



**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 2021**

*Summary*

This report provides information on the activities of the Office of Audit and Investigations for the year ended 31 December 2021 and a summary of investigation activities conducted during the year. It includes an opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the entity's framework of governance, risk management and control; 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 report provides an overview of the status of implementation of internal audit recommendations. It also includes the titles of all internal audit reports issued during 2021 and ratings received (decision 2013/24), and 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. The annual report of the independent Audit and Evaluation Advisory Committee, prepared in accordance with the guidelines contained in the UNDP accountability framework (DP/2008/16/Rev.1), is appended.

As a result of the COVID-19 pandemic the work of the office was completed remotely in 2021; scope limitations in the audits were identified and reflected in the audit reports issued.

*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 agencies<sup>1</sup> in line with Executive Board decision 2020/10; (b) express continuing support for the internal audit and investigation functions of UNDP; and (c) take note of the annual report of the independent Audit and Evaluation Advisory Committee which should be reviewed as a separate document within the framework of this report.

<sup>1</sup> 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.



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### **Annexes** (available on the Executive Board website)

1. Audit and advisory reports issued in 2021
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### **Appendix** (available on the Executive Board website)

Annual report of the Audit and Evaluation Advisory Committee for 2021

## I. Introduction

1. This report provides the Executive Board with a summary of the internal audit, advisory services and investigation activities conducted in 2021 by the Office of Audit and Investigations (the office). It provides an overall opinion on the adequacy and effectiveness of UNDP's governance, risk management and control processes of the entity.
2. The criteria to form this opinion include the results of internal audits in 2021; audits of projects directly implemented by UNDP; the review of audits of UNDP projects executed by non-governmental organizations and/or national governments; the implementation rate of audit recommendations from this and prior years, including long-outstanding recommendations; and management letters relating to investigations. The qualitative nature of the audits, advisory services and investigations results was given due consideration in the overall opinion.

## II. Mandate

3. The office aims to provide UNDP with a system of independent and objective internal oversight to improve the effectiveness and efficiency of its operations in achieving its development goals and objectives. The purpose, authority and responsibility of the office are defined in the charter approved by the Administrator of UNDP (see annex 7). As required by the international standards of the Institute of Internal Auditors, the charter has been reviewed and reflects all activities and areas of responsibility of the office.
4. The international professional practices framework of the Institute of Internal Auditors 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 Administrator of UNDP 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 2021, it was free from interference in determining its audit and investigation scope, performing its work and communicating its results.
6. All audit staff completed the Statement of Integrity, Objectivity and Confidentiality for 2021, certifying their adherence to the code of ethics and core principles of the Institute of Internal Auditors and to the UNDP code of ethics.
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 2021 showed that clients were satisfied with the conduct of audits.
8. The office continued to receive good support from UNDP senior management. The Director participated in meetings of the Organizational Performance Group with the heads of the other oversight offices, 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. It also held 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 oversight body of UNDP, provided advice to the Administrator on maximizing the effectiveness of UNDP internal audit and investigation functions. In 2021, the committee reviewed the office's 2021 annual workplan and its implementation through quarterly progress reports.
10. Due to the COVID-19 pandemic, the office continued to implement its workplan remotely during 2021; scope limitations were identified and reflected in the audit reports issued. Most investigations were conducted remotely, and limited field missions took place.

### III. Opinion

11. UNDP management is responsible for adequately designing and effectively maintaining governance, risk management and control processes to ensure that organizational objectives are achieved. The office is responsible for independently assessing the adequacy and effectiveness of these 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 (Global Fund). The basis of the opinion is detailed in Annex 6.

#### Scope limitations

12. The office identified certain scope limitations regarding audits conducted remotely in 2021 due to the COVID-19 pandemic. These included:

- (a) A review of original supporting documentation could not be carried out, requiring the audit teams to depend on scanned copies.
- (b) Meetings with office staff and personnel of the audited entity were carried out virtually, which limited the understanding of the office's working environment.
- (c) Project site visits, including in-person meetings with counterparts/local beneficiaries, were not conducted.
- (d) A physical verification of assets and inventory was not performed.
- (e) Safe contents and petty cash were not verified.
- (f) Information and communication technology was not reviewed on site.

13. For further details regarding the criteria for the office's overall opinion, see annex 6.

#### Overall opinion

14. Based on the scope of work issued between 1 January and 31 December 2021, it is the opinion of the Office of Audit and Investigations that the elements of governance, risk management and control covered in the audit reports issued in 2021 were, in aggregate, 'satisfactory/some improvement needed'. This means that the majority of business units or projects audited in 2021 were adequately established and functioning but need some improvement.

### IV. Statement of conformance to internal audit standards

15. The office conducts its internal audit work in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. These were adopted for use by the representatives of the internal audit services of the United Nations system organizations in June 2002.

16. 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. The most recent assessment was completed in May 2017, and the office received the top rating of 'general conformance' with the International Standards for the Professional Practice of Internal Auditing and with the Institute of Internal Auditors' code of ethics.

### V. Budget and staffing

#### *Budget*

17. In 2021, the office had an approved budget of \$21.82 million funded from institutional budget resources (see table 1). This excludes the office's portion of annual rent, which is \$971,000.

18. The office received an additional \$1.19 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.

19. In 2021, the office's expenditures (excluding Global Fund) reached \$19.05 million, leaving an unspent balance of \$2.77 million. The unspent balance resulted from savings of \$1.4 million from the staff budget (due to vacant posts) and of \$1.3 million due to reduced travel expenditure because of COVID-19.

**Table 1. Resources in 2021, excluding Global Fund**

| Category                                   | Budget<br>(millions of<br>United States<br>dollars) | Expenditures<br>(millions of United<br>States dollars) |
|--|---|--|
| Audit                                      | 9.65  | 8.80   |
| Investigations                             | 9.32  | 7.69   |
| Management and support                     | 1.66  | 1.39   |
| Quality assurance                          | 1.09  | 1.17   |
| Audit and Evaluation<br>Advisory Committee | 0.1   | 0.00   |
| <b>Total</b>                               | <b>21.82</b>  | <b>19.05</b>   |

#### *Staffing*

20. As of 31 December 2021, the office had 93 approved posts.

#### *Recruitment process*

21. Of those 93 posts, 84 were encumbered and 9 were vacant at the end of 2021. The recruitments of seven of the nine posts were completed by 31 December 2021 and the incumbents were scheduled to join the office in the first quarter of 2022. In 2021, the average vacancy rate was 9.7 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).

22. The office conducted a total of 12 recruitment processes during 2021, recruiting eight new staff and promoting four office staff to higher level positions. Among the eight recruits, five were male and three were female. Of the staff promoted, one was female and three were male. Among the 12 recruitments completed in 2021, 11 posts were at the professional level and 1 (a male) was at the deputy director level (see table 2).

**Table 2. The office's staff recruited in 2021, by gender**

| Gender       | New recruit | Promotion | Total     | Per cent    |
|--------------|-------------|-----------|-----------|-------------|
| Male         | 5           | 3         | 8         | 67%         |
| Female       | 3           | 1         | 4         | 33%         |
| <b>Total</b> | <b>8</b>    | <b>4</b>  | <b>12</b> | <b>100%</b> |

## **VI. Implementation of the 2021 risk-based audit plan**

### **Risk-based audit planning and completion of the annual workplan**

23. The office formulated the 2021 audit plan after conducting a comprehensive risk assessment of its auditable areas in UNDP, including the United Nations Volunteers, United Nations Office for South-South Cooperation and United Nations Capital Development Fund (UNCDF). The planning process was participatory, involving a series of discussions with senior management and heads of concerned bureaux on the results from risk assessment models. The office consulted the United Nations Board of Auditors

to ensure adequate audit coverage of UNDP and to minimize duplication of efforts in providing assurance to the Administrator and the Executive Board.

24. 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 the UNDP enterprise risk management categories of risks. The final selection of audits may be adjusted after consultation with management. To distribute resources efficiently, entities ranked ‘very high risk’ are generally audited every two years; those ranked ‘high risk’ every three years; ‘medium risk’ every four to five years; and ‘low risk’ every five to six years.

25. The approved annual workplan for 2021 initially included 92 audit assignments. It was later adjusted to 146 assignments, due to significant additions to the number of planned advisory services and audits of directly implemented projects. As of 31 December 2021, the office had completed fieldwork for all of its 146 assignments and issued 142 reports (see table 3).

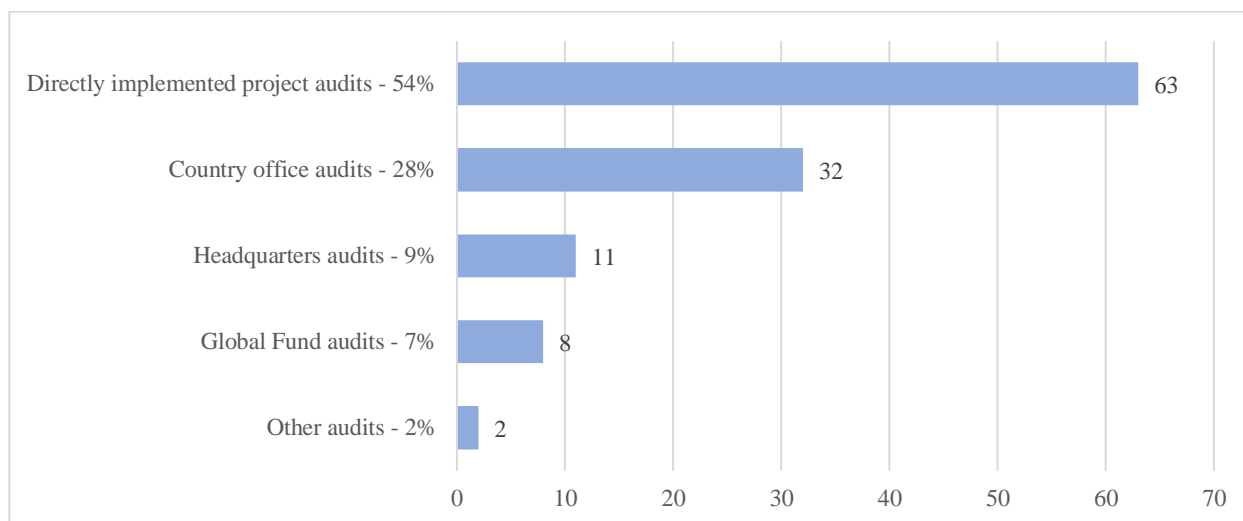
**Table 3. Implementation of the 2021 annual workplan**

| <b>Audit type</b>             | <b>Approved annual workplan</b> | <b>Revised annual workplan</b> | <b>Implementation of revised annual workplan</b> |
|-------------------------------|---------------------------------|--------------------------------|--|
| Advisory services             | 1                               | 28                             | 26   |
| Country office                | 34                              | 34                             | 32   |
| Directly implemented projects | 41                              | 63                             | 63   |
| Global Fund                   | 7                               | 8                              | 8  |
| Headquarters                  | 9                               | 11                             | 11   |
| Other audits                  | 0                               | 2                              | 2  |
| <b>Total</b>                  | <b>92</b>                       | <b>146</b>                     | <b>142*</b>                                      |
| <b>Per cent</b>               |                                 |                                | <b>97%</b>                                       |

\*As of 31 December 2021, reports of four assignments (two country office audit reports and two advisory notes) were pending issuance.

26. In 2021, the office issued 116 audit reports and 26 advisory services notes/memos. The 116 audit reports consisted of 11 headquarters audits, including 1 follow-up report and 1 consolidated report on non-governmental organization/nationally implemented project audits (9 per cent); 32 country office audit reports (28 per cent); 8 Global Fund audits (including 1 consolidated report) (7 per cent); 63 audits of directly implemented projects, including 4 directly implemented project audits of UNCDF projects (54 per cent); and two other audits, consisting of forensic audits (2 per cent) (see figure 1). The 26 advisory services consisted of 15 memos for the review of write-off requests (58 per cent) and 11 advisory services in the areas of finance, procurement, human resources and information technology (42 per cent). In accordance with decision 2013/24, annex 1 presents the titles and ratings of all internal audit reports and advisory services issued in 2021.

**Figure 1. Number, percentage\* and type of audit reports issued in 2021**



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

27. In 2021, 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 58 days per report against the target of 90 days, for headquarters, country office, Global Fund and directly implemented audits (see table 4). Complete information regarding the office key performance indicators is outlined in annex 5.

**Table 4. 2021 Key performance indicator:  
Average number of days to issue reports**

| Audit type                           | Target 2021 | Number of days* |
|--------------------------------------|-------------|-----------------|
| Headquarters audits                  | 90          | 60              |
| Country office audits                | 90          | 64              |
| Global Fund audits                   | 90          | 50              |
| Directly implemented projects audits | 90          | 56              |

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

28. The combined expenditure for 98 country-level audits (country office audits, directly implemented project audits and Global Fund audits, excluding four UNCDF project audits and one Global Fund consolidated report) was \$2.2 billion (45 per cent) of the \$4.9 billion in UNDP field-level expenditures in 2021. An additional \$0.9 billion in expenditure coverage was obtained by third-party audits of non-governmental organizations and nationally implemented projects.

29. During 2021, the Audit and Evaluation Advisory Committee reviewed implementation of the annual workplan through quarterly progress reports and meetings with the Office of Audit and Investigations management in April, June and November.

30. 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

31. For country office, Global Fund and headquarters audits, the office assigns an audit rating<sup>2</sup> 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, financial audits of directly implemented projects, consolidated audit reports or forensic audits.

32. Of the 116 audit reports, 56 covered project financial statements and did not contain an overall rating on the governance, risk management and internal controls. Of the remaining 60 reports, 26 (43 per cent) had a ‘fully satisfactory’ rating; 25 (42 per cent) received a ‘satisfactory/some improvement needed’ rating; 8 (13 per cent) had a ‘partially satisfactory/major improvement needed’ rating; and 1 report (2 per cent) was rated ‘unsatisfactory’ (see table 5).

**Table 5. Distribution of audit ratings by audit area and region 2021**

| Audited area  | Number of audits | Fully satisfactory | Satisfactory/<br>some improvement needed | Partially satisfactory/<br>major improvement needed | Unsatisfactory |
|---|------------------|--------------------|--|---|----------------|
| <b>Country office audits</b>  | <b>32</b>        | <b>8</b>           | <b>16</b>                                | <b>7</b>  | <b>1</b>       |
| Regional Bureau for Africa  | 13               | 1                  | 8  | 3   | 1              |
| Regional Bureau for Asia and the Pacific                              | 6                | 3                  | 3  | –   | –              |
| Regional Bureau for Latin America and the Caribbean                   | 6                | 3                  | 2  | 1   | –              |
| Regional Bureau for Europe and the Commonwealth of Independent States | 4                | 1                  | 2  | 1   | –              |
| Regional Bureau for Arab States                                       | 3                | –                  | 1  | 2   | –              |
| <b>Global Fund audits</b>   | <b>7</b>         | <b>3</b>           | <b>4</b>                                 | <b>–</b>  | <b>–</b>       |
| Regional Bureau for Africa  | 5                | 1                  | 4  | –   | –              |
| Regional Bureau for Latin America and the Caribbean                   | 1                | 1                  | –  | –   | –              |
| Regional Bureau for Europe and the Commonwealth of Independent States | 1                | 1                  | –  | –   | –              |
| <b>Headquarters audits</b>  | <b>9</b>         | <b>3</b>           | <b>5</b>                                 | <b>1</b>  | <b>–</b>       |
| <b>Directly implemented projects audits*</b>                          | <b>12</b>        | <b>12</b>          | <b>–</b>                                 | <b>–</b>  | <b>–</b>       |
| Regional Bureau for Africa  | 4                | 4                  | –  | –   | –              |
| Regional Bureau for Asia and the Pacific                              | 1                | 1                  | –  | –   | –              |
| Regional Bureau for Latin America and the Caribbean                   | 2                | 2                  | –  | –   | –              |
| Regional Bureau for Europe and the Commonwealth of Independent States | 3                | 3                  | –  | –   | –              |
| Headquarters  | 2                | 2                  | –  | –   | –              |
| <b>Total</b>  | <b>60</b>        | <b>26</b>          | <b>25</b>                                | <b>8</b>  | <b>1</b>       |

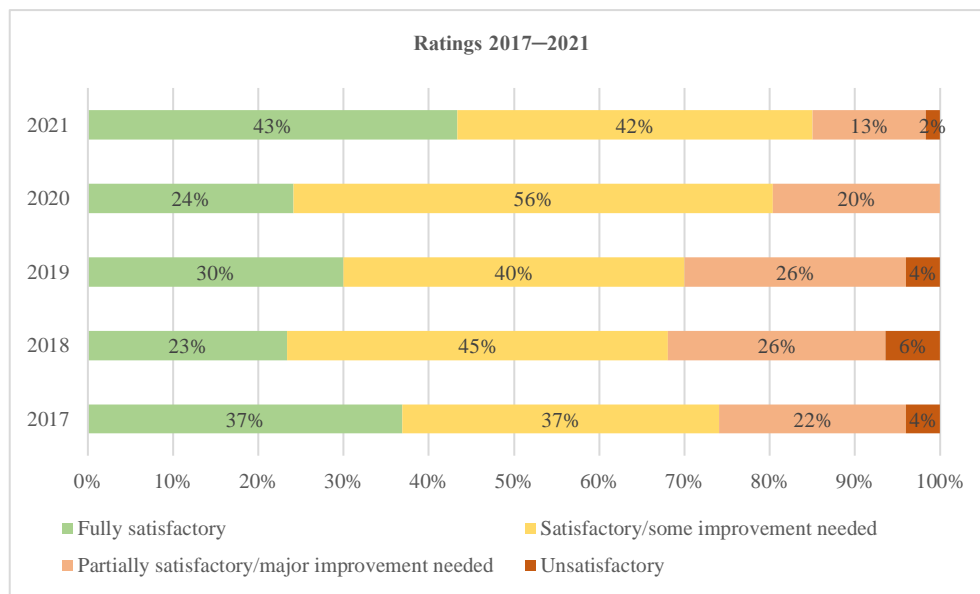
<sup>2</sup> In 2021, the office introduced a slight change in the denomination of two of the four ratings. The prior rating ‘satisfactory’ was changed to ‘fully satisfactory’, while the prior ‘partially satisfactory/some improvement needed’ rating was changed to ‘satisfactory/some improvement needed’.



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

33. Comparing the distribution of audit ratings in 2021 with that of 2020 shows an increase in ‘fully satisfactory’ ratings; a decrease in ‘satisfactory/some improvement needed’; a slight decrease in ‘partially satisfactory/major improvement needed’ ratings and an increase in ‘unsatisfactory’ ratings (as there were no reports with ‘unsatisfactory’ ratings in 2020). The comparative ratings since 2017 are shown in figure 2.

**Figure 2. Overview of internal audit ratings, 2017–2021**



## VII. Implementation of audit recommendations

### Implementation rate

34. The implementation rate of internal audit recommendations was 95 per cent as of 31 December 2021. The rate covered all reports issued by the office from 1 January 2019 to 30 November 2021. The aging status of recommendations as of 31 December 2021 is shown in table 6.

35. There were six long-outstanding audit recommendations that had not been fully implemented for 18 months or more as of 31 December 2021 (see annex 2), compared to no long-outstanding recommendations as of 31 December 2020. Of the six recommendations, three were ranked ‘high priority’. Three of the six recommendations pertained to the Global Fund audit of UNDP Sudan. Two recommendations pertained to the performance audit of UNDP regional hubs. The remaining recommendation was related to the audit of UNDP Iraq.

**Table 6. Aging status of recommendations as of 31 December 2021**

| Priority     | Total outstanding recommendations | < 12 months | 12–18 months | >18 months |
|--------------|-----------------------------------|-------------|--------------|------------|
| High         | 52                                | 41          | 8            | 3          |
| Medium       | 91                                | 71          | 17           | 3          |
| <b>Total</b> | <b>143</b>                        | <b>112</b>  | <b>25</b>    | <b>6</b>   |

**Withdrawn recommendations**

36. In 2021, the Director of the office withdrew eight recommendations from audit reports issued in 2020 and 2021. Four recommendations were withdrawn because they were no longer applicable. The remaining four recommendations were withdrawn due to the acceptance of residual risks by management. A more detailed overview is provided in annex 3.

**VIII. Key internal audit and advisory results****Headquarters audits**

37. The office conducted 10 headquarters audits and issued one consolidated audit report in 2021. Of those, five were performance audits, covering the Regional Bureau for Europe and the Commonwealth of Independent States; global procurement; enterprise risk management; gender equality and empowerment of women; and the accelerator labs. The remaining six audits covered the UNDP Seoul Global Policy Centre; decentralized digital initiatives; MS-Azure; write-off processes; and follow-up on the Global Environment Facility audit. There was also a consolidated report on the audits of UNDP projects implemented by non-governmental organizations/national institutions and Global Fund sub-recipients.

38. The performance audit of the Regional Bureau for Europe and the Commonwealth of Independent States, and the audits of UNDP Seoul Global Policy Centre and Decentralized Digital Initiatives resulted in an overall rating of ‘fully satisfactory’.

39. The performance audits of UNDP global procurement, enterprise risk management, gender equality and empowerment of women, accelerator labs and MS-Azure resulted in an overall rating of ‘satisfactory/some improvement needed’. For the audit of UNDP global procurement, the rating was due to weaknesses in governance, including the absence of a global governance strategy and weaknesses in the organizational structure of the Office of Procurement. The rating of the enterprise risk management audit was due to weaknesses in risk identification practices and updating of risk logs. For gender equality and empowerment of women, the rating was due to weaknesses in reporting on gender equality results. The rating of the accelerator labs audit was due to challenges in project sustainability, management of intellectual property rights and monitoring and guidance on achievement of project results. For the MS-Azure audit, the rating was due to the suboptimal usage of cloud management tools aimed at increasing security and efficiency of the organizational resources.

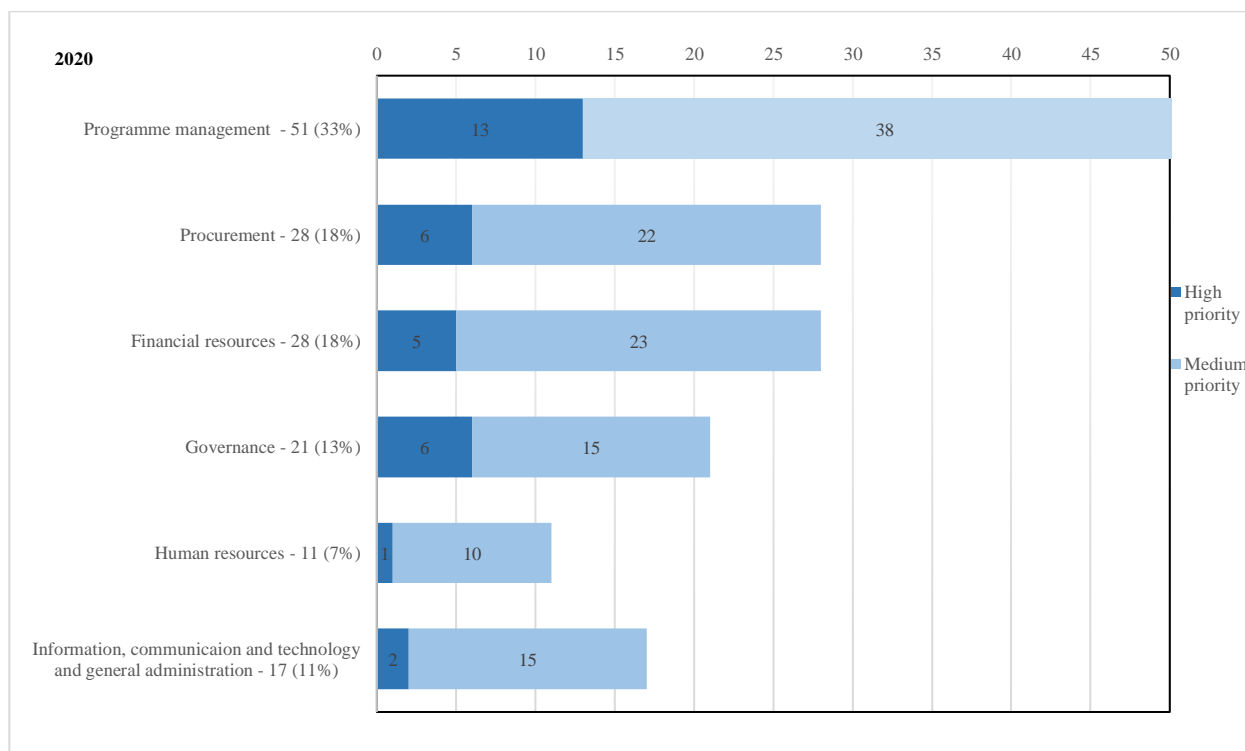
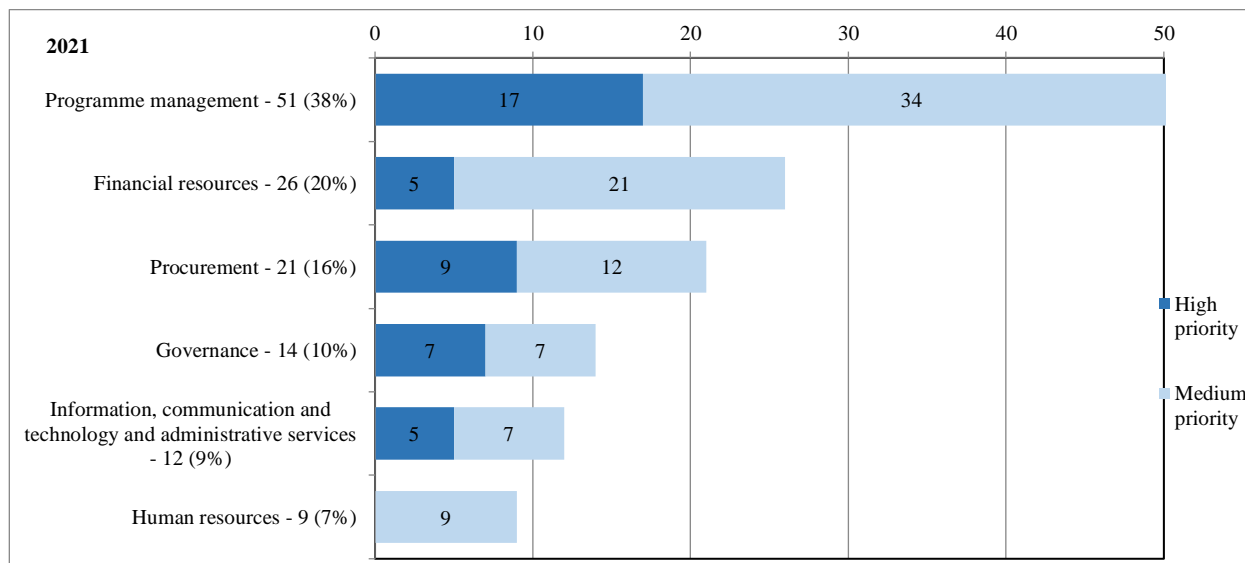
40. The audit of write-off processes resulted in an overall rating of ‘partially satisfactory/major improvement needed’. This rating was mainly due to incomplete write-off procedures; weaknesses in procedures for write-offs; inadequate follow-up of accounting procedures for financial losses; and challenges in Atlas data clean-up. The audit raised four recommendations rated ‘high priority’, meaning that prompt action was required to ensure UNDP is not exposed to high risks.

41. The 11 headquarters audit reports resulted in 40 recommendations, 12 (30 per cent) of which were ranked ‘high priority’. In the prior year, the office issued 10 headquarters audit reports that resulted in 50 recommendations, 16 (32 per cent) of which were ranked ‘high priority’.

**Country office audits**

42. The 32 country office audit reports issued in 2021 resulted in 133 recommendations, 43 (32 per cent) of which were rated ‘high priority’. In 2020, the office issued 34 country office audit reports that resulted in 156 recommendations, 33 (21 per cent) of which were rated ‘high priority’. Figure 3 provides a breakdown by audit area of the issues and recommendations for 2020 and 2021.

**Figure 3. Issues and recommendations identified in 2021 and 2020 by audit area**



43. In 2021, the office identified significant issues (recurrent in at least five offices) in the audit areas described in table 7. In 2021, programme/project management continued to receive the highest number of audit observations, including issues in project design and implementation and project oversight. In 2020 and 2021, the office raised a total of 289 recommendations; of those, 102 (35 per cent) addressed programme and project management.

**Table 7. Recurrent country office audit issues**

| Audit area                   | Recurrent audit issues  |
|------------------------------|---|
| Programme/project management | Deficiencies in project design and implementation; weaknesses in Global Environment Facility project management; ineffective project oversight; weaknesses in implementing the harmonized approach to cash transfers; inadequate use of resources; failure to establish project board; inadequate project delivery (26 offices)   |
| Finance                      | Inadequate implementation of direct project cost; outstanding government contribution to local office costs; weak payment processing and disbursement; inadequate vendor management; ineffective cost recovery measures; improper cash advances (17 offices)  |
| Procurement                  | Lack of review of procurement cases by the appropriate procurement committees; weaknesses in procurement processes and contract management; failure to seek guidance from the procurement support unit for complex, high-value procurement cases; raising requisitions and purchase orders not in accordance with corporate guidelines; weaknesses in preparing a comprehensive procurement plan in the corporate platform (PROMPT); deficiencies in selection of individual contractors (14 offices) |
| Governance                   | Financial sustainability risks; weaknesses in organizational structure; inadequate monitoring of country programme objectives (13 offices)  |
| Human resources              | Inefficient recruitment processes; non-completion of annual performance reviews and mandatory trainings; weaknesses in service contract management (7 offices)  |
| Administration               | Weaknesses in asset monitoring and oversight; inadequate travel management; weaknesses in vehicle and fuel management (6 offices)   |

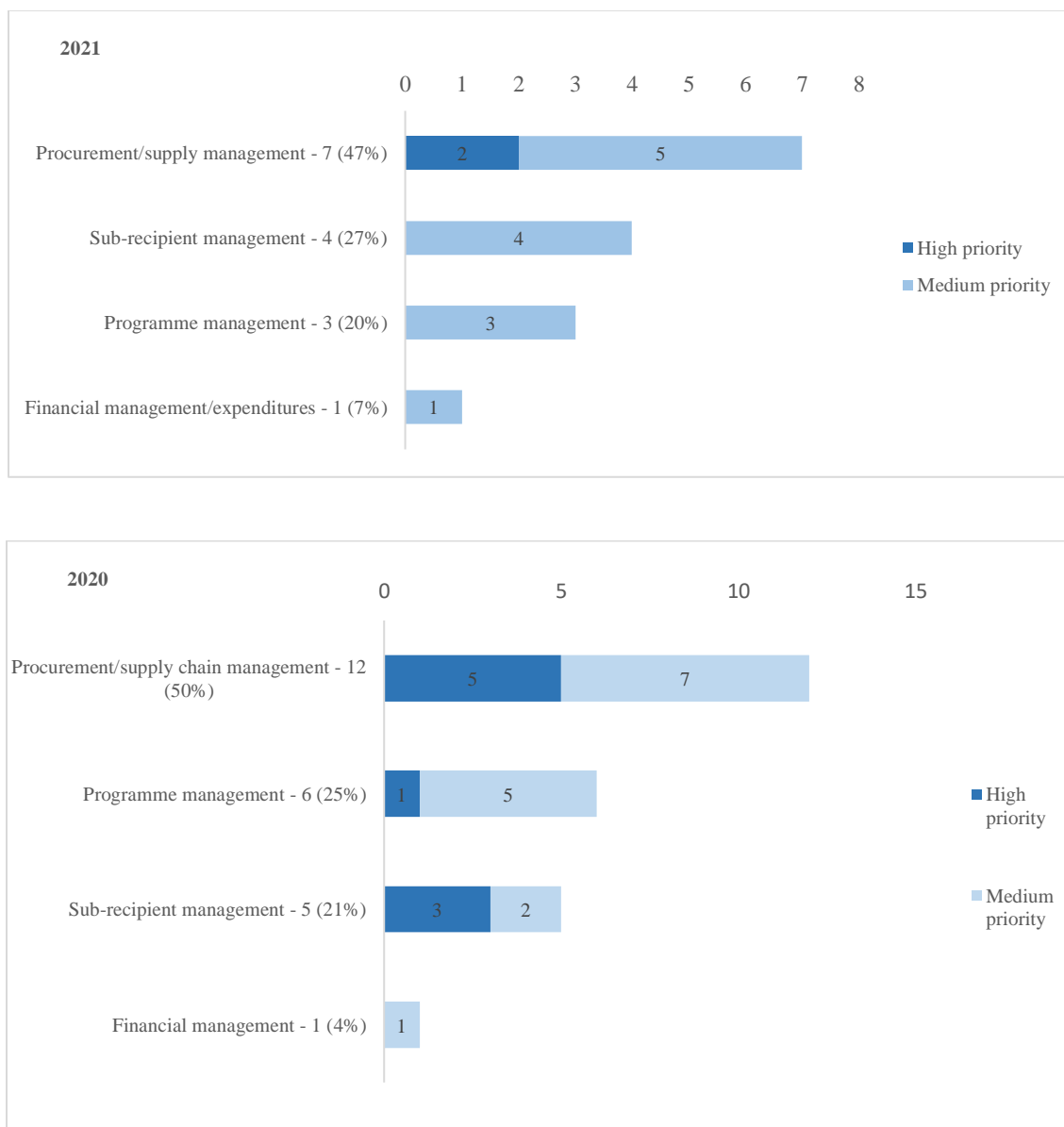
### Global Fund audits

44. The office issued eight Global Fund audit reports (seven country office reports and one consolidated report) in 2021. They covered the management of Global Fund grants in seven country offices, five in Africa, one in Europe and the Commonwealth of Independent States, and one in Latin America.

45. The seven audit reports related to grants managed by UNDP as principal recipient. Three of the audits resulted in a rating of ‘fully satisfactory’ and four a rating of ‘satisfactory/some improvement needed’. The remaining report was a consolidation of the seven reports, without a rating.

46. The seven audit reports contained 15 recommendations (2 ‘high’ priority and 13 ‘medium’ priority), 7 (47 per cent) of which were in procurement and supply chain management. The significant issues are grouped according to audit area in figure 4. Most issues noted by the office concerned procurement and supply chain management, including stock-outs of antiretroviral drugs and health commodities, and programme management, in which there were delays in the start of grant implementation and in addressing Global Fund recommended management actions.

**Figure 4. Distribution and prioritization of Global Fund audit recommendations in 2020 and 2021 internal audit reports**



**Project audits**

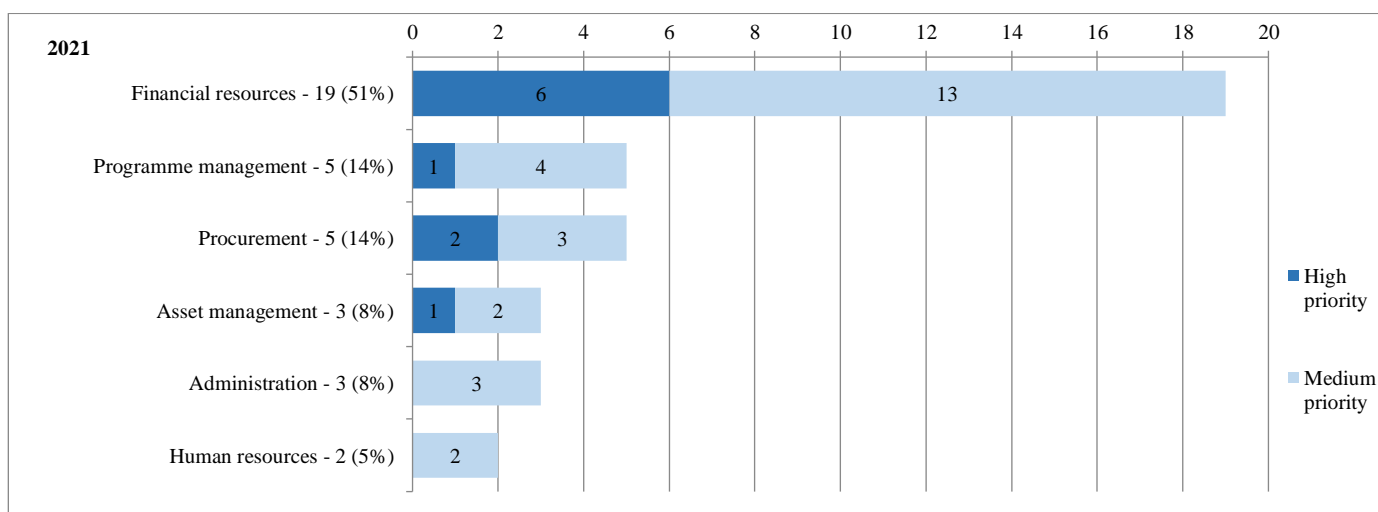
47. In 2021, 63 projects were audited separately, not as part of a country office audit, and the total audited expenditure amounted to \$674.8 million. Of those, 59 projects were directly implemented by UNDP and amounted to \$656.8 million. The remaining 4 projects, directly implemented by UNCDF, amounted to \$18 million.

48. The 59 projects were audited by firms contracted by the office, resulting in 52 unqualified, 6 qualified and 1 adverse opinion. The qualified and adverse opinions resulted in a total net financial misstatement of \$35.3 million, or 5.4 per cent of the total audited expenditure (\$656.8 million), compared to \$14.4 million or 2.3 per cent of the total audited expenditure (\$636.3 million) in 2020. Of the total financial misstatement in 2021, 80 per cent (\$28.3 million) was related to one project managed by the

UNDP country office in Iraq. Of the 59 audits, 12 also included an assessment of internal controls; in all cases these were rated as ‘fully satisfactory’.

49. The audits of the 63 directly implemented projects resulted in 37 recommendations, of which 10 were ‘high’ priority and 27 were ‘medium’ priority. This included 19 recommendations (51 per cent) addressing financial resources management, including findings such as: expenses recorded in incorrect accounting periods; advances incorrectly recorded as expenses; expenses not documented; and duplication of expenses. In 2021, 12 of the 63 audits of project financial statements included the review of governance, risk management and internal controls. Figure 5 provides a breakdown by audit area of the issues and recommendations for 2021. In 2020, all of the 37 audits conducted were of the financial statements of the projects, resulting in 17 recommendations; of those, 15 (88 per cent) addressed financial management.

**Figure 5. Issues and recommendations identified in 2021 directly implemented project audits by audit area**



**Advisory and other audit services**

50. Continuing with the expansion of its audit services, the office in 2021 revised its workplan from 1 to 28 assignments (see table 3); of these, 26 were completed by 31 December 2021. Of the 26 advisories completed, 12 were related to consultancy services in diverse areas – a 100 per cent increase compared to 6 in 2020. The remaining 14 were related to requests for write-offs that were reviewed.

51. Of the 12 consultancy services, 2 advisory engagements were related to procurement (Atlas procurement module/planning and optimization of the use of the corporate procurement planning tool, PROMPT); 2 were risk advisory notes in human resources (home leave and service contract modality transitioning to national personnel services agreements); 4 were advisories on financial management (management of direct project costing, harmonized approach to cash transfers financial audits, write-off of valued-added tax, review of financial transactions of UNDP Samoa); and 1 was an advisory note regarding asset management (custodial items). In addition, there was 1 due diligence assessment on an external partner. Finally, there were 2 advisory notes addressing information, communication and technology (the COVID response in the office of information and technology management and implementation of the NextGen enterprise resource planning system). See details in annex 1.

52. In line with rule 126.17 of UNDP Financial Regulations and Rules, and UNDP Programme and Operations Policies and Procedures, the office received and reviewed 14 requests for write-offs, 9 from country offices and 5 from headquarter units. See details in annex 1.

## IX. Disclosure of internal audit reports

53. Thirty days after issuance, all but two of the internal audit reports in the 2021 audit plan were publicly disclosed in accordance with Executive Board decision 2012/10. These reports are available on the Office of Audit and Investigations audit disclosure website (<https://audit-public-disclosure.undp.org>). No requests were received internally or from any organization or Member State requesting the redaction of audit reports.

54. While advisory reports are not published, the office provided copies to senior management and relevant staff.

## X. Investigations

### Introduction and intake

55. Following a five-year low, new case intake increased during 2020, the first year of the COVID-19 pandemic. During 2021, most investigations were conducted remotely due to the pandemic-related travel restrictions. During 2021, the office noticed a rebound in sexual misconduct complaints compared to 2020, in line with pre-pandemic numbers and trends. The office established an investigations office in Istanbul as part of a pilot to decentralize the investigation function.

56. During 2021, the office opened 285 new cases and carried over 281 cases from 2020, bringing the 2021 caseload to 566. The office closed 236 of those cases in 2021. At the end of 2021, 330 cases were carried over to 2022 (see table 8 and figure 6).

**Table 8. Investigation cases handled in 2021**

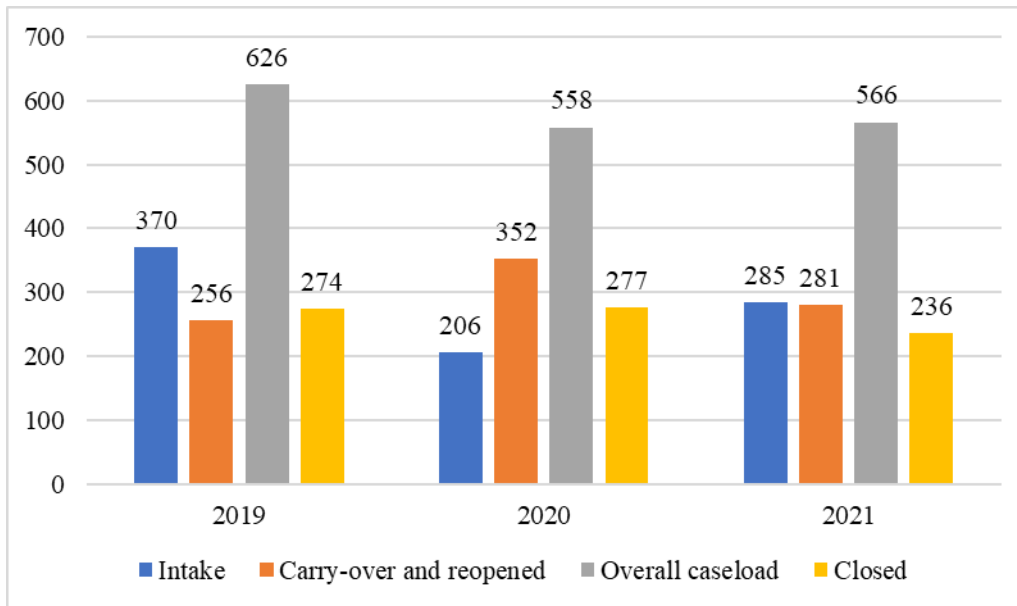
| Status of cases                      | Number of cases |
|--------------------------------------|-----------------|
| Carry-over as of 1 January 2021      | 281             |
| Intake during the year               | 285             |
| <b>Total cases during the year</b>   | <b>566</b>      |
| Closed during 2021                   | 236             |
| Cases ongoing as of 31 December 2021 | 330             |

### Types of complaints

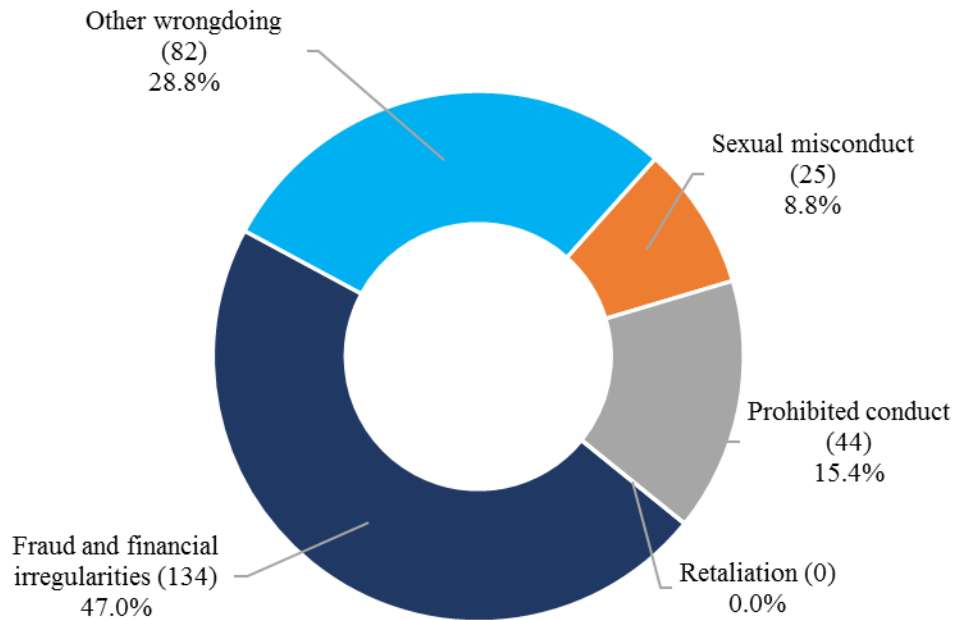
57. As part of an initiative to harmonize oversight annual reporting among United Nations organizations,<sup>3</sup> the intake of new cases is presented in five broad categories (see figure 7 and table 9). The same cases are then further broken down into specific categories (see figure 8).

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

**Figure 6. Intake, completion and caseload comparison, 2019–2021**



**Figure 7. Office of Audit and Investigations case intake 2021**



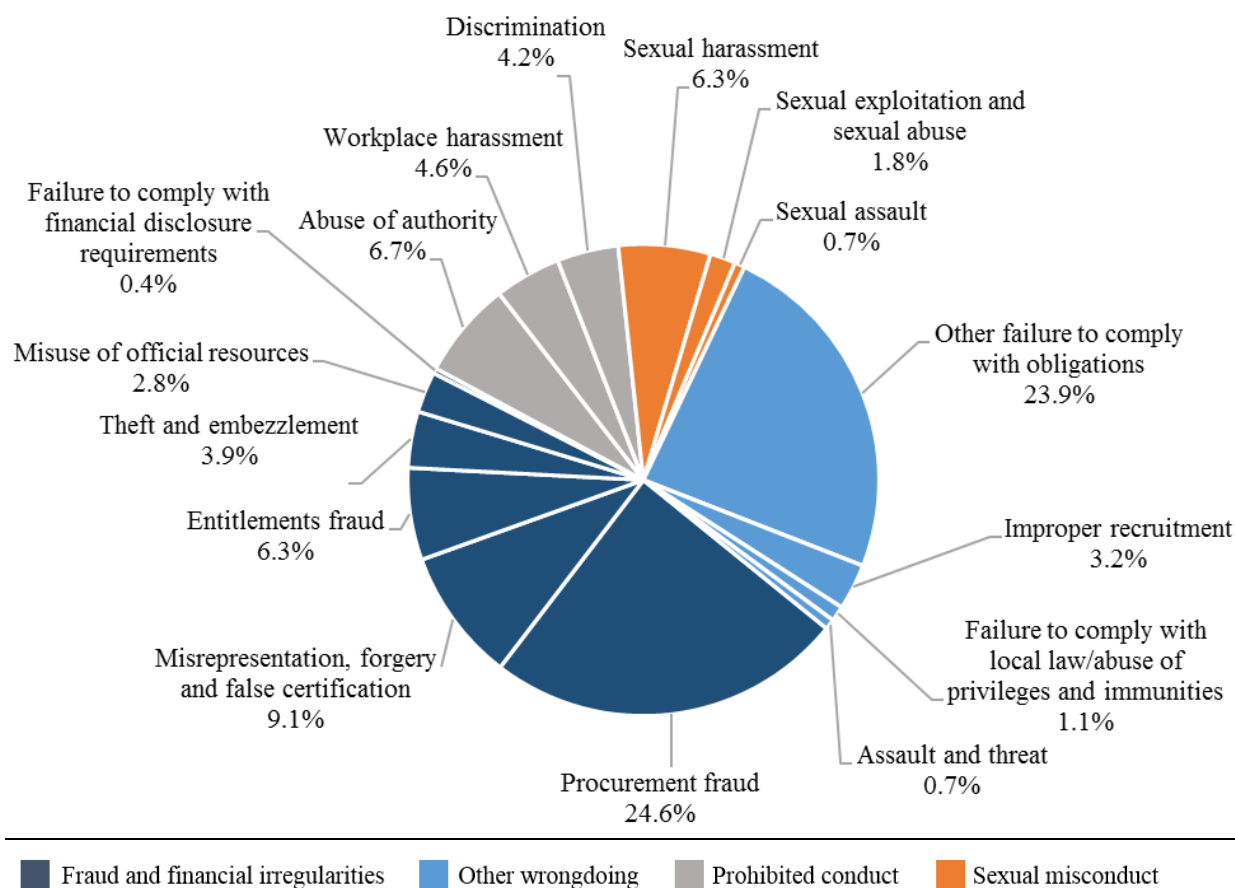


**Table 9. Office of Audit and Investigations intake by broad category, 2019–2021\***

| <b>Allegation category</b>         | <b>Cases in 2019</b> | <b>Cases in 2020</b> | <b>Cases in 2021</b> |
|------------------------------------|----------------------|----------------------|----------------------|
| Fraud and financial irregularities | 214                  | 119                  | 134                  |
| Prohibited conduct                 | 30                   | 31                   | 44                   |
| Sexual misconduct                  | 31                   | 13                   | 25                   |
| Retaliation                        | 1                    | 0                    | 0                    |
| Other wrongdoing                   | 94                   | 43                   | 82                   |
| <b>Total</b>                       | <b>370</b>           | <b>206</b>           | <b>285</b>           |

\*\*Prohibited conduct' consists of allegations mentioned in ST/SGB/2019/8: discrimination, harassment and abuse of authority. However, it does not include sexual harassment allegations, which are counted under 'sexual misconduct'. 'Other wrongdoing' includes any allegation that does not fall into broader categories but could still amount to a breach of UNDP regulations and rules. Examples include not declaring a conflict of interest with a vendor, not cooperating with an investigation or engaging in outside employment without authorization.

58. Complaints are reported to the office by mail, email, webform, telephone, personal communications and referrals. Complaints relating to financial irregularities (procurement fraud; theft and embezzlement; misuse of official resources; misrepresentation, forgery and false certification; entitlements fraud; and failure to comply with financial disclosure requirements) constituted 47.1 per cent of the cases received by the office in 2021, a decrease from the 57.8 per cent recorded in 2020. Complaints relating to sexual misconduct (sexual assault, sexual harassment and sexual exploitation/sexual abuse) constituted 8.8 per cent of the cases received by the office in 2021, an increase from the 6.3 per cent recorded in 2020 (see figure 8).

**Figure 8. Types of complaints received in 2021**

59. In 2021, the office received the most complaints from Africa (75 cases), followed by the Arab States region (53 cases), Asia and the Pacific (43 cases), Europe and the Commonwealth of Independent States (35 cases), and Latin America and the Caribbean (18 cases), for a total of 285 complaints. Of these, 38 involved staff members or other personnel on UNDP contracts assigned to other United Nations organizations. The office received 23 complaints involving headquarters personnel (see table 10).

**Table 10. Complaints received in 2021, by region**

|   | Number of complaints |
|---|----------------------|
| Africa  | 75                   |
| Arab States                                       | 53                   |
| Asia and the Pacific                              | 43                   |
| Other United Nations organizations                | 38                   |
| Europe and the Commonwealth of Independent States | 35                   |
| Headquarters                                      | 23                   |
| Latin America and the Caribbean                   | 18                   |
| <b>Total</b>                                      | <b>285</b>           |

## Processing of cases

60. In 2021, the office finalized 257 assessments. Of these, 169 warranted further investigation. The remaining 88 (34.2 per cent) were closed after an initial assessment.

61. In 2021, the office closed 148 cases following an investigation. The allegations in 90 (60.8 per cent) of these cases were found to be unsubstantiated. Of the remaining 58 cases, 57 (38.5 per cent) resulted in 55 investigation reports establishing evidence of misconduct or other wrongdoing and 1 was finalized through a financial loss report (see table 11).

62. 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 under 270 working days (393 calendar days).<sup>4</sup> Of the 257 cases assessed in 2021, the office finalized 78.6 per cent within three months. Of the 148 cases closed following an investigation, 48.6 per cent were finalized within 270 working days.

63. At the end of 2021, 65 cases were under assessment and 265 under investigation.

**Table 11. Disposition of cases**

| Actions taken                                  | Number of cases 2020 | Number of cases 2021 |
|--|----------------------|----------------------|
| <i>After assessment</i>                        |                      |                      |
| Closed, investigation not warranted            | 59                   | 78                   |
| Referred to other United Nations organizations | 7                    | 6                    |
| Referred to other UNDP offices                 | 4                    | 4                    |
| <b>Total</b>                                   | <b>70</b>            | <b>88</b>            |
| <i>After investigation</i>                     |                      |                      |
| Closed (not substantiated)                     | <b>127</b>           | <b>90</b>            |
| Closed (substantiated)                         |                      |                      |
| - Submitted to Office of Legal Services        | 27                   | 30                   |
| - Submitted to country offices                 | 17                   | 7                    |
| - Submitted to Vendor Review Committee         | 32                   | 17                   |
| - Submitted to other organizations             | 3*                   | 4                    |
| - Submitted to other UNDP offices              | -                    | -                    |
| - Options letter issued                        | 1^                   | -                    |
| <b>Subtotal (substantiated)</b>                | <b>80</b>            | <b>58</b>            |
| <b>Total cases closed after investigation</b>  | <b>207</b>           | <b>148</b>           |
| <b>Total cases closed during the year</b>      | <b>277</b>           | <b>236</b>           |
| <b>Investigation reports issued</b>            | <b>71±</b>           | <b>57</b>            |
| <b>Financial loss reports issued</b>           | <b>-</b>             | <b>1</b>             |
| <b>Management letters issued</b>               | <b>5**</b>           | <b>1</b>             |

\* Three cases involved personnel in other United Nations organizations whose contracts were managed by UNDP.

^ Options letters are instruments through which UNDP personnel 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.

± Seventy-one investigation reports established evidence of misconduct or other wrongdoing.

\*\* One management letter was issued against eight cases as the allegations were the same.

<sup>4</sup> This is in accordance with the UNDP Legal Framework, chapter III, section 1.4, which states: "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.

**Substantiated cases**

64. Of the potential misconduct identified in the 58 substantiated cases, the majority concerned allegations of procurement fraud (21 cases, or 36.2 per cent); other failure to comply with obligations (12 cases, 20.7 per cent); and sexual harassment (7 cases, 12.1 per cent). A summary of the substantiated investigations reported in 2021, by type of allegation, can be found in annex 4.

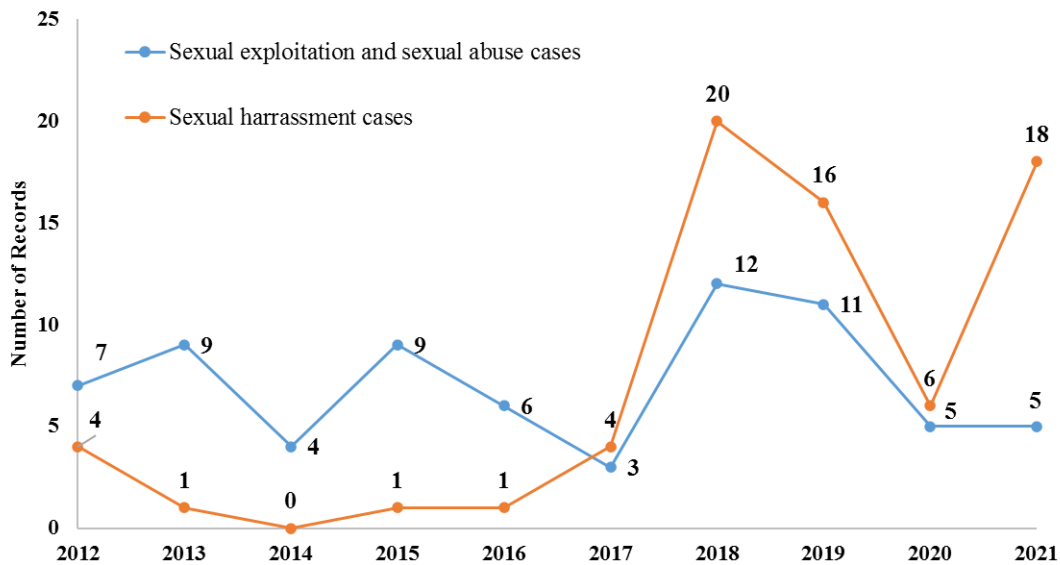
65. Of the 58 substantiated cases, 15 cases (25.9 percent) occurred in other United Nations organizations, 12 (20.7 per cent) in the Arab States region, 11 (19 per cent) in the Africa region, 9 (15.5 per cent) at Headquarters, 5 (8.6 per cent) in the Europe and Commonwealth of Independent States region, 4 (6.9 per cent) in the Asia and Pacific region, and 2 cases (3.4 per cent) in the Latin American and Caribbean region.

**Sexual misconduct**

66. In 2021, the office opened 25 cases related to sexual misconduct (18 sexual harassment complaints, 5 sexual exploitation/sexual abuse complaints, and 2 complaints related to sexual assault). This is a significant increase from 2020, when the office opened 13 cases of sexual misconduct. In addition, the office carried over 11 sexual misconduct cases from 2020 to 2021 (5 sexual harassment complaints, 5 sexual exploitation/sexual abuse complaints, and 1 sexual assault complaint). Therefore, the office had an overall caseload of 36 sexual misconduct cases during 2021. See figure 9 for historical trends.

67. In 2021, the office substantiated 9 cases of sexual misconduct (7 sexual harassment cases, 1 sexual exploitation/sexual abuse case and 1 sexual assault case). This is a 50 per cent increase compared to 2020, when the office substantiated 6 cases of sexual misconduct (5 sexual harassment cases and 1 sexual assault case).<sup>5</sup> In 2021, the office closed a total of 24 cases, out of the overall caseload of 36 received as sexual misconduct. In addition, the office finalized one case received as another type of misconduct but assessed as sexual misconduct. Twelve sexual misconduct complaints were carried over to 2022.

**Figure 9. Sexual harassment and sexual exploitation/sexual abuse cases received, 2012–2021**



<sup>5</sup> 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.

### **Management letters**

68. In 2021, the office issued one management letter to the relevant business unit following an assessment into allegations of corruption and procurement fraud involving a debarred vendor and a former staff member. While no new credible allegations of fraud were identified, the management letter noted that the office had previously investigated and substantiated allegations of misconduct against the vendor. The letter drew attention to the high number of financial disbursements to the debarred vendor across several regional projects and recommended a management review of the associated projects on a value for money/quality basis.

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

69. The total financial loss for UNDP that was substantiated in investigation reports issued by the office during 2021 amounted to \$395,202. According to the Office of Financial Management, the total financial loss from investigation reports that were submitted from 2013 to 2021 was \$8,965,562, of which \$7,797,005 was deemed recoverable by the Office of Legal Services. Of that amount, \$3,803,650 has been recovered, 48.8 per cent of the loss.

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

70. Follow-up actions taken by other offices of UNDP (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.

71. Based on the 30 investigation reports concerning staff members that were sent to the Office of Legal Services in 2021, one staff member was separated from service and one was dismissed from service. A letter was placed in the file of seven staff members who had either resigned or whose contracts expired prior to the completion of the investigation, indicating, pursuant to article 72 of the Legal Framework, that Office of Legal Services would have recommended charging them with misconduct had they remained with the organization. One staff member resigned following the receipt of their charge letter pending the disciplinary process, so a letter was placed in the staff member's file pursuant to article 81(a) of the UNDP Legal Framework. Two staff members were cleared of all allegations. One case was referred to national authorities and may be reopened and resubmitted pending the outcome of the referral. The remaining 17 reports were still under review by the Office of Legal Services at the end of 2021.

72. As a result of the six reports the office submitted to country offices, two service contract holders had their contracts terminated. Three service contract holders were asked to reimburse the organization for losses incurred but were not subject to further sanction. The remaining report concerning a service contract holder resulted in a condition being imposed on any future extensions of the person's contract.

73. Of the 15 reports submitted by the office to the Vendor Review Committee in 2021, covering 17 cases, 4 were finalized and closed by the end of the year, resulting in sanctions against 1 individual contract holder and 3 vendors. In addition, 6 vendors covered by the remaining reports received an interim suspension pending finalization by the committee.

74. One investigation report was submitted to the United Nations Volunteers Advisory Panel on Disciplinary Measures and Claims in 2021 and the subject, an international volunteer, was recommended for early separation of service. Three investigation reports were submitted to another United Nations organization. One concerned a service contract holder who resigned during the investigation; the other concerned two staff members and remained under review at the end of the year.

### **Social and environmental compliance**

75. In 2021, the Social and Environmental Compliance Unit (SECU) registered 4 new cases, bringing its total to 19.<sup>6</sup> Of these, 11 are open and relate to projects located in Cameroon, Colombia, India, Iraq, Jordan, Kyrgyzstan, Malawi, Mauritius, Mozambique, Myanmar and Programme of Assistance to the Palestinian People. Two cases, from Cameroon and Mauritius, have entered a monitoring phase as per

<sup>6</sup> SECU investigates alleged non-compliance with UNDP's social and environmental standards and screening procedures from project-affected stakeholders and recommends measures to address findings of non-compliance.

the UNDP Administrator's decision in response to SECU recommendations, following completion of the investigations. SECU closed three cases related to projects in Republic of Congo, Panama and Uganda. No field missions were conducted due to the coronavirus pandemic. Despite this, SECU innovated ways to advance its cases, including the use of local expert consultants, satellite imagery and remote interviewing. In 2021, SECU launched a process to update its investigation guidelines.

76. SECU conducted outreach activities in 2021 to improve understanding of its mission, mandate and activities with partners and potential stakeholders. It conducted a virtual outreach event for Caribbean civil society organizations with accountability mechanisms from the Caribbean Development Bank, World Bank and Inter-American Development Bank. SECU also participated in the annual meeting of the Independent Accountability Mechanism Network. In addition, SECU is one of several partners of the grievance redress and accountability mechanism partnership, a learning platform for accountability mechanisms involving a wide range of public and private organizations. SECU led a partnership webinar in December 2021 and continued its outreach activities through social media and other digital forums.

### **Prevention of sexual harassment and sexual exploitation/sexual abuse**

77. During 2021, the office continued to be an active member of the several UNDP task forces/task teams, including those addressing prevention of sexual harassment and sexual exploitation/sexual abuse, victim/survivor support, prevention of rehiring of personnel with sexual misconduct allegations substantiated against them (the clear check database advisory committee) and addressing sexual exploitation/sexual abuse and sexual harassment issues with implementing partners and responsible parties selected for UNDP projects. As part of this initiative, the office developed a new UNDP incident reporting form for matters that do not relate to UNDP personnel but still need to be reported to UNDP for oversight purposes.

78. During 2021, the office participated in several inter-agency technical working groups, including the sexual exploitation and sexual abuse working group and the Chief Executives Board task force for addressing sexual harassment in the United Nations system. The office also provided input on various sexual exploitation/sexual abuse initiatives proposed by the Office of the Special Coordinator for Improving the United Nations Response to Sexual Exploitation and Abuse, including the rollout of a new electronic information reporting form. As part of this process, the office provided training to four UNDP country offices and office colleagues nominated to participate in the programme. The office also helped raise awareness of UNDP's responses to sexual harassment and sexual exploitation/sexual abuse through the delivery of training webinars to around 1,200 personnel in 15 countries and regional offices. The office also circulated a podcast for UNDP personnel on reporting sexual misconduct allegations as part of the sexual harassment/sexual abuse and sexual exploitation podcast series in September 2021 via the sexual misconduct task force newsletter.

79. Throughout 2021, the office participated in various MOPAN<sup>7</sup>/donor briefings and evaluations and provided the UNDP response concerning sexual misconduct matters. Specifically, the office participated in the development of harmonized language addressing sexual exploitation/sexual abuse and sexual harassment that should be used consistently in future bilateral funding arrangements by participating Member States and United Nations entities. The negotiations concluded with agreement on the text of the harmonized language in July 2021.

80. Since 1 January 2020, all participating offices and United Nations organizations have been obliged to report credible allegations of sexual exploitation/sexual abuse to the Secretary-General through a secure online database known as the iReport SEA Tracker. During 2021, it facilitated reporting of two cases of alleged sexual exploitation/sexual abuse, which were initially assessed to be credible allegations. The office has also implemented guidance received from the sexual exploitation/sexual abuse special coordinator on sharing information on allegations with the most senior United Nations official in country.

81. The office continues to employ a P4 focal point to act as its primary representative in the investigation of sexual misconduct, supported by two P3 investigators.

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<sup>7</sup> Multilateral Organisation Performance Assessment Network.

**Other investigative activity**

82. In 2021, the office continued a pilot project involving options letters that had been developed in 2018 in consultation with the Directors of the Bureau for Management Services and Office of Legal Services. Options letters are instruments allowing resignation by staff members against whom there is evidence of wrongdoing. The resignation can take place 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 process. The office sent three options letters in 2021; two of them did not result in a case closure, but rather a continued investigation, and in one case the office is awaiting a response.

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