Statement by

HELGE S. OSTTVEITEN
Director
Office of Audit and Investigations
United Nations Development Programme

On

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Executive Board of UNDP/UNFPA/UNOPS

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Mister President, distinguished Members of the Executive Board, ladies and gentlemen.

First of all, it is a pleasure for me to confirm to the Executive Board that OAI continued to enjoy organizational independence in 2014.

I am also pleased to confirm that in 2014, OAI was free from interference in its operations, particularly in determining its audit and investigations scope, performing its work, and communicating its results.

I can also confirm that OAI is assessed to be in conformance with the international audit standards and code of ethics of the Institute of Internal Auditors, and the 2014 internal quality assessment continued to confirm that.

With regard to the investigation function, the external assessment conducted in 2014 showed that OAI fully adheres to the policies for investigations. The external review team considered that many aspects of OAI’s investigation work epitomize best practices for an investigation unit in an international organization.

As in the past, the annual report of the Audit Advisory Committee is included as an Appendix to the OAI report. The Chairperson of the Committee is present to respond to any queries about their report.

Let me now give you an overview and highlight some matters which may be of special interest to the Board.

/OAI Audits reported in 2014/

To provide reasonable assurance on governance, risk management and control systems in UNDP, OAI’s audits in 2014 covered a mix of business units and functions at headquarters, regional, country, programme and project levels. OAI also audited grants from the Global Fund managed by UNDP.

In 2014, OAI issued 159 audit reports compared to 135 reports issued in 2013. The annual audit plan was risk-based, and was developed in consultation with senior management as well as the United Nations Board of Auditors. The plan was reviewed by the Audit Advisory Committee prior to being approved by the Administrator of UNDP.

OAI assigns an overall audit rating for the majority of its reports. Of those rated in 2014, 36 percent had a satisfactory rating, 57 percent had a partially satisfactory rating, and 7 percent had an unsatisfactory rating.

Now for significant internal audit results in 2014:

OAI issued eight headquarters audit reports in 2014. Among these, the audit of UNDP’s Enterprise Risk Management policy was rated unsatisfactory and resulted in a new ERM policy recently issued by UNDP management. The new policy is addressing some of the significant deficiencies in the old policy and the new policy is intended to improve the overall risk management practices in the organization.
The audits of UNDP Country Offices in 2014 disclosed the recurrence of issues within project management, procurement, human resources and finance. The issues identified related mainly to weak implementation of established policies and procedures, and not significant weaknesses in the policies. Examples of weak implementation were lack of capacity assessments of implementing partners and inadequate project monitoring and hiring of individual contractors to perform core functions. Further, the audit results highlighted the need for raising staff awareness and investing efforts in training on ethics and oversight.

In 2014, OAI piloted four performance audits. These audits review processes for effectiveness and efficiency, and assess governance, risk management and controls to achieve UNDP’s strategic objectives. The performance audit of UNDP’s monitoring practices resulted in recommendations to finalize a monitoring policy that sets the requirements for monitoring, but at the same time allows flexibility for creating country/regional-specific systems. It also recommended creation of an integrated platform for a better high-level corporate reporting.

As for inter-agency audits, four inter-agency audit reports were issued in 2014. Recurring issues were challenges in implementing common processes, including the lack of strategies or inadequate strategies for harmonized business processes. The experience showed that the inter-agency audits require more time to plan, conduct and report than others, due to the need for additional consultations with the participating organizations.

For Global Fund audits, OAI noted recurrent weaknesses in procurement and supply management, such as weak quality assurance processes throughout the supply chain, and poor storage conditions related to temperature, space, and different types of medication. OAI also noted weaknesses in the governance and strategic management areas related to vacancies in key posts.

And finally, most of the issues from project audits, or DIM audits, pertained to inaccurate recording of project expenditures and lack of supporting documentation of transactions.

/Follow-up of audit recommendations/

As for audit recommendations, UNDP management is generally responsive. The number of long-outstanding recommendations remains relatively low. The long outstanding recommendations totaled 20 by 31 December 2014, as compared to 22 as of yearend 2013. Out of 20, 11 have been implemented as of today and 9 remain pending.

/Disclosure of internal audit reports/

Following the Executive Board decision in 2012, UNDP is disclosing all internal audit reports issued from 1 December 2012. In 2014, a total of 173 internal audit reports had been publicly disclosed and posted on OAI’s website.

I am pleased to inform the Executive Board that the safeguard policies on public disclosure are still working effectively, both in providing quality audit reporting, as well as in protecting sensitive information.
The public disclosure of internal audit reports has not only contributed to more transparency and accountability in UNDP, but has also demonstrated that UNDP activities are subject to rigorous and independent scrutiny.

OAI is pleased to note that the Executive Board is satisfied with the public disclosure policy and the transparency it brings to UNDP.

/Audits of nationally implemented projects/

Throughout 2014, OAI guided and monitored the audit exercise for projects implemented by non-governmental organizations and national governments, the so called NIM audits. OAI does not take part in these audits but independently reviews how the audits are managed by the UNDP offices and validates the net financial impact of modified opinions. The net financial impact reflects the exceptions found by auditors in quantified terms.

The net financial impact for NIM audits with a modified opinion was $92 million in 2014, or about 4.8 per cent of the total audited expenses for the fiscal year 2013. This is a slight decrease from the fiscal year 2012. This was mainly due to the auditors not having access to necessary documentation. OAI found the NIM audit process to be generally “satisfactory.”

Let me now turn to the

Investigation function

OAI’s caseload continued to increase in 2014, totaling 478 compared to 447 in 2013. However, with additional staff resources, OAI was able to finalize more cases in 2014 with a notable increase in the number of investigation reports.

As requested by the Board last year, OAI has now provided information on the financial losses and recovery thereof. The total financial loss substantiated by OAI in 2014 reports amounted to approximately $6.1 million. Of this, $5.2 million pertained to another UN organization and $900,000 pertained to UNDP. Of the $900,000, $10,800 was recovered at the time the annual report was being prepared.

I would like to inform the Board that OAI has initiated a study of UNDP’s recovery of assets lost due to theft and fraud and suggested methods to increase the rate of recovery in the future.

Pro-active investigations continued in 2014. In contrast to audits, the pro-active investigations are meant to detect occurrences of fraud or financial irregularities and are focused on the accountability of individuals who may be involved in activities detrimental to UNDP.
/Staffing and budget/

Finally, on staffing and budgeting, I would like to once again thank the Board for their support in adding seven investigator posts. The $1.5 million increase in budget for 2014 was mainly the result of the additional posts.

Of the total 80 approved posts as of 31 December 2014, 75 are encumbered as of today. Recruitment is ongoing for the vacancies.

/Conclusion/

In conclusion, I would like to state that OAI was able to effectively carry out its mandate of providing internal audit and investigation services to UNDP.

On behalf of OAI, I would like to express my appreciation for the continuing support of UNDP senior management, the Audit Advisory Committee, and the Executive Board.

I thank you for your attention.