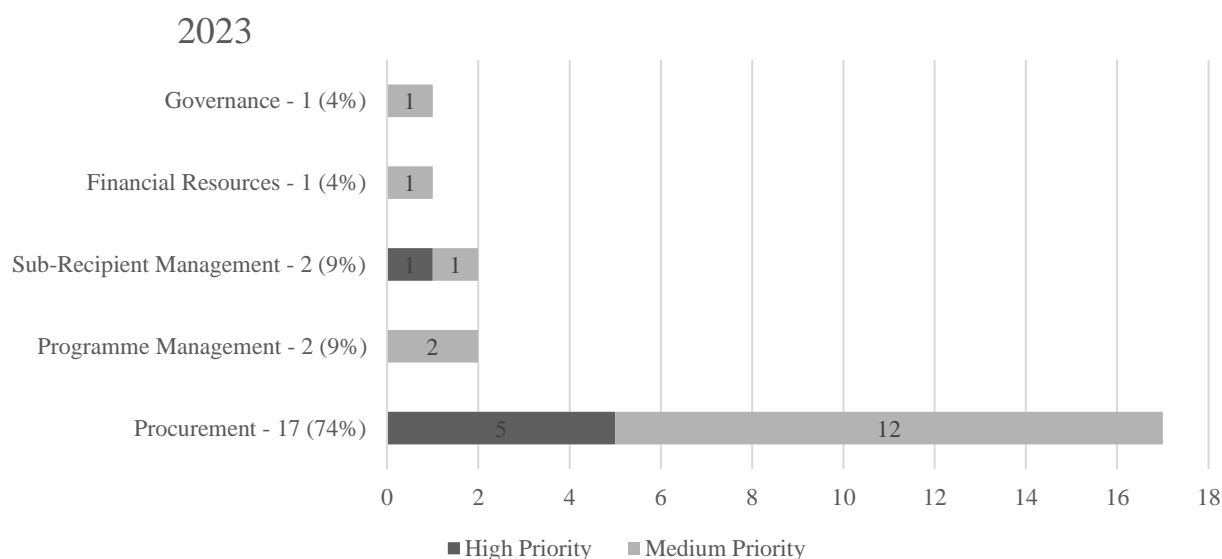
Global Fund audits

45. The Office issued 11 Global Fund audit reports (eight country office reports and three consolidated reports) in 2023. They covered the management of Global Fund grants in eight country offices: two in Latin America and the Caribbean, three in Africa, one in the Arab States region, one in Asia and one in Europe and the Commonwealth of Independent States.

46. The eight audit reports related to grants managed by UNDP as principal recipient. Three of the audits resulted in a rating of fully satisfactory, three in a rating of satisfactory/some improvement needed and two in a rating of partially satisfactory/major improvement needed. Of the remaining three reports, one was a consolidation of the 2023 audits of country offices as principal recipients and two were a consolidation of the 2022 and 2023 audits of subrecipients of Global Fund grants (NGOs or government institutions).

47. The eight audit reports contained 24 recommendations, six of which (24 per cent) were rated as high priority. The significant issues are grouped according to audit area in figure IV. Most issues noted by the Office concerned procurement and supply chain management, including stock management and quality control of health products, as well as subrecipient oversight and programme management.

Figure IV. Distribution and prioritization of Global Fund audit recommendations in 2022 and 2023 internal audit reports



Project audits

48. In 2023, 42 directly implemented projects were audited separately from country office audits, with the total audited expenditure amounting to \$525.8 million. Forty were directly implemented by 29 UNDP country offices and one by the Crisis Bureau. The Office issued one consolidated report on audits of directly implemented projects in 2022.

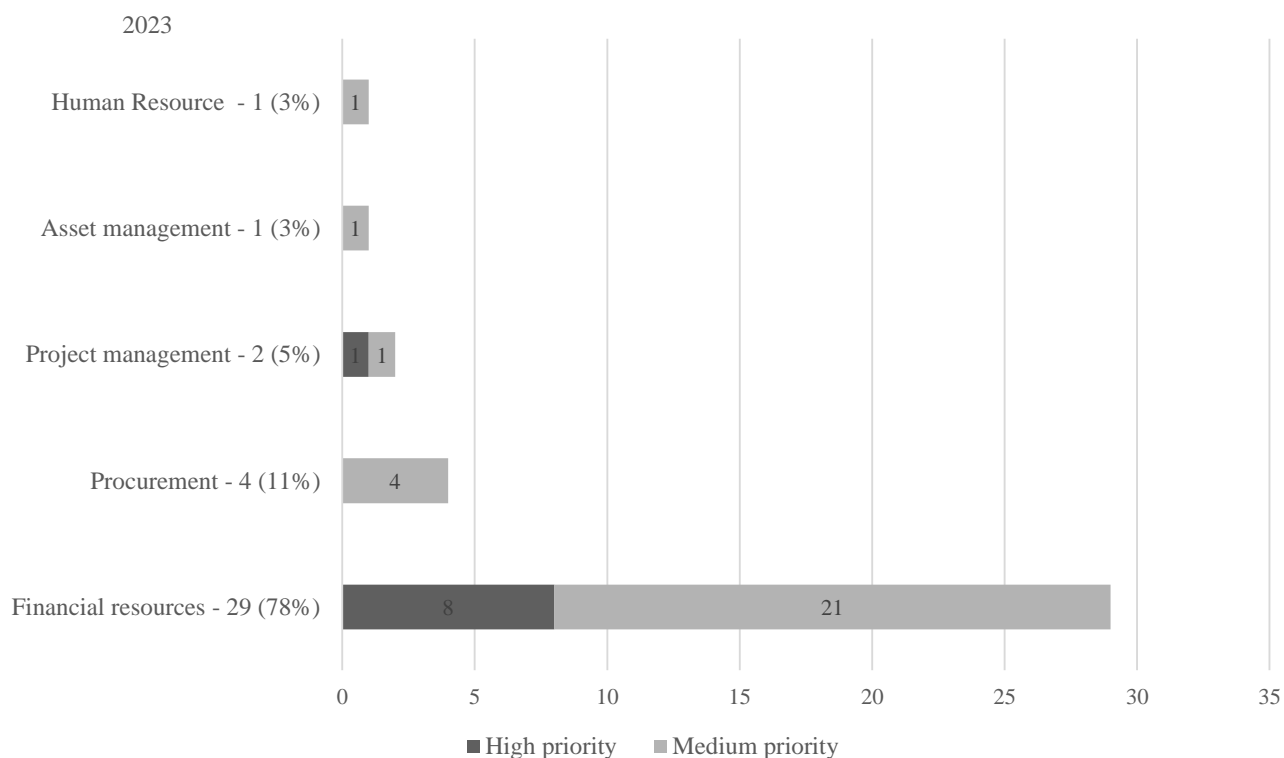
49. Of the 41 audit reports issued for direct implementation, 40 were financial audits and one was an internal control audit. Of the 40 directly implemented project financial audit reports issued for direct

implementation, auditors provided unmodified opinions on the financial statements of 30 projects (75 per cent) and modified opinions on the financial statements of 10 projects (25 per cent). Modified opinions were provided on the combined delivery report for eight projects (20 per cent) and on the statement of fixed assets for three projects (7.5 per cent). One project received a modified opinion on both the combined delivery report and the statement of fixed assets. The net financial impact of the modified opinions resulted in an understatement of expenses on the combined delivery reports totalling \$6.9 million, accounting for 1 per cent of the total audited direct implementation expenditures (\$525.8 million). For the Office, a net financial misstatement of 1.5 per cent or greater requires management's attention to take remedial actions or enhance relevant controls as this negatively impacts the accuracy of UNDP project financial information.³ While the understatement amount is less than 1.5 per cent, UNDP management should consider taking remedial actions, especially for projects with modified opinions and high- and medium-priority audit recommendations.

50. The auditors raised a total of 37 audit observations related to financial audits. They were mainly related to financial management and included eight high-priority audit observations. These observations pertained to: **(a)** expenditures recorded in the incorrect accounting period; **(b)** ineligible project expenses charged; **(c)** lack of supporting documents; **(d)** non-compliance with procurement procedures; **(e)** prepayments recorded as expenditures; **(f)** expenditure and its associated accounts payable liability not recognized with respect to the unpaid portion of the performance-based payments; and **(g)** incorrect basis of accounting for renovation costs.

51. The Office recommended that the responsible offices implement audit recommendations made in the audit reports in a timely manner.

Figure V. Issues and recommendations identified in 2023 directly implemented project audits, by audit area



Audits of projects executed by non-governmental organizations and/or national Governments

52. Supreme audit institutions or audit firms engaged and managed by UNDP country offices audited nationally implemented projects for fiscal year 2022. As at 31 December 2023, the Office had received 390 audit reports from 82 country offices. The total audited expenditures were \$673 million.

53. Auditors expressed modified opinions on 22 of the 390 audit reports (one disclaimer, one adverse, and 20 qualified opinions) with a net financial misstatement of \$0.4 million, or 0.1 per cent of the total audited expenses (\$673 million). The modified audit opinions were mainly due to unsupported expenditures, ineligible expenses and unrecorded expenditures.

54. Auditors raised a total of 1,858 audit observations in their reports. Most of the audit observations related to financial management, record-keeping systems and controls and procurement of goods and/or services. The Office monitored the actions taken by country offices to implement the audit recommendations. As at 31 December 2023, 85 per cent of the 1,858 audit issues had been implemented or were no longer applicable.

55. As a result of its assessment of the audit exercise, the Office issued review letters to all 82 country offices. The review encompassed four elements: **(a)** strength of existing internal controls; **(b)** timely follow-up of audit recommendations; **(c)** compliance with audit scope requirements; and **(d)** timely administration of the audit exercise. Of the 82 country offices, 67 received a satisfactory rating (82 per cent), 11 a partially satisfactory rating and four an unsatisfactory rating.

Advisory and consultancy services

56. In 2023, the Office issued 10 advisory notes and memos (see table 4). Six of these were related to requests for write-off memos and four to advisory service notes (three risk alerts on emerging risks and one on information and communication technology consultancy services).

57. The information and communication technology consultancy services were related to the implementation of corporate applications. See details in annex I.

58. The Office issued three risk alerts to advise management on emerging risks. These included alerts on government local office costs, separated staff and bidder sufficiency for country offices. The Office facilitated a control self-assessment workshop to support the UNDP office in Ukraine on risk management.

59. In line with rule 126.17 of UNDP financial regulations and rules and UNDP programme and operations policies and procedures, the Office reviewed six requests for write-offs: four from country offices and two from headquarters units.

60. The Office conducted special reviews of two projects in late 2023, namely the local development programme in the Democratic Republic of Congo and the safer salvage operations project in Yemen. See details in annex I.

IX. External quality assessment

61. An independent quality assessment of the Office was undertaken in line with the international standards for the professional practice of internal auditing, which require independent, external quality assessments of the internal audit activity to be conducted every five years. The assessment resulted in a “generally conforms” rating, which is the highest rating and indicates that the Office’s internal audit activity has successfully conformed to all Institute of Internal Auditors standards.

62. Subsequently, the Office developed an action plan to implement all recommendations made in the external quality assessment report, with the majority of recommendations having been implemented to date.

X. Disclosure of internal audit reports

63. Thirty days after issuance, all internal audit reports issued in 2023 were publicly disclosed in accordance with Executive Board decision 2012/10. They are available on the Office of Audit and Investigations audit disclosure website (<https://audit-public-disclosure.undp.org>). No requests for the redaction of audit reports were received internally or from any organization or Member State.

64. Though advisory reports are not published, the Office provides copies to senior management and relevant staff.

XI. Investigations

Introduction and intake

65. In 2023, the Office Innovation Task Force sought to identify projects to streamline the assessment and investigation process. The Office shall continue to look for ways to harness new technology and re-examine older processes in 2024. Furthermore, it modified internal guidelines on the interviewing of witnesses to harness the use of direct speech-to-text technology for more efficient production of transcripts as well as procured technology to allow for remote review of electronic device data.

66. The Office continued the restructuring of the investigation function through geographic clustering, with investigators assigned to cases in specific regions.

67. Case intake throughout the year continued the upward trend of 2022. During 2023, the Office undertook 12 missions in 12 countries to conclude investigations. It also carried out one proactive mission. The Office noted a large increase in procurement fraud (109 cases) and abuse of authority complaints (45 cases), compared to 57 and 22, respectively, opened in 2022. It opened 25 cases of improper recruitment, slightly more than a threefold increase compared to 2022 (eight cases). The Office opened eight cases of discrimination, a significant rise compared to the one case opened in 2022. Moreover, it noted a slight increase in workplace harassment complaints: 35 cases compared to 31 opened in 2022.

68. In 2023, the Office opened 424 new cases and carried over 253 cases from 2022, bringing the 2023 caseload to 677, the highest number ever recorded. A total of 415 cases were finalized and closed in 2023, the highest number in any year to date. At the end of 2023, 262 cases were carried over to 2024 (see table 9 and figure VI).

Table 9. Investigation cases handled in 2023

Status of Cases	Number of cases
Carry-over as of 1 January 2023	253
Intake during the year	424
Total cases during the year	677
Closed during 2023	415
Cases ongoing as of 31 December 2023	262

Types of complaints

69. As part of an initiative to harmonize annual reporting on oversight among some United Nations entities,³ the intake of new cases is presented in five broad categories (see figure VII and table 10). The same cases are broken down into specific categories (see figure VIII).

³ UNDP, the United Nations Children's Fund, United Nations Environment Programme, United Nations Entity for Gender Equality and the Empowerment of Women, United Nations Office for Project Services and United Nations Population Fund.

Figure VI. Intake, completion and caseload comparison, 2021–2023

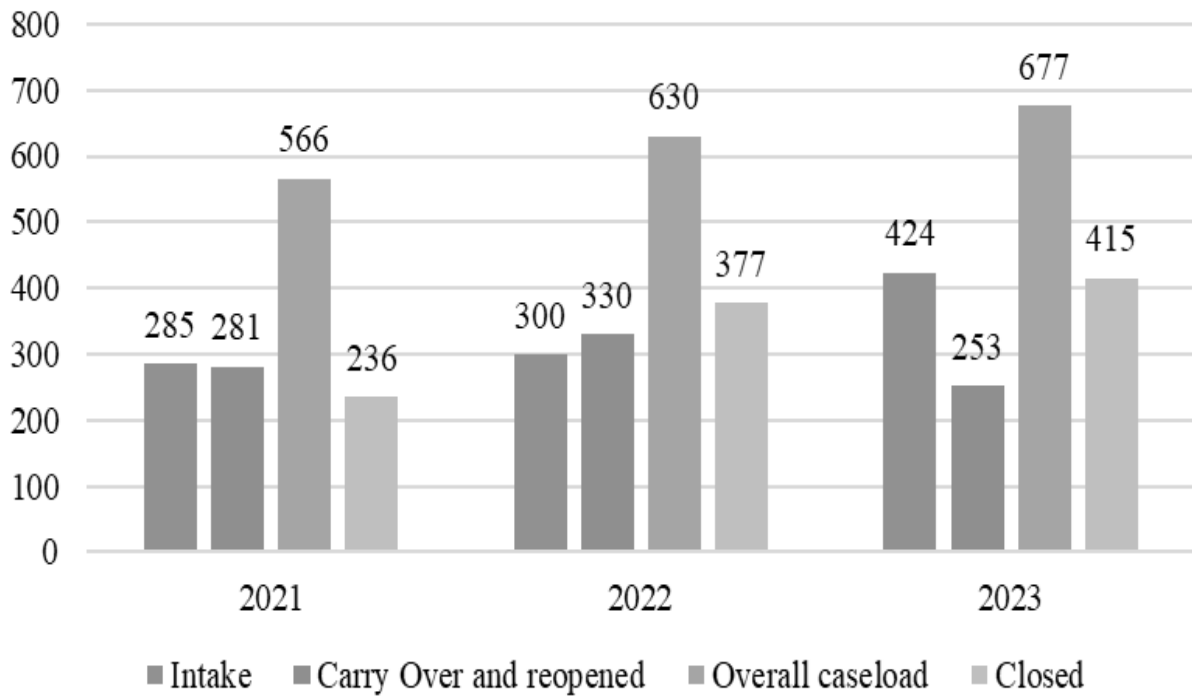
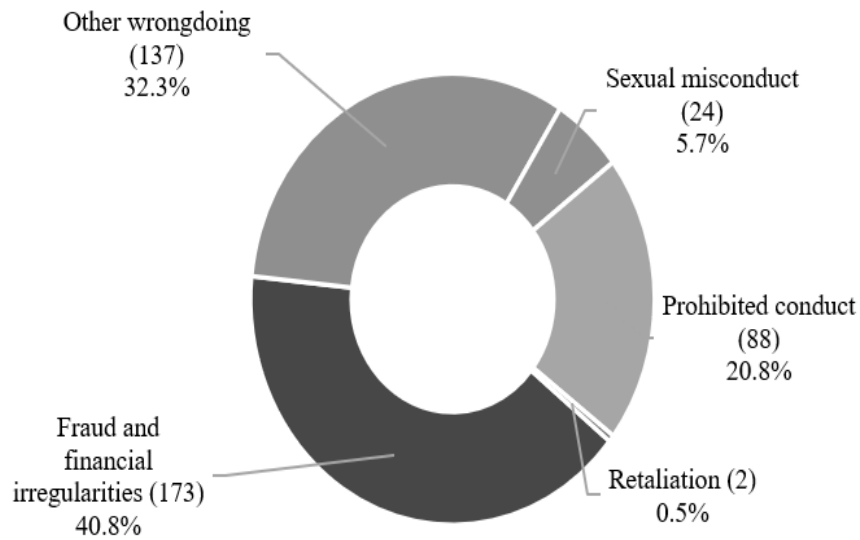


Figure VII. Office of Audit and Investigations case intake 2023



Office of Audit and Investigations intake by broad category, 2021–2023⁴

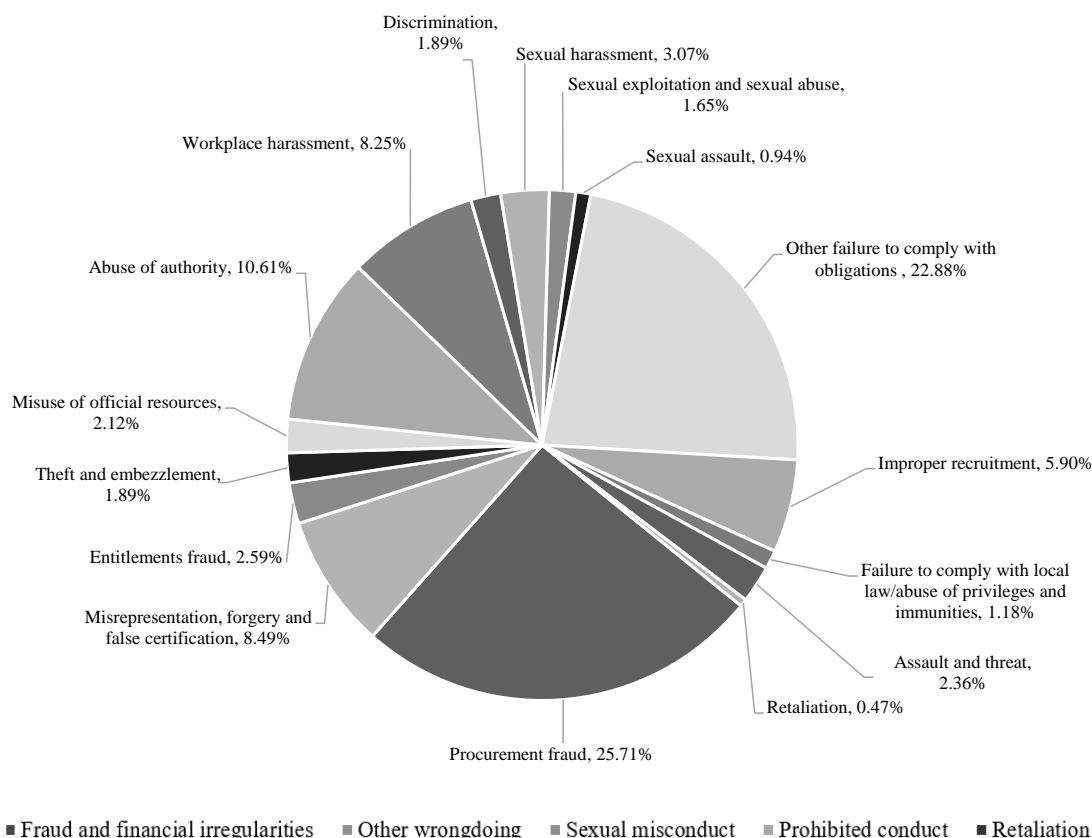
Allegation category	Cases in 2021	Cases in 2022	Cases in 2023
Fraud and financial irregularities	134	119	173
Prohibited conduct*	44	54	88
Sexual misconduct	25	31	24
Retaliation	0	2	2
Other wrongdoing	82	94	137
Total	285	300	424

* “Prohibited conduct” consists of allegations mentioned in the UNDP policy on harassment, sexual harassment, discrimination and abuse of authority. However, for the purpose of this report, this category does not include sexual harassment allegations, which are counted under “sexual misconduct”. “Other wrongdoing” includes any allegation that does not fall into the other broader categories but could still amount to a breach of UNDP administrative issuances. Examples include not cooperating with an investigation or engaging in outside employment without authorization.

70. Complaints are reported to the Office by mail, email, webform, independent telephone, personal communications and referrals. Complaints relating to financial irregularities (procurement fraud; theft and embezzlement; misuse of official resources; misrepresentation, forgery, and false certification; and entitlements fraud) constituted 40.8 per cent of the cases received in 2023, an increase from the 39.7 per cent recorded in 2022. Complaints relating to sexual misconduct (sexual assault, sexual harassment and sexual exploitation and abuse) accounted for 5.66 per cent of the cases received by the Office in 2023, a decrease from the 10.3 per cent recorded in 2022 (see figure VIII).

⁴ “Prohibited conduct” consists of allegations mentioned in the UNDP policy on harassment, sexual harassment, discrimination and abuse of authority. However, for the purpose of this report, this category does not include sexual harassment allegations, which are counted under “sexual misconduct”. “Other wrongdoing” includes any allegation that does not fall into the other broader categories but could still amount to a breach of UNDP administrative issuances. Examples include not cooperating with an investigation or engaging in outside employment without authorization.

Figure VIII. Types of complaints received in 2023



71. In 2023, the Office received the most complaints from Asia and the Pacific region (100 cases), followed by Africa (92), the Arab States region (49), Europe and the Commonwealth of Independent States (45), headquarters (28) and Latin America and the Caribbean (35). Additionally, 75 complaints involved staff members or other personnel on UNDP contracts assigned to other United Nations entities, for a total of 424 complaints (see table 11).

Table 11. Complaints received in 2023, by region

	Number of complaints received
Asia and the Pacific	100
Africa	92
Other United Nations organizations	75
Arab States	49
Europe and the Commonwealth of Independent States	45
Headquarters	28
Latin America and the Caribbean	35
Total	424

Processing of cases

72. In 2023, the Office finalized 406 assessments. Of these, 180 warranted an investigation. The remaining 226 (55.7 per cent) were closed after assessment. In addition, the Office finalized 11 assessments carried over from 2022, bringing the total cases assessed to 417.

73. In 2023, the Office closed 184 cases following an investigation. The allegations in 100 (54.3 per cent) of these cases were found to be unsubstantiated. Of the remaining 84 cases, 83 (45.1 per cent) resulted in investigation reports establishing evidence of misconduct and one was finalized through an options letter (see table 12).

74. As a key performance indicator, the Office aims to finalize 50 per cent of its case assessments within three months and close 50 per cent of its cases under investigation in less than 270 working days (393 calendar days).⁵ Of the 417 cases assessed in 2023, the Office finalized 99.8 per cent within three months. Of the 184 cases closed following an investigation, 48.4 per cent were finalized within 270 working days.

75. At the end of 2023, 18 cases were under assessment and 244 under investigation.

Table 12. Disposition of cases, 2022 and 2023

Actions taken	Number of cases 2022	Number of cases 2023
<i>After assessment:</i>		
Closed, investigation not warranted	185	212
Referred to other United Nations entities	10	7
Referred to other UNDP offices	6	12
Total cases closed after assessment	201	231
<i>After investigation:</i>		
Closed (not substantiated)	114	100
Closed (substantiated)	62	84
- Submitted to Office of Legal Services	28	21
- Submitted to country offices	13	27
- Submitted to Vendor Review Committee	18	27
- Submitted to other United Nations entities	2	5
- Submitted to other UNDP offices	-	3
- Options letter issued	1	1
Total cases closed after investigation	176	184
Total cases closed during the year	377	415
Investigation reports issued	61	83
Financial loss reports issued	-	-
Options letter issued	1^a	1
Management letters issued	5	1

^a Options letters are instruments through which UNDP staff against whom there is evidence of wrongdoing are given the option to either resign under certain conditions, including a commitment to reimburse any financial loss resulting from the wrongdoing, or be subjected to a full investigation and possible disciplinary process.

Substantiated cases

76. Of the potential misconduct identified in the 84 substantiated cases, the majority concerned allegations of procurement fraud (22 cases, or 26.2 per cent); misrepresentation, forgery and false

⁵ In accordance with the UNDP Legal Framework, chapter III, section 1.4, “To the extent possible, depending on the complexity of a case and the availability of investigative resources, the period between the date the allegations of wrongdoing are reported to the office and the completion of the investigation should not normally exceed 270 working days.” When accounting for United Nations official holidays, 270 working days converts to approximately 393 calendar days; therefore, the office has used 393 calendar days as its metric for investigations.

certification (20 cases, or 23.8 per cent); other failure to comply with obligations (10 cases, or 11.9 per cent), entitlement fraud (eight cases, or 9.5 per cent); and sexual harassment (six cases, or 7.1 per cent). A summary of the substantiated investigations reported in 2023, by type of allegation, can be found in annex IV.

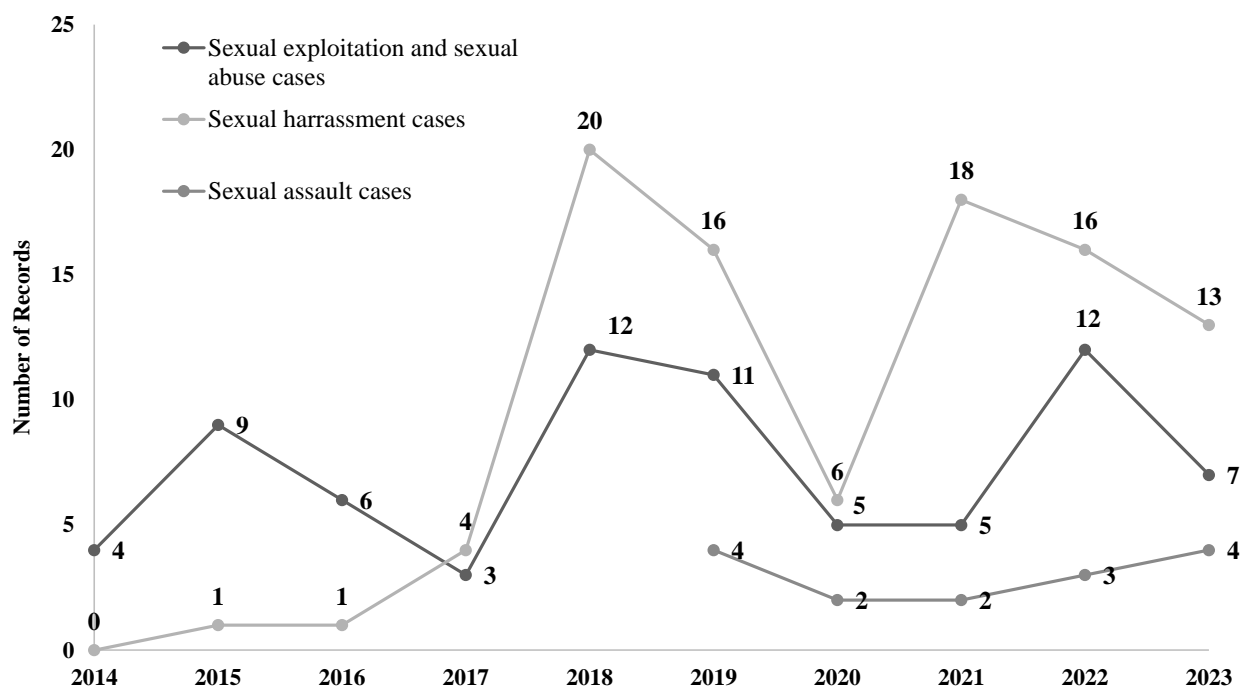
77. Of the 84 substantiated cases, 26 (31 per cent) occurred in the Africa region, 24 (28.6 per cent) in the Asia and the Pacific region, 21 (25 per cent) in other United Nations entities, 6 (7.1 per cent) in the Arab States region, 3 (3.6 per cent) in the Europe and Commonwealth of Independent States region, 3 (3.6 per cent) in the Latin American and Caribbean region and 1 (1.2 per cent) at headquarters.

Sexual misconduct

78. In 2023, the Office opened 24 cases related to sexual misconduct (13 sexual harassment complaints; seven sexual exploitation and sexual abuse complaints; and four sexual assault⁶ complaints). This is a 22.6 per cent decrease from 2022, when 31 cases of sexual misconduct were opened. In addition, the Office carried over 15 sexual misconduct cases from 2022 to 2023 (10 sexual harassment complaints and five sexual exploitation and sexual abuse complaints). Therefore, the Office had an overall caseload of 39 sexual misconduct cases during 2023⁷. See figure IX for historical trends.

79. In 2023, the Office substantiated nine cases of sexual misconduct (six sexual harassment cases, two sexual assault cases and one sexual exploitation and sexual abuse case), a significant increase compared to 2022, when two cases of sexual misconduct were substantiated (one sexual harassment case and one sexual assault case).⁸ In 2023, the Office closed 28 cases⁹ of sexual misconduct, out of the overall caseload of 39. Ten sexual misconduct complaints were carried over to 2024.

Figure IX. Sexual harassment, sexual exploitation/sexual abuse and sexual assault cases received, 2014–2023



⁶ 2019 was the first year that sexual assault complaints were reported as a separate category.

⁷ One sexual harassment case was reclassified as an entitlements fraud case.

⁸ The office reports case types opened based on the misconduct type alleged at the time the case is received. However, during an assessment or investigation, the case type can be reevaluated and updated in the closure documents at the time of finalization to reflect the misconduct assessed or investigated.

⁹ One sexual harassment case was reclassified as an entitlements fraud case and one as an abuse of authority case.

Management letters

80. In 2023, the Office issued one management letter to the relevant business unit following the completion of an investigation in a case of entitlements fraud.

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

81. The total financial loss for UNDP that was substantiated in investigation reports or options letters issued by the Office during 2023 amounted to \$1,020,028. According to the Office of Financial Management, the total financial loss from investigation reports or options letters that were submitted from 2013 to 2023 was \$10,547,964, of which \$9,374,740 was deemed recoverable. Of that amount, \$4,007,398 has been recovered, 42.7 per cent of the loss.

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

82. Follow-up actions taken by other UNDP offices (the Office of Legal Services, Ethics Office, country offices, Vendor Review Committee and regional bureaux) as a result of investigation reports issued by the Office are detailed below.

83. Based on the 21 investigation reports concerning staff members that were sent to the Office of Legal Services in 2023, one staff member was dismissed and two were separated from service. A letter was placed in the file of six staff members who had either resigned or whose contracts expired prior to the completion of the investigation, indicating, pursuant to article 72 or 73 of the Legal Framework, that the Office of Legal Services would have recommended charging them with misconduct had they remained with the organization. Two staff members were cleared of all allegations, with one of them receiving a reprimand instead of a formal sanction. The remaining 10 reports are currently under review by the Office of Legal Services.

84. As a result of 27 reports submitted to country offices concerning non-staff members, three contract holders and four personnel service agreement holders were terminated, while one contract holder and seven service agreement holders did not have their contracts renewed. Meanwhile, two service agreement holders who, along with two service contract holders who resigned, had a note placed in their service files. One contract holder was exonerated with a note placed in their service file and one service agreement holder was given a deferment of contract increment as a sanction. The remaining six reports are under review.

85. Of 27 reports submitted to the Vendor Review Committee in 2023, three were finalized and closed by the end of the year, resulting in sanctions against the vendors. Of the remaining 24 reports under review, 21 vendors (related to 13 cases) received an interim suspension pending the final decision by the committee.

86. Five investigation reports were submitted to another United Nations entity. Two concerned staff members and remained under review at the end of the year. Three cases concerned United Nations Volunteers who would have been summarily dismissed had they remained in service.

87. Three reports were submitted to the UNDP Ethics Office in relation to allegations of retaliation. One has been forwarded to the Office of Legal Services and the case is under review. The other two concerned non-staff personnel of another United Nations organization and remain under review.

Social and environmental compliance

88. In 2023, the Social and Environmental Compliance Unit registered two new cases, bringing the total to 23, of which 12 are open and relate to projects located in Cameroon, Chad, Colombia, India, Iraq, Jordan, Kyrgyzstan, Malawi, Mauritius, Myanmar, North Macedonia and South Africa. One case from India has entered its monitoring phase as per the UNDP administrator's decision in response to Unit recommendations following the completion of the investigation. The Unit launched its first self-initiated investigation for a project in Chad under its proactive model, with the first proactive investigation planned for 2024, and conducted field missions to North Macedonia and South Africa. It also continued updating its investigation guidelines.

89. In 2023, the Unit hosted the first annual meeting of the United Nations Accountability Mechanisms Network, with representatives from eight United Nations agencies in attendance. It participated in the twentieth annual meeting of the Independent Accountability Mechanism Network

hosted by the European Bank of Reconstruction and Development and World Bank accountability mechanisms. Throughout 2023, the Unit conducted outreach activities with partners and potential stakeholders to improve understanding of its mission, mandate and activities. This included an in-person roadshow where the Unit hosted individual meetings with various civil society organizations in Indonesia. Furthermore, the Unit participated in two virtual outreach events for civil society organizations in the Asia, Middle East and North Africa regions alongside other partner accountability mechanisms. The Unit also continued its outreach activities through social media and other digital forums.

Prevention of sexual harassment and sexual exploitation/sexual abuse

90. In 2023, the Office continued to be an active member of the UNDP Task Force on the Prevention of Sexual Harassment and Sexual Exploitation and Abuse, the UNDP task team for victim/survivor support, the UNDP Clear Check Database Advisory Committee¹⁰ and the UNDP task team for addressing sexual harassment and sexual exploitation and abuse issues with implementing partners and responsible parties selected for UNDP development projects.

91. In 2023, the Office participated in several inter-agency technical working groups, including the Sexual Exploitation and Abuse Working Group. It also helped to raise awareness of UNDP responses to sexual harassment and sexual exploitation and abuse through the delivery of training and presentations to various country offices.

92. Throughout 2023, the Office participated in various donor briefings and evaluations and provided the UNDP response concerning sexual misconduct matters. It also continued to provide input on the sexual exploitation and abuse and sexual harassment clauses in donor agreements.

93. Since 1 January 2020, all participating offices and United Nations organizations have been obliged to report credible allegations of sexual exploitation and abuse to the Secretary-General via a near real-time secure online database known as the iReport sexual exploitation and abuse tracker. In 2023, the Office reported five cases of alleged sexual exploitation and abuse, which were initially assessed to be credible allegations, through the tracker. It has also implemented guidance received from the sexual exploitation and abuse special coordinator on sharing information on allegations with the most senior United Nations official in country.

Other investigative activity

94. In 2023, the Office continued to use options letters that were developed in 2018 in consultation with the directors of the Bureau for Management Services and the Office of Legal Services. Options letters allow staff members against whom there is evidence of wrongdoing to resign under certain conditions, including a commitment to reimburse any financial loss resulting from the wrongdoing; the alternative is to face a full investigation and possible disciplinary proceedings. The Office sent two options letters in 2023. One did not result in a voluntary resignation and the Office continued to conduct an investigation; the other resulted in the staff member's resignation and an undertaking to reimburse the financial losses accrued.

¹⁰ A mechanism to prevent the re-hiring of personnel who have sexual misconduct allegations substantiated against them.