United Nations Development Programme
Audit and Evaluation Advisory Committee
2024 Annual Report

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ACRONYMS

AA	Associate Administrator
AEAC	Audit and Evaluation Advisory Committee
ASHI	After-Service Health Insurance
BMS	Bureau for Management Services
IEO	Independent Evaluation Office
ICPE	Independent Country Programme Evaluations
JIU	Joint Inspection Unit
OAI	Office of Audit and Investigations
OHR	Office of Human Resources
SECU	Social and Environmental Compliance Unit
ToR	Terms of Reference
UNBoA	United Nations Board of Auditors
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNV	United Nations Volunteers

INTRODUCTION

1. In accordance with the Executive Board Decision (DP/2008/16/Rev.1), this annual report covers the activities of the Audit and Evaluation Advisory Committee (AEAC or the Committee) from 1 January to 31 December 2024.

2. The Committee operates under the Terms of Reference (ToR) approved by the Administrator in 2023. This updated ToR mandates that the Committee assist the United Nations Development Programme (UNDP) Administrator in fulfilling organizational oversight, financial management and reporting, internal audit, investigation, evaluation and ethics functions, external audit, risk management, and internal control and accountability systems.

3. The main role of the Committee is to advise the Administrator, taking into consideration policies, rules, regulations and procedures applicable to UNDP (including United Nations Volunteers) and its operating environment, as well as its affiliate the United Nations Capital Development Fund (UNCDF).

4. The Committee comprises members with relevant skills and backgrounds who are external and independent to UNDP, including its administration and management. At the outset of each meeting briefing session, each AEAC member had either declared no conflicts of interest, or proactively identified issues that may require their recusal from discussion. Such issues did not emerge in the activities of the AEAC in the year 2024.

5. Members of the Committee during the 2024 calendar year were:
    - Mr. Rakesh Nangia (United States/India), Chairperson
    - Mr. Greg Johnson (New Zealand/Switzerland/France)
    - Mr. Chris Hemus (United States/United Kingdom/South Africa)
    - Dr. Hock-Chye Ong (Malaysia)
    - Dr. Nancy Onyango (Kenya/United Kingdom) - Until 31 August 2024
    - Ms. Caroline Najm (Canada)
    - Ms. Theresa Panuccio (United States)

6. UNDP's strategic direction in 2024 was shaped by several global factors, including a record number of national elections involving over 1.5 billion voters, the humanitarian-development-peace nexus, and the urgency of delivering on Sustainable Development Goal commitments. Key priorities included driving structural transformation to support green, inclusive, and digital transitions, ensuring no one is left behind through rights-based approaches, and strengthening social resilience to anticipate and recover from various shocks.

7. AEAC activities took place in a year in which UNDP continued to deliver against its Strategic Plan 2022-2025 in supporting countries to achieve the 2030 Agenda for Sustainable Development. The AEAC took note of UNDP efforts to deepen cooperation within the United Nations system to contribute to multilateral imperatives, including on following up on outcomes from the 2024 Summit of the Future. The AEAC also observed efforts by UNDP independent offices to improve its ability to deliver actionable insights for UNDP management and raising the awareness of staff.

8. In 2024, the Committee focused its discussions with UNDP senior management on efforts to strengthen risk management, accountability and oversight. The Committee held regular private sessions with the Administrator, Associate Administrator (AA), Directors of the Office of Audit and Investigations (OAI), Independent Evaluation Office (IEO), Ethics Office, United Nations Board of Auditors (UNBoA), Executive Office and the Bureau for Management Services (BMS) and the United Nations Capital Development Fund (UNCDF).

9. In 2024, the Committee held three in-person meetings (April, July, and November) and one virtual meeting with a specific focus on UNCDF (December) to fulfil its mandate as specified in its ToR. In July, the AEAC undertook its first field visit to Malaysia and Thailand.

10. The Committee appreciated cooperation and support from the AEAC Secretariat, UNDP Executive Office, senior management, and staff. All presentations and discussions with the Committee were evidence-driven, transparent,

robust, and reflective. AEAC members also appreciated the private and thoughtful dialogues with the UNDP Administrator and Associate Administrator.

ORGANIZATIONAL MATTERS

11. On 31 August 2024, Committee member Dr. Nancy Onyango, resigned from the AEAC. The Committee appreciates her participation and contributions. The AEAC advised the Administrator to keep the position vacated by Nancy Onyango open for now.
12. Committee meeting dates for 2025 were set: 7-10 April, 8-11 July, and 27-30 October.

13. On 2-4 December 2024, the AEAC Chair represented the Committee in a meeting of the United Nations System Oversight Advisory Committees Network and contributed to the establishment of a Network ToR. The Network aims to promote good practices on oversight, governance, risk management and internal controls.

AEAC ACTIVITIES

Executive Office

14. The Special Adviser to the Administrator for the Management Assessment and Review Mission to Iraq briefed the AEAC about pending allegations of corruption in the UNDP Iraq Funding Facility for Stabilization. AEAC discussed the mission and UNDP media engagement strategy. Despite the lack of evidence to corroborate allegations, the Committee emphasized the need for a fact-based response strategy to manage reputational risks.

15. The Regional Bureau for Arab States met with the AEAC to discuss UNDP reprogramming efforts and risk management in Gaza, including preparations for a $2 billion debris clearance and livelihood recovery programme. The AEAC emphasized the importance of leveraging lessons from Iraq, particularly in scaling up procurement and programme management capacities.

16. AEAC recognized ongoing challenges involving the Safer Tanker project and commended UNDP senior management and BMS for the strategic implementation of interventions. The Committee suggested the Secretary-General take the lead on managing reputational risks during the next phase given the political sensitivities.

17. UNDP Chief of Staff and the Director for the Bureau for Programme and Policy Support briefed the AEAC on Summit of the Future outcomes, highlighting the need for greater collaboration on development finance and digitalization to evolve the Global Digital Compact. The Committee agreed with establishing coherent, United Nations messaging to support unified country-level implementation and welcomed UNDP efforts to translate Summit ambitions into action.

Strategic Plan

18. The AEAC welcomed the Executive Office's overview of the Midterm Review of the Strategic Plan 2022-2025. While noting that programme delivery exceeded targets, Committee members sought greater clarity on UNDP's attribution to development impact. They also highlighted adverse trends that could affect the implementation of the Strategic Plan, particularly the earmarked nature of contributions. The AEAC acknowledged IEO's efforts to evaluate the Strategic Plan and looked forward to its conclusions and Management's response.

19. The AEAC appreciated the briefing on the development of the next Strategic Plan for 2026-2029 and the ongoing consultations with stakeholders at global and country levels. The Committee noted the broad development areas identified for the new Strategic Plan and suggested authors could explicitly reflect on areas the Plan would not cover.

20. Discussions with UNDP management reinforced the need for the new Strategic Plan to clearly indicate key development directions of change that enable the organization to effectively meet unique development demands according to programmatic and geographic context.

UNDP business model

21. The Special Adviser to the Administrator updated AEAC members on the Business Model Review and spoke about the need to refine UNDP positioning/value proposition, , core/non-core funding, and financial strategies. The AEAC suggested additional financial modeling and simulations, balance sheet optimization, and strengthening the 'case for core' to donors.

22. In November, AEAC members welcomed a briefing on findings from the Business Model review diagnostic and recognized efforts to integrate these insights into the next Strategic Plan. The AEAC noted the review established recommendations to incentivize innovation, resource mobilization and cost recovery through programme country governments. The AEAC emphasized the need for clearer impact assessments and return on investment in UNDP development activities.

AEAC Field Mission

23. On 1 – 9 July 2024, the AEAC conducted its first field visit, meeting UNDP representatives from country and regional offices in Kuala Lumpur, Malaysia and Bangkok, Thailand. In line with headquarters-based meetings, the AEAC also conducted virtual meetings with UNDP independent offices. The visit provided an opportunity to, inter alia, explore with field representatives the impact and operation of accountability and oversight policies in a field context.

24. In Malaysia, the AEAC participated in meetings with the UNDP Malaysia country office, OAI Regional Audit Centre for Asia and the Pacific, the Singapore Global Centre for Technology, Innovation and Sustainable Development and the Global Shared Services Centre (GSSC). The AEAC appreciated the opportunity to visit UNDP projects in both countries, including the Youth Environment Living Labs and the Sustainable Tourism Project.

25. In Thailand, the AEAC appreciated updates from the UNDP Regional Bureau for Asia and the Pacific, Bangkok Regional Hub, the UNDP Thailand Country Office, and United Nations Volunteers (UNV) Regional Office for Asia and the Pacific. In these discussions, AEAC members sought to better understand the role of UNDP regional hubs in providing oversight and policy advice to country offices, as well as the benefits and challenges of business process clustering.

26. The AEAC reflected on country office needs according to unique development contexts. Members also recognized the potential for expanding collaboration with the private sector and encouraged UNDP to provide tailored guidance on managing risks in such novel partnerships. The Committee observed a need for greater engagement and guidance from headquarters on how to manage organizational risks, as well as increase engagement on the use of Quantum.

27. In both countries, the Committee met with relevant contributing partners, implementing partners, and programme country government partners. The AEAC responded positively to learning about UNDP efforts to influence policy debates in middle income country contexts like Malaysia and Thailand. Moreover, discussions covered the strategic risks that UNDP faced at country and regional levels, methods of managing performance, and adapting programmes to evolve resource constraints.

BMS Global Shared Services Centre

28. As part of its July field visit to Malaysia, the AEAC visited the Global Shared Services Centre (GSSC) in Kuala Lumpur. The AEAC appreciated briefings by both the Kuala Lumpur-based and the Copenhagen-based teams on Centre service lines to UNDP and other United Nations organizations.

29. After GSSC presented its measures to meet regional and global service demand—particularly in Dakar, Amman, and Panama—enhance client satisfaction metrics, and expand country office training, the AEAC requested details on GSSC funding models for full cost recovery. The Committee also raised questions regarding the consistency of BMS remote work guidelines across units.

30. AEAC encouraged UNDP to assess the utility of policy toolkits and operational solutions for country offices to better support flexible programming for national contexts. This includes harmonizing key performance indicators across UNDP bureaux and revisiting the ranking system for country offices to focus on trends rather than fixed standings. Notwithstanding the importance of having harmonized standards, it was considered equally important to interpret results in the national context.

31. In addition, the AEAC encouraged UNDP to assess whether decentralized evaluations are fit-for-purpose and recommended portfolio-level evaluations and better coordination between country offices and IEO to scale actionable lessons. In high-risk contexts, like Afghanistan, frequent audits and evaluations are necessary but should not impede delivery. AEAC also emphasized the need for consistent corporate risk standards to ensure country offices retain the flexibility to seize opportunities.

32. The AEAC discussed the UNDP clustering exercise and sought details on 2024 priorities, including strengthened client engagement and review of the GSSC funding model. The AEAC continues to engage with BMS to better understand how a revised investment model for GSSC could enhance efficiency and risk management in delivering services for clients.

BMS Office of Financial Management

33. The AEAC and BMS discussed current practices to strengthen UNDP internal controls and support financial reporting, including the Annual Representation exercise. The AEAC shared insight into how other multilateral organizations have developed statements on internal control and discussed the resource requirements for such an exercise at UNDP.

34. AEAC raised the importance of preparing a Statement of Internal Controls to enhance transparency and accountability across UNDP. The Committee advised the BMS Office of Financial Management to prepare a statement of intent as a proactive measure.

35. The Committee appreciated continued engagement by BMS on how the organization plans to adapt to the new International Public Sector Accounting Standards (IPSAs), in particular those relating to revenue recognition. AEAC and BMS representatives discussed areas for strengthening capacities, including data collection and validation, to meet these standards. The Committee advised early communication with stakeholders to avoid any misunderstandings.

36. The AEAC received a briefing on UNDP's working capital and After-Service Health Insurance (ASHI) portfolios, including investment strategies. It noted that BMS will conduct an Asset and Liability Management study in 2025 and requested a copy of the study findings upon completion.

37. The AEAC appreciated BMS plans to conduct scenario analyses to re-examine current funding models and look forward to more regular updates.

38. AEAC discussions in April included a review of UNDP and UNCDF financial statements. The AEAC noted that both UNDP and UNCDF received unqualified opinions on audits of their respective financial statements for the 1 January 2023 to 31 December 2023 period

BMS Enterprise Resource Planning

39. The AEAC welcomed the progress in implementing Quantum and recognized BMS leadership's role in its broad adoption across UNDP. While acknowledging efforts to enhance staff training and address client concerns, members noted the challenges of meeting the aggressive Enterprise Resource Planning (ERP) rollout schedule.

40. The AEAC further noted BMS commitments to explore ways of enhancing existing business processes: From expanding partnerships, to improving the automation and integration of financial agreements, and establishing a module to manage Personnel Services Agreement contracts.

41. The AEAC welcomed the addition of new United Nations organizations as clients of Quantum. It encouraged UNDP to further assess its costing model to ensure adequate cost recovery and support ongoing investments to adequately maintain and continuously enhance the Quantum platform.

42. The AEAC and BMS discussed ongoing efforts to ensure coherence in information flows between Quantum and other information systems within UNDP.

BMS Office of Procurement

43. The AEAC appreciated meeting with management from the BMS Office of Procurement to better understand their engagement with regional bureaux and country offices on procurement, as well as methods of assessing country office capacities for increasing delegation of authority on procurement matters.

44. The AEAC recognized the ongoing challenge UNDP faces in addressing procurement-related fraud and emphasized the need for deeper analysis using Quantum and corporate procurement mechanisms. Given Quantum's capability to capture detailed procurement data, the Committee encouraged the BMS Office of Procurement to share data-driven insights on corporate procurement performance in their next meeting.

45. Members commended BMS and regional bureaux for their diligence in managing risks in high-risk contexts such as Gaza and Ukraine. They recommended strengthening vendor checks to further mitigate risks related to money laundering and terrorism financing

BMS Office of Human Resources

46. The AEAC welcomed the update by Office of Human Resources (OHR) management on the 'Talent Marketplace' initiative and findings from the UNDP employee listening architecture. It recognized the improvements in gathering valuable workforce insights and acknowledged BMS OHR's efforts to enhance talent matching with assignments.

47. The AEAC and BMS discussed ongoing challenges to further simplify and streamline UNDP human resource processes and acknowledged the need to improve the speed of hiring personnel through the IPSA modality.

Joint Inspection Unit

48. The Committee welcomed an update from the Executive Board Secretary and Senior Advisor to the Administrator on the Joint Inspection Unit (JIU) report on governance and oversight of Executive Boards. Although the AEAC noted the report did not identify significant lapses in the Executive Board structure, it did express concerns about the process including lack of consultation with UNDP management during the report writing phase. AEAC members advised UNDP to align with other agencies as much as possible on a unified response.

Corporate Performance Unit

49. The head of the Corporate Performance Unit updated AEAC on the UNDP Enterprise Risk Management Policy, corporate risk register, and engagement with the Executive Board on strategic risks. After reviewing current risk escalation practices between country offices, regional bureaux and headquarters, the Committee emphasized the need for consistent engagement at higher levels.

50. The Corporate Performance Unit Executive Office updated the AEAC on the UNDP corporate risk register. The Committee encouraged UNDP to establish incentives for better risk escalation and shared examples from other multilateral organizations that offer additional resources for high-risk cases, including increased headquarters support to country offices that face high risks related to UNDP social and environmental standards. Furthermore, the AEAC engaged in constructive discussions with UNDP management on ways of supporting country offices when they escalate, and engage on, local-level risks.

51. The Committee was briefed on the approaches UNDP is taking in implementing and enhancing its enterprise risk management system.

52. During their July field visit, AEAC members reflected on the significant volume of audits in high-risk contexts, like Afghanistan—and discussed the need to balance audits, which are necessary to anticipate and manage risks given they the delivery challenges they may cause. Moreover, the AEAC reflected with representatives from the Regional Bureau for Asia and the Pacific on methods of ensuring a consistent application of corporate standards on risk while ensuring country offices retain the operating space to seize opportunities.

53. UNDP senior management acknowledged the need for continued awareness-raising within the organization on risk management policies, procedures and resources. The Committee suggested UNDP explore creative approaches to empower staff to share best practices in risk management, including adapting models used by the Ethics Office to establish a network of champions.

United Nations Capital Development Fund

54. The Committee congratulated Mr. Pradeep Kurukulasuriya on his appointment as UNCDF Executive Secretary and welcomed the briefing on UNCDF organizational developments. The latter included the management approach to enhancing UNCDF capacities and systems in preparation for the next Strategic Framework.

55. The AEAC welcomed the UNCDF vision for market creation and scaling up the existing portfolio of loans and guarantees. UNCDF expects to mobilize $100 million in 2025-2026 and identify ways of building-up reserves to underwrite expansion costs. The Committee inquired into its cost benefit assessment associated with scaling up and also stressed the need for structural and non-structural reforms to regain donor confidence.

56. After being briefed on the UNCDF portfolio of loans and guarantees, the AEAC requested regular updates on portfolio performance. The Committee was also presented with proposed guidelines on the process of managing loans, which align with UNDP Financial Regulations and Rules.

57. The AEAC took note of the implementation status of outstanding audit recommendations for UNCDF and appreciated regular updates on their continued implementation. The AEAC also looked forward to a presentation by UNCDF on how it accounts for loans and guarantees in its financial statements.

58. The Committee welcomed a discussion on the UNCDF risk appetite statement, as well as news of a strengthened risk management structure across the organization. The AEAC encouraged UNCDF to revisit the risk appetite statement periodically to ensure it remains fit-for-purpose. In addition, the AEAC advised UNCDF management to consider some common membership with the UNDP risk committee.

INTERNAL AND EXTERNAL OVERSIGHT OFFICES

Office of Audit and Investigations

59. The Committee was briefed at each meeting by the Director of the Office of Audit and Investigations (OAI) on the implementation of the OAI work plan. The Committee also met with the new respective directors of the audit and investigations sections and engaged in discussions on strengthening departmental capacities to conduct more risk-informed audits and efficient investigations.

60. OAI confirmed its readiness to adopt the 2025 Global Internal Audit Standards and has already applied new Institute of Internal Auditors standards in its audit of the Ethics Office. A gap analysis planned for Q1 2025 will identify ways to strengthen the existing risk-based audit approach.

61. The AEAC welcomed the OAI update on a revision to its charter. In response, the Committee advised OAI to establish a practice of periodic review.

62. The AEAC noted a significant increase in the OAI caseload and welcomed its risk-based approach, along with management's swift action on longstanding recommendations. The Committee commended UNDP's efforts to leverage insights from OAI and IEO to strengthen risk management. Both the AEAC and the Associate Administrator (AA) underscored the importance of using UNDP's internal audit as a proactive risk management tool and encouraged OAI to explore ways to expand its advisory support.

63. The AEAC noted persistent challenges OAI faced in programme and project management, and procurement at the country office level. To address longstanding concerns, AEAC members suggested IEO assess whether UNDP policies remain appropriate and whether certain procedures, such as the procurement audit, could help IEO examine procurement policies beyond compliance alone.

64. The AEAC received updates on the status of outstanding audit recommendations by OAI, and discussed the scope of ongoing audits, including the audit of GSSC.

65. The OAI Investigations section updated the AEAC on approaches to enhance the efficiency of the section, including the use of artificial intelligence tools, and efforts to strengthen its data analysis capacities. The AEAC welcomed a future discussion on the role of the Social and Environmental Compliance Unit (SECU).

66. AEAC members attended a virtual briefing by the OAI Director to discuss engagement with the Executive Board on the role of OAI in cases of sexual exploitation and abuse.

67. In a meeting with the OAI Regional Audit Centre for Asia-Pacific in July, AEAC explored the OAI approach to risk exposure across different implementation modalities.

Independent Evaluation Office

68. The AEAC appreciated discussions with IEO management that covered progress on its ambitious workplan, ongoing evaluation of the UNDP Strategic Plan 2022-2025, programme delivery, and planned Independent Country Programme Evaluations (ICPEs) and thematic evaluations. AEAC members sought clarification on the IEO 'forward-looking' workplan and noted a need for further alignment with the UNDP Strategic Plan.

69. AEAC acknowledged the increased workload at IEO and, given resource constraints, requested details on how IEO measures impact and prioritizes activities. AEAC encouraged IEO to adopt a systematic approach to track UNDP implementation of evaluation recommendations.

70. The Committee discussed the review of the UNDP Evaluation Policy and highlighted issues concerning decentralized evaluations, as well as IEO support to UNCDF, UNV and United Nations Office for South-South Cooperation evaluation activities. The AEAC encouraged IEO to identify sections in the Evaluation Policy that could be revised on a regular basis and establish separate guidelines and procedures for this content.

71. The AEAC encouraged IEO to invest in systematically monitoring UNDP implementation of evaluation recommendations, similar to follow-up of audit recommendations. It welcomed ongoing efforts to curate knowledge through platforms like the Evaluation Resource Centre.

72. Based on findings from the July field visit, the AEAC suggested UNDP closely examine whether all decentralized evaluations are fit-for-purpose, considering the volume of resources afforded to them. The AEAC also encouraged UNDP to further elaborate approaches to evaluations at the portfolio level.

73. The AEAC acknowledged the IEO evaluation of the UNDP Strategic Plan 2022-2025 and sought to better understand links between report findings and process of developing the next Strategic Plan. The Committee looked forward to discussing IEO insights as soon as the evaluation is complete.

Ethics Office

74. The AEAC regularly met with Ethics Office representatives throughout 2024 and supported efforts to increase ethics awareness across the UNDP workforce, as evidenced by increased staff requests for ethics advice. The AEAC encouraged the Ethics Office to continue its campaigning on ethics awareness. Committee members inquired about plans to scale up efforts, as well as the need to streamline and strengthen legal and investigation processes holistically rather than in isolation.

75. The AEAC welcomed the successful completion of the financial disclosure process for UNDP. The Ethics Office noted it would continue to explore how to improve the financial disclosure exercise, including benchmarking its performance against financial disclosure practices of other United Nations organizations.

76. Confidential advice was provided to the Director of Ethics on specific cases when sought.

United Nations Board of Auditors

77. UNBoA representatives briefed the Committee on the integration of 2023 recommendations for audits of UNDP management of programmes and projects related to Sustainable Development Goal 13 (climate action), as well as the current workplan, and cooperation with United Nations organizations. The briefing also covered progress on thematic performance audits that focus on budget processes and resource mobilization, UNDP universal presence, and greater UNDP visibility on work around SDG13.

78. The Committee noted the continued efforts of UNBoA to engage with IEO to clarify distinctions between IEO evaluations and UNBoA thematic performance audits. AEAC and UNBoA representatives discussed how to strengthen engagement with OAI to ensure complementarity across audit activities and offices. The AEAC was encouraged to learn about the information and task sharing methods in place between UNBoA and OAI for audits in the same country office.

79. The AEAC took note of outstanding audit recommendations for UNDP and suggested UNBoA to further explore joint support when engaging UNDP on implementing recommendations.

2025 WORK PLAN

80. The AEAC will continue to work in accordance with its ToR and in consultation with the UNDP Administrator, AA, and senior management. It will collaborate with UNDP management to review and advise on policy documents that relate to areas under its purview before being finalized and/or approved.