Monsieur Le Président, Mesdames et Messieurs les Représentants au Conseil d’Administration, Mesdames, Messieurs,

I am pleased to introduce the report on internal audit and investigation activities in 2014 under our new name, the Office of Audit and Investigation Services (OAIS). As in the past, the report of the Audit Advisory Committee is appended to the OAIS report. The Committee’s report has been prepared independently and the Chairperson, Mr. Liengsririwat, is present to respond to your queries.

I would like to confirm that, in 2014, OAIS has been independent, being free to determine the scope of its work, perform it and communicate the results thereof. I would also like to confirm that OAIS has conducted its internal audit and investigation work according to the professional standards spelled out in its Charter. Conformance with the standards in internal audit will be tested anew through an external quality assessment later this year. OAIS foresees to do so for investigation in 2016, resources permitting.

I would now like to highlight a few key points. First, on internal audit.

OAIS brings a systematic and disciplined approach to assess, and improve, the effectiveness of UNFPA governance, risk management and control processes to help the Organization accomplish its objectives. To provide assurance on these processes, our internal audit work is risk-based, and 2014 was no exception.

Our audit strategy is to use OAIS staff, augmented by personnel from local audit firms and individual consultants, to audit a mix of high- and medium-risk business units and corporate processes (and a few joints audits). These are chosen through a rigorous audit risk assessment, according to a planned audit cycle for high- and medium-risk entities. This cycle depends heavily on resources at our disposal. While keeping a four-year rolling horizon, to maximize resource efficiency and manage our workload, audit engagements are purposefully planned in any given year in a staggered way, to reach varying stages of completion at year-end.

Further, the lessons learned from performing several desk audits in past years, in particular the difficulty to obtain complete and reliable supporting documentation in a timely manner, led us to consider obtaining assurance for low-risk entities differently. A continuous auditing process will be gradually implemented, starting this year.

Monsieur Le Président,

Let me now say a few words pertaining to our internal audit achievements.
The **audit risk assessment** for 2014 included, as in past years, quantitative and qualitative analyses, and extensive consultations with Management across UNFPA, both functionally and geographically. We also interacted with the Board of Auditors. We are grateful for all these rich and constructive interactions. The salient points of the assessments, both for business units and corporate processes, were shared in this report; they have not fundamentally changed between 2013 and 2014 and I will not elaborate on them here.

Based on the risk assessment conducted in late 2013 and the resources budgeted for 2014, 26 engagements were planned, with staggered stages of completion. In the spirit of transparency, this **original plan** was fully disclosed in the report.

An audit plan is however not static; it has to adapt to changing circumstances, whether external or internal. The Ebola outbreak, the deteriorating security situation in some countries, major changes in processes, staff leaving or not joining OAIS as planned, as well as intense interactions with Management on audit reports, just to name the most important ones, led us to reschedule or swap engagements wherever possible, and in some cases to abort the audit altogether. Any change had a replication effect on starting dates of swapped engagements later than original ones, or slowing down other engagements. Through adaptability and flexibility, for which I have to thank my dedicated team, our **revised plan** included 22 engagements, with all audit field work -except one- completed at year-end 2014, but with fewer than expected final reports issued. Concurrently, we also provided extensive advisory support to Management on numerous initiatives, which I will briefly cover later.

Our aggregate **audit findings** indicated challenges similar to those of previous years, in particular in programme management and monitoring. At the same time, we continued to observe improvements in the operations area; we hope to see this trend persist. We also noted that our audit findings largely overlap with those of the Board of Auditors.

**Implementing recommendations** is a continuous process. Management, with the active support of the Audit Monitoring Specialist, has been diligent, with most recommendations outstanding at year-end stemming from 2014 audit work, and a few -but key ones- remaining from previous years. We look forward to seeing Management’s efforts bear fruit in 2015 and the years to come, and the positive and productive momentum be maintained. Providing with sufficient evidence of implementation will allow us to close recommendations as expeditiously as possible. Further, we encourage Management to consider all challenges raised and the responses thereto in a holistic manner.

With the budgeted **resources** for internal audit for 2014-2017, it is expected that, assuming a full staff complement of 10 internal audit professionals and funds for professional services and travel, the planned four-year average audit cycle on our roughly 140 business entities and 40 corporate processes will decrease from 10 to 6 years for high-risk business units, 17 to 13 for middle-risk ones but remain at 19 years for corporate processes.
Whether resources are commensurate with the risk appetite of the Organization and the expected level of assurance, while responding to Management’s demand for advisory services, is a key issue. We stand ready to support further discussions with the Board and Management on this matter.

Monsieur Le Président, Distinguished Delegates,

Let me now turn to investigations.

2014 was the first full year under our expanded mandate covering all types of allegations, whether internal - those related to the staff of UNFPA, or external - those related to individual consultants, vendors or implementing partners.

As you can note from the report, our **2014 caseload** significantly increased and reflects the shift in our mandate. We have reviewed more cases than ever before. We closed 41 after a thorough preliminary assessment and 20 after a full-fledged investigation - almost three times as many as in 2013. Annex 6 to the report provides more details on allegations that were fully investigated: roughly 60 per cent were internal and 40 per cent were external; ‘other misconduct’ and ‘fraud’ were the dominant types.

Despite the dedication of the investigation team which was almost constantly reinforced by external consultants, and despite putting on hold any advisory activity (for instance, raising awareness on fraud), our **portfolio of outstanding cases** increased at year-end, and it continues to do so.

The staffing – and skill set – has however not changed since 2012. As mentioned in the report, the situation has become unsustainable. It calls for a reassessment, commensurate with our expanded mandate.

Turning to **management actions on investigation conclusions and recommendations**, we are pleased to note the supportive “tone at the top”, by the Executive Director and Management, which led to sanctions taken against the parties involved and 84 per cent of losses identified in 2013 being recovered. As investigators, this encourages us to pursue relentlessly our efforts.

Monsieur le President,

2014 has also seen an unprecedented level of **advisory demands** on OAIS. These demands pertained to new or revised policies and tools, as well as the rise in non-core funding, with the correspondingly increasing number of draft agreement clauses to review for audit and investigation. As this was unsustainable, in 2015, we are only attending to resource mobilization and reviewing agreements, while continuing to fulfill our role as Focal Point for the Joint Inspection Unit and the Secretariat of the Audit Advisory Committee.
Last but not least, in order to improve accountability, and ultimately the trust in the UN system, we pursued our participation in **joint internal audit and investigation activities**. We were actively involved in several joint audits and in UN-RIAS. We were also involved in UNRIS (the equivalent of UN-RIAS for investigation) and in the finalization and adoption of the guidelines for the external review mechanisms for investigation at the Conference of International Investigators.

**In conclusion, Monsieur le Président,**

2014 was an extremely busy year for us, as well as for the Organization. We have been very grateful for the fruitful interactions with and support of the Executive Director, Management and all our colleagues throughout UNFPA, as well as the Audit Advisory Committee and, importantly, Member States. We look forward to experiencing the same level of support in 2015.

I would also like to reiterate my thanks to the OAIS team; what is before you today is the result of our collective and focused efforts.

Thank you.

(Check against delivery)