United Nations Population Fund
Audit Advisory Committee
Terms of Reference

Mission

1. The Audit Advisory Committee (AAC) shall assist the Executive Director of the United Nations Population Fund (UNFPA) in fulfilling the Executive Director's responsibilities for financial management and reporting, external audit matters, risk management, the systems of internal control and accountability, and the oversight process (hereinafter referred to as internal audit and investigation, and evaluation functions). The primary role of the AAC is to advise the Executive Director, taking into account the organization's process for monitoring compliance with the Rules and Regulations adopted by the UNFPA's Governing Bodies.

Authority

2. The AAC has the authority and the responsibility to review any activity relevant to these terms of reference. This includes, but is not necessarily limited to:

- Seek any information and documents that it requires from external parties or employees – all of whom are directed to cooperate with the AAC's requests;
- Ask any UNFPA official to assist the AAC with its discussions on any particular matter;
- Retain outside counsel or persons having special competence, as necessary; and
- Meet with UNFPA's officers, United Nations Board of Auditors (external auditors) or outside counsel, as necessary.

3. The AAC will meet with each of the Executive Director, the Director of the Office of Audit and Investigation Services (OAIS), the Director of the Evaluation Office (EO) and the External Auditor at least annually in separate private sessions.

Composition

4. The AAC shall be comprised of five members appointed by the Executive Director to serve three-year terms, renewable once. Membership will be staggered so as to provide continuity.

5. Members of the AAC shall have the required level of expertise in financial and programme matters, as such qualification is interpreted by the UNFPA in its business judgment.

6. The AAC shall appoint a Chairperson annually.

7. The Office of Audit and Investigation Services will provide the Secretariat function.

Meetings

8. The AAC will meet in person at least three times a year. For these meetings, a minimum of three members must be physically present to constitute a quorum.

9. The Chairperson may convene additional meetings (in person or by conference call) as deemed necessary. For these additional meetings, at least three members must be in attendance to constitute a quorum.

10. The Chairperson may designate a member to act in the Chairperson's capacity.

11. The Executive Director may ask the AAC to convene further meetings to discuss particular issues on which advice is sought.

Reporting

12. The minutes of each meeting shall be prepared by the Secretariat and sent to AAC members for approval.

13. The AAC will report back to the Executive Director after each meeting.

14. The AAC shall submit a report on its work for the previous year to the Executive Director within a reasonable time to be annexed to the annual report on internal audit and investigation activities of the Office of Audit and Investigation Services, in accordance with paragraph 15 of Executive Board decision 2008/37.

Interaction with the Executive Board

15. The Chairperson of the AAC has free and unrestricted access to the President of the Executive Board.

Responsibilities

16. The AAC shall:

- Review policies significantly impacting financial management and reporting; the internal audit, investigation and evaluation functions; and the effectiveness of UNFPA's systems of internal control and accountability;
- Review UNFPA's financial statements and reports prior to finalization;
- With regard to external audit:
  - Discuss external audit work plans;
  - Review relevant reports and management letters by the external auditor, including reports on UNFPA's financial statements and related internal controls;
  - Discuss internal controls and matters raised by the external auditors;
  - Review the adequacy of management response to the observations and recommendations of the external auditor and assess the status of implementation.
- With regard to risk management and ethics:
  - Advise on risk management strategy, processes and issues;
  - Review any significant risk and exposure to UNFPA and the steps management has taken to minimize or manage such risks, including compliance with policies and regulations;
  - Advise on UNFPA's fraud prevention and detection policies and activities, code of ethics and whistleblower policy;

- Review the arrangements for employees to raise concerns in confidence about fraud, ethics, conflict of interest, violations of rules and regulations, and oversight matters and how these are expedited;
- Review the process for ensuring regulatory compliance.

- With regard to OAIS and the EO:
  - Review the OAIS and EO functions, including the OAIS Charter, as well as the offices' scope, plans, activities, resources, staffing and organizational structure;
  - Assess whether OAIS and EO have sufficient authority, support and access to personnel, facilities and records to carry out their respective work without restrictions or limitations;
  - Review relevant reports and management letters by the internal auditors, including reports on UNFPA's financial statements;
  - Discuss internal controls and matters raised in internal audits, investigations, and evaluations and;
  - Review the adequacy of management response to issues identified by internal audit and evaluation and assess the status of implementation;
  - Participate in, review and advise on the selection of the Director of OAIS; participate in, review and advise on any intended removal of the Director of OAIS prior to the end of the term of appointment at least 30 days in advance of any such action being taken; and provide input to the performance assessment of the Director.

Limitation on AAC's role

17. While the AAC has the responsibilities and powers set forth in this Terms of Reference, it is not the duty of the AAC to plan or conduct audits, investigations or evaluations, or to determine that the UNFPA financial statements and disclosures are complete and accurate and are in accordance with applicable accounting principles and rules and regulations.

Membership Independence

18. For a candidate member to be considered independent she/he should be independent in character and judgment and may not have any material relationship with UNFPA. In addition, a candidate may not be considered prima facie independent, if she/he:

- Is or has been an employee of UNFPA, or served on its Executive Board, within the last three years;
- Is or has been a member, or has an immediate family member who is or has been a senior member, of the Government of a Member State within the last three years;
- Has an immediate family member who is or has been a senior official of UNFPA within the last three years;

- Has received or has an immediate family member who has received during any 12-month period within the last three years more than $50,000 in direct compensation/fees from UNFPA, UNDP or UNOPS (other than AAC fees);

- Is a current employee of an entity in the United Nations system or an employee of a member of the United Nations Board of Auditors;

- Is, or has an immediate family member who is, a current director, executive officer, partner, employee or substantial shareholder (with 5 per cent or more ownership) of a company/organization that has made payments to or received payments from UNFPA, UNDP or UNOPS in any of the last three fiscal years;

- Holds any other Board mandates or Member State Government appointed position that might infringe on his/her independence;

Each AAC member shall declare annually the existence of any of the above relationships to the AAC and the Executive Director, or if circumstances change. The AAC and the Executive Director shall then determine the independence of the member.

Amendment of the Terms of Reference

19. The Chairperson of the AAC is responsible for applying these Terms of Reference. Terms of Reference, including amendments, shall be approved by the Executive Director and will form an annex to the Oversight Policy of UNFPA.

Performance Assessment of the Committee

20. The AAC will conduct an annual self-assessment of its performance and report on the results to the Executive Director.

Confidentiality and Disclosure of Conflict of Interests

21. Where an actual or potential conflict of interest arises during the conduct of a meeting, the interest will be declared and will cause the member(s) to either be excused from the discussion or abstain from voting on the matter. In such an event, a quorum will be required from the remaining members.

Confidentiality

22. All members of the AAC shall sign a statement of confidentiality at the time of appointment.

23. The deliberations of the AAC and the minutes of the meetings are confidential unless otherwise decided by the AAC. The documents and information material provided for the consideration of the AAC and the Secretariat shall be handled in the same prudent and confidential manner as by those employees normally accountable for them.

Voting

24. Decisions will be made by voting and on the basis of a simple majority of all members of the AAC as set forth in paragraphs 8 and 9.

Liability and Indemnity of members

25. Members shall act in an independent, non-executive capacity while performing their advisory role on the AAC. As such, members shall not be held personally liable for decisions taken by the AAC acting as a whole.

26. The members will be indemnified by UNFPA from actions taken against them as a result of activities performed in the course of business of the AAC.

Fees and Costs

27. Members of the AAC serve in their personal capacity and not as representatives of a Government, an institution, corporate body or any other authority external to UNFPA. They are neither "staff members" under the Staff Regulations of the United Nations, nor "officials" for the purpose of the Convention on the Privileges and Immunities of the United Nations dated 13 February 1946.

28. AAC Members will receive from UNFPA a fee for Committee services performed in order to compensate them for the time needed to fulfill their responsibilities under this Terms of Reference. This fee should be discussed annually with the Executive Director who will approve it. Special consideration should be given to the extra responsibilities of the Chairperson.

29. AAC Members will be reimbursed for any travel, subsistence and communications costs that are necessarily incurred in relation to the activities of the AAC.

Date: 24. 11. 2014

Dr. Babatunde Osotimehin
Executive Director
United Nations Population Fund