Statement by the UK on behalf of Canada, Denmark, Finland, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Sweden, the United States and the United Kingdom.

Item 12 - Reports of UNDP, UNFPA and UNOPS on internal audit and oversight, and management responses

Mr President,

I am pleased to deliver this statement on behalf of Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Sweden, the United States and my own country, the United Kingdom.

We would like to thank UNDP, UNFPA and UNOPS for the annual reports from their respective Internal Audit and Investigation Offices, Audit Advisory Committees and the accompanying management responses. Each report demonstrates the professionalism and high standards of these offices, their commitment to continued quality improvement of their functions and the key role they play in assessing their organisations’ governance, risk management and control framework.

We welcome the continued progress each agency has made in addressing internal audit-related issues in 2014 and the positive steps taken to address weaknesses in high priority areas. In this respect we reiterate the importance of each organisation implementing all audit recommendations as a matter of priority.

We also welcome the transparency achieved through these reports and their accompanying management responses being made publicly available and easily accessible.

We would like to take this opportunity to make some comments.

Firstly on the reports themselves, we welcome the detail that has been provided on risk, implementation of audit workplans and the work undertaken on investigations and advice. While useful we believe that the reports would benefit from commentary on the overall adequacy and effectiveness of the governance, risk management and control framework being assessed, in the form of an assurance opinion limited to the risk-based audit work undertaken. This would bring the reports in line with
international best practice and enhance the value of the document to both the organisations and member states, providing a clearer understanding about what risks are systemic and endanger strategic objectives, and which are minor and easy to solve. It would also allow better informed choices around risk appetite and resourcing.

We also ask that where an overall opinion of assurance is not feasible, then understanding the reasons why, setting them out and suggesting a way of developing such an opinion in future reports would be a useful inclusion.

Secondly, we would like to discuss resourcing in more detail. We reiterate our desire for both UNDP and UNFPA management to prioritise the provision of adequate financial and human resources to their respective internal audit and investigations offices.

In this regards, pursuant to last year’s Board decision, we note the inclusion in the OAI and OAIS reports of information on staffing and resourcing. In the case of UNDP we also welcome the confirmation that OAI was able to effectively carry out its planned audits and necessary investigation activities with the resources available. With respect to UNFPA, we note the negative impact that vacancies have had on implementing the length of the audit cycle.

With this in mind we ask the respective heads of audit and oversight to include a statement in future reports to the Executive Board as to whether or not the resourcing of their function is appropriate in enabling them to undertake their activities effectively.

Thirdly, we welcome the risk based approach applied by OAIS and OAI, in particular the thorough presentation of the risk assessments undertaken by OAIS. We would welcome similar detail from OAI in future reports. We note however, the longer audit cycle for high risk areas in UNFPA in comparison to other UN organisations.

Regarding UNDP, we welcome the important initiatives undertaken by OAI, including the launch of a proactive investigation model and pilot performance audit approach to address problems before they spread, and the targeted work on systems and processes to ensure they are efficient, effective and support the achievement of
strategic objectives. We also welcome their work on developing policy frameworks and guidelines and supporting social and environmental compliance.

We are appreciative of the high quality work all three audit functions undertake throughout the year. At the same time to improve transparency it would be a positive step to see the international audit standards adhered to being included in future annual reports.

Mr President,

We ask that management continue to reflect on the assurance they are receiving from internal audit and the coverage it currently provides, and look forward to the presentation of actions from UNFPA in this regard at the second regular session next year, as set out in decision 2015/5. We also stress the need for an effective recruitment and entry-on-duty process to be in place to ensure internal audit are able to carry out their mandates and provide the necessary assurance.

We welcome the adoption by the Chief Executive Board of the “three lines of defence” model in effective risk management and control for the UN system. We look forward to an assessment of whether UNFPA and UNDP’s 1st and 2nd lines of defence provide adequate assurance.

Recurring issues

There are a number of recurring issues for all three agencies around programme management, financial management, inventory management, staff capacities, national implementation and execution, procurement and the challenges around full implementation of Delivering as One. As regards UNDP, we emphasise procurement as a recurring weakness in audits, the most common area for substantiated investigations, and an area of Audit Advisory Committee concern. It is of highest importance that procurement procedures, related decisions and practices are transparent, fair and adhere to the adopted rules.

We welcome the information supplied in the management responses of the steps each organisation is taking to address these challenges, and encourage them to intensify their efforts. We welcome the steps management have outlined in responding to these challenges and would be interested to hear whether more audits
of corporate processes are being considered, particularly to address some of the higher risk issues.

With respect to UNFPA, we expressed our concerns at the January Board on the absence of a comprehensive approach to risk management. We urge management to coordinate their risk management strategy with the revisions currently being made to the internal control framework and look forward to updates at future board meetings.

We are pleased to see the steps being taken in addressing issues around both performance management in country offices and the lack of alignment between country and regional offices. We welcome these efforts and look forward to the completion of the revised organisational handbook, which we hope will clarify the terms of reference for regional, country and headquarter units.

**Investigations**

Turning finally to investigations, we welcome the follow up provided by UNDP and UNFPA to allegations of fraud and other wrong-doing. This is critical to the good functioning of both organisations.

We appreciate the increasing focus on external as well as internal fraud, the significant increase in finalised cases, investigations reports prepared and management letters issued. We also welcome the enhanced sharing of lesson learning from investigations which is critical to ensure system weaknesses or control lapses are addressed. In respect to UNDP we also appreciate the introduction of proactive investigations.

We also appreciate the inclusion of the amount of defrauded funds actually recovered. We note the challenges of this undertaking but urge each organisation to do all they can to ensure defrauded funds are recovered to the organisation. We ask that future reports include details of recoveries from previous years to provide a thorough overview of total losses and recoveries.

We recognise the increasingly complex and time consuming nature of the investigations, offices' are involved in, and for UNFPA the reliance on external
consultants to manage the caseload. We acknowledge and express our concern regarding the unsustainable approach the latter presents.

We conclude by emphasising the importance of prompt follow up to finalised cases by the appropriate functions and committees, to ensure sanctions are imposed where applicable, and we encourage each organisation to strengthen reporting in this regard.

Mr President,

Thank you for your attention.