

UNITED NATIONS POPULATION FUND

ANNEXES TO THE REPORT ON AUDIT AND INVESTIGATION FOR 2013

**ANNEX 8 – DRAFT CHARTER OF
THE OFFICE OF AUDIT AND INVESTIGATION SERVICES (O AIS)**

The Charter of the Office of Audit and Investigation Services (O AIS) is presented in draft format at this juncture. It can be approved by the Executive Director once the Financial Regulations and Rules related to internal audit and investigation which are included in the proposed revised Financial Rules and Regulations tabled for the annual session of the Executive Board are themselves approved.

The draft Charter is presented in the following pages.



United Nations Population Fund

Charter of the Office of Audit and Investigation Services

Introduction

1. As set forth in the UNFPA Oversight Policy and in the UNFPA Financial Regulations, the Office of Audit and Investigation Services of the United Nations Population Fund shall be responsible for internal audit and investigation services at UNFPA.
2. According to UNFPA Financial Regulation 17.1, “[t]he Office of Audit and Investigation Services shall be responsible for the internal audit of UNFPA. It shall conduct independent, objective assurance and advisory activities in conformity with the International Standards for the Professional Practice of Internal Auditing. It shall assess and contribute to the improvement of governance, risk management and control processes, and report thereon. The Office of Audit and Investigation Services shall exercise operational independence in the performance of its duties.”
3. According to UNFPA Financial Regulation 17.2 “[t]he Office of Audit and Investigation Services shall be responsible for assessing and investigating allegations of wrongdoing, including fraud and corruption, committed by UNFPA personnel or by others to the detriment of UNFPA. It shall also be responsible for doing same for allegations of harassment, sexual harassment, abuse of authority, and sexual exploitation.”
4. Financial Regulation 17.3 stipulates that “[t]he purpose, authority and responsibility of the Office of Audit and Investigation Services shall be further defined in the Charter of the Office of Audit and Investigation Services.”
5. In conformance with the latter, the present Charter sets out the purpose, authority and responsibility, policies and procedures applicable to the Office of Audit and Investigation Services (OAIS) of the United Nations Population Fund (UNFPA).

Mission Statement

6. The mission of OAIS is to provide the Executive Director and UNFPA with effective, independent and objective fiduciary oversight services that are designed to improve the effectiveness and efficiency of UNFPA’s operations and goals through the provision of (i) internal audit, (ii) investigation, and (iii) advisory and other services.
7. Thereby, OAIS contributes to supporting UNFPA as a cost-effective, accountable, transparent and learning organization that manages risks.

Scope of Work

8. OAIS covers all programmes, operations and activities undertaken by UNFPA at its headquarters, country offices, regional offices and liaison offices and any other UNFPA offices which may be in any other locations.
9. OAIS is the sole entity to perform, manage, or authorize others to perform or manage internal audit and investigation services, unless otherwise directed by the Executive Director and advised by the Audit Advisory Committee.
10. In the fulfillment of its responsibilities, OAIS may use its staff or independent contractors.

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A. Internal Audit

11. Internal auditing is an independent, objective assurance and advisory activity designed to add value and improve the operations of UNFPA. It helps UNFPA accomplish its objectives by bringing a systematic, disciplined approach to assess and improve the effectiveness of the UNFPA governance, risk management and control processes.
12. OAS shall examine and assess UNFPA's governance, risk management and control processes to provide reasonable assurance to the Executive Director and the Audit Advisory Committee that these processes are functioning as intended to ensure the:
 - (a) Achievement of the organization's strategic objectives;
 - (b) Reliability and integrity of financial and operational information;
 - (c) Economy, effectiveness and efficiency with which resources are used;
 - (d) Safeguarding of assets; and
 - (e) Compliance with legislative mandates, regulations and rules, policies and procedures.
13. In doing so, OAS shall also assess risk exposures related to the organization's governance, its activities and its information systems, as well as evaluate the potential for the occurrence of fraud and how UNFPA manages fraud risk.
14. OAS shall make recommendations for and promote the continuous improvement of the governance, risk management and control processes.
15. In order to provide the internal audit services efficiently and effectively, the Director of OAS shall, for the review of the Audit Advisory Committee and approval of the Executive Director, prepare:
 - (a) Annually, a work plan including available staffing and budget for the following year. The work plan is to be developed based on a prioritization of the audit risk universe, using a risk-based methodology and after consideration of input from senior management and the United Nations Board of Auditors. The plan should be flexible and adaptable to respond to emerging needs and issues within available resources. Any significant deviation from the formally approved work plan shall be communicated to the Executive Director and the Audit Advisory Committee through periodic activity reports; and
 - (b) A rolling four-year internal audit strategy aligned with the UNFPA Strategic Plan. The audit strategy shall be revisited each year, taking into account the results of the latest audit risk assessment. Considering resources assigned to OAS for the 2014-2017 budget period, OAS aims at covering: (i) high risk country offices in a 5-year cycle; (ii) medium-risk ones in a 10-year cycle; (iii) corporate processes over a 15-year cycle; and, (iv) low risk country offices through continuous auditing procedures.
16. In cooperation with the Internal Audit Services of other United Nations system organizations, OAS shall initiate and/or participate in joint audits of inter-agency activities including, but not limited, to Multi Partner Trust Funds, Joint Programmes and Delivering as One Programmes.
17. The approval requirement does not prevent OAS from auditing any other area within the purview of its mandate, which OAS deems necessary.
18. In addition, to strengthen governance, risk management and control processes, the Director of OAS may submit reports to the Executive Director on cross-cutting or any other significant issues, such as those related to specific functions, processes and programmes, including the potential for improvement thereof.
19. Following the conclusion of each internal audit engagement, the Director of OAS shall prepare and issue an internal audit report, including both good practices and improvement needs. Management and staff shall have the responsibility to provide a written response to all OAS reports within a reasonable

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period of time. The Director of OAIS shall include in the report the management's response, agreement and action plan with regards to the specific findings and recommendations. The Director of OAIS shall issue the final report to the Executive Director, with a copy to the auditee(s), the Audit Advisory Committee, the United Nations Board of Auditors and to the relevant divisions or offices in UNFPA. The disclosure of internal audit reports to parties outside UNFPA is regulated by the relevant decisions of the Executive Board of UNDP, UNFPA and UNOPS (see paragraph 57).

20. Management shall be responsible for appropriate follow-up on and implementation of audit findings and recommendations, as well as for appropriate documentation thereof in the database maintained by OAIS.

B. Investigations

21. OAIS shall conduct preliminary assessments and, as necessary, full-fledged investigations into allegations of:

- (a) Wrongdoing, including 'proscribed practices' (corrupt, fraudulent, coercive, collusive, obstructive or unethical practices), harassment, sexual harassment, abuse of authority, sexual exploitation and abuse, and other violations of applicable regulations, rules and administrative or policy issuances, by UNFPA staff (internal investigations); and
- (b) Wrongdoing, including proscribed practices and any other irregularities committed to the detriment of UNFPA, by independent contractors, implementing partners and other third parties (external investigations).

22. Upon request of the Ethics Advisor, OAIS shall also conduct investigations into allegations of retaliation for reporting misconduct or cooperating with an authorized investigation or internal audit activity.

23. OAIS may also undertake proactive investigations in areas susceptible to fraud, corruption or other wrongdoing.

24. OAIS shall have sole responsibility for the conduct of all investigations within UNFPA.

25. The Director of OAIS shall prepare an annual workplan for the timely and efficient management of the investigation function. The plan shall be submitted to the Executive Director for approval after review and advice by the Audit Advisory Committee.

26. OAIS shall maintain reporting facilities (e.g. telephone line, web-based reporting facility, email, postal address and other means as appropriate) to facilitate UNFPA staff, management and others to report any alleged instances of wrongdoing.

27. The Director of OAIS shall submit, as soon as possible, based on the priority of the case and available resources, its investigation report concerning UNFPA staff members to the Executive Director for consideration of disciplinary and administrative action.

28. In cases of contract personnel, the Director of OAIS shall submit its report to the Executive Director for consideration of administrative action.

29. In cases where a vendor or other third party is found to have engaged in proscribed practices, the Director of OAIS shall submit its report to the Executive Director for consideration of appropriate action under UNFPA's vendor sanction procedures.

30. In cases where the investigation determines credible allegations of criminal conduct, the Director of OAIS may prepare an investigation dossier with a recommendation for referral to national law enforcement authorities for criminal investigation and prosecution.

31. The Director of OAIS shall also submit, to the Executive Director, reports on deficiencies in internal control processes, regulations and guidance that are identified in the course of investigative work, with

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recommendations for addressing these and further strengthening the internal control framework of UNFPA.

C. Advisory Services

32. OAIS may provide advisory services to UNFPA management to the extent that OAIS' independence and objectivity are not compromised. Such provision is based on OAIS' knowledge of governance, risk management and internal controls, and of UNFPA activities at headquarters and in field offices. OAIS may participate in reviewing draft policies, guidance, systems and work processes at headquarters and in field offices, but shall not participate in the decision-making process and determine which actions UNFPA should undertake.

33. OAIS shall undertake the provision of advisory services in conformance with professional standards.

D. Other Services

34. The Director of OAIS, his/her designee, may assist in negotiations concerning draft agreements involving UNFPA and provide input regarding clauses related to internal audit and investigation.

35. The Director of OAIS, or his/her designee, shall be the focal point at UNFPA for all matters related to the Joint Inspection Unit.

36. The Director of OAIS, assisted by OAIS staff as necessary, shall be the Secretary to the Audit Advisory Committee.

Authority and Responsibility

37. The Director of OAIS is accountable to the Executive Director for the provision of OAIS' services in accordance with the provisions of the Financial Regulations and Rules, the Oversight Policy and this Charter.

38. OAIS has full, free, and unrestricted access to any and all of UNFPA records, electronic data, property and personnel on any UNFPA's functions or activities which are, in its opinion, relevant to the performance of its duties. UNFPA personnel shall assist and cooperate fully with OAIS for the discharge of the OAIS mandate under this Charter. This includes OAIS communicating directly at all levels of personnel and management, as well as requesting any personnel to furnish all material or information deemed necessary by OAIS for the completion of its work. Documents and information given to OAIS during a review will be handled in the same prudent and confidential manner as by those normally accountable for them.

39. The Director of OAIS may allocate resources, set schedules, determine the scope of work and apply the techniques required to accomplish internal audit and investigation objectives.

40. The Director of OAIS shall maintain an effective system for recording and managing investigation cases, as well as internal audit activities.

41. The Director of OAIS shall maintain a quality assurance and improvement programme that covers all aspects of the internal audit and investigation activities. An independent assessment of the internal audit activity will be undertaken every five years.

42. The Director of OAIS shall be responsible for selecting and maintaining a cadre of internal audit and investigation staff members with sufficient knowledge, skills, experience and professional certifications in order to provide independent and objective services as stipulated in the Charter. Further, the Director of OAIS may engage independent contractors as necessary for the performance of the functions under this Charter.

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43. The Director of OAIS shall inform the Executive Director and the Audit Advisory Committee on the following:
- (a) The performance of OAIS against the approved work plan;
 - (b) Significant and systemic internal audit and investigation findings, through periodic syntheses; and
 - (c) The status of implementation of recommendations by management through periodic summaries; and, further informing the Audit Advisory Committee of any significant recommendations that are not implemented.
44. Except as the Audit Advisory Committee may otherwise decide, the Director of OAIS may attend all meetings of the Audit Advisory Committee.
45. The Director of OAIS and OAIS personnel are not authorized to:
- (a) Direct the activities of any personnel not part of OAIS, except to the extent that such personnel has been appropriately assigned to OAIS or requested to assist OAIS;
 - (b) Perform any other supervisory, managerial or operational functions for UNFPA, or initiate or approve accounting transactions unrelated to OAIS; and
 - (c) Engage in any activity that could impair, in fact or appearance, OAIS personnel's individual objectivity and/or OAIS' independence.

Independence

46. OAIS shall be free to determine the scope of its interventions and the methodologies used to conduct its work as it deems necessary, as well as to communicate results, in line with Executive Board decisions on the matter.
47. The Director of OAIS is appointed by the Executive Director, for a fixed term of five years, renewable once, ensuring the avoidance of conflict of interest¹. The Director of OAIS is barred from re-entry into UNFPA thereafter.² The Audit Advisory Committee is involved in the selection, intended removal and performance appraisal of the Director of OAIS.³ The Director of OAIS reports to the Executive Director.
48. The Director of OAIS has free and unrestricted access to the Executive Board, the Audit Advisory Committee, the United Nations Board of Auditors, the Joint Inspection Unit and any other entity having any oversight or governing function in relation to UNFPA.
49. The Director of OAIS and OAIS personnel must refrain from assessing operations for which they were previously responsible. They shall have no direct operational responsibility or authority over any of the activities that they review. They shall not develop nor install systems or procedures, prepare records or engage in any other activity which OAIS would normally audit or investigate.
50. The Director of OAIS and OAIS personnel must avoid being placed in situations which might create any conflict of interest that may impair their judgment on internal audit and investigation matters. OAIS personnel are required to declare to the Director of OAIS any potential and actual conflicts of interest or impediment to their independence in relation to any assigned activity, and accordingly recuse themselves from such participation.
51. The Director of OAIS shall bring to the attention of the Audit Advisory Committee any impairment to independence, objectivity and professionalism.

¹ Executive Board decision 2008/37 paragraph 9; decision 2010/17 paragraph 6.

² Executive Board decision 2009/18 paragraph 8(b).

³ Executive Board decision 2009/18 paragraph 8.

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52. Allegations of misconduct against OAIS personnel shall be reported to the Executive Director who shall seek advice from the Audit Advisory Committee. Such allegations cannot be reviewed or investigated by OAIS.

53. OAIS staff members have an obligation to annually file an accurate financial disclosure statement as set forth in the UNFPA policy on financial disclosure and declaration of interest.⁴

Resources

54. OAIS shall be provided with the necessary resources, including appropriately trained and experienced professionals, in order to fulfil its responsibilities under this Charter. The Executive Director shall approve the budget of OAIS on the basis of the request submitted by the Director of OAIS in accordance with the rolling internal audit strategy and the OAIS annual work plan, after review and advice by the Audit Advisory Committee.

55. The Director of OAIS shall keep the Audit Advisory Committee apprised of the funding and staffing of OAIS.

56. The Director of OAIS shall apply resources allocated to OAIS in accordance with the relevant regulations, rules, policies and procedures established by UNFPA.

Disclosure of OAIS information

57. In accordance with decision 2012/18 of the Executive Board, OAIS shall make publicly available all internal audit reports issued from 1 December 2012. In accordance with Executive Board decisions 2008/37 and 2011/23, and the procedures therein, the Director of OAIS may disclose, upon request, internal audit reports issued between 19 September 2008 and 30 November 2012 to Member States and, in case of audits of projects (co-)funded by intergovernmental organizations or by the Global Fund to Fight Tuberculosis, Malaria and Aids, reports issued between 17 June 2011 and 30 November 2012 to the donor(s) concerned.

58. In exceptional cases, reports may be redacted, or withheld in their entirety, at the discretion of the Director of OAIS.

59. The Charter shall be disclosed on the UNFPA website.

Coordination with the United Nations Board of Auditors

60. The Director of OAIS shall interact freely and regularly with the United Nations Board of Auditors.

61. In order to optimize audit coverage and avoid duplication of assurance work, OAIS shall share information with the United Nations Board of Auditors and coordinate on issues of mutual interest, such as annual audit workplans, internal audit reports, the follow-up of audit recommendations and other matters of mutual interest.

Accountability to the Executive Board

62. The Director of OAIS shall independently prepare and submit to the Executive Board, after review by the Audit Advisory Committee, an annual report for each completed calendar year on its activities, resources, disclosure of internal audit reports, significant audit and investigation findings, good practices and systemic weaknesses identified, actions taken by management to implement internal audit and investigation recommendations and such other matters as may be requested by the Executive Board.

⁴ Executive Board Decision 2008/37 and oversight policy (PPM)

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63. In the annual report, the Director of OAI shall confirm to the Executive Board the independence of the internal audit and investigation functions at UNFPA.

Professional Standards

64. The Director and personnel of OAI shall abide by the United Nations Code of Conduct, the Standards of Conduct for the International Civil Service, as well as by the Code of Ethics of the Institute of Internal Auditors. They shall at all times maintain and safeguard their independence, objectivity and professionalism in fulfilling the responsibilities assigned under this Charter.

65. OAI shall undertake its internal audit activities in accordance with the International Standards for the Professional Practice of Internal Auditing as adopted by the Representatives of Internal Audit Services of the United Nations Organizations, Multilateral Financial Institutions and Associated Intergovernmental Organizations (RIAS) in 2002.

66. OAI shall carry out its investigation activities in accordance with the UNFPA Disciplinary Framework and all pertinent policies and procedures referenced therein, as well as the Uniform Guidelines for Investigations as endorsed by the 10th Conference of International Investigators in 2009.

Approval and revision of the Charter

67. The Charter shall be reviewed every two years or more often if required. The Director of OAI is responsible for applying this Charter and for proposing amendments to keep it up-to-date.

68. Any revision shall be approved by the Executive Director after taking advice from the Audit Advisory Committee. The revised Charter shall be brought to the attention of the Executive Board and the United Nations Board of Auditors.

69. The Charter shall form an annex to the UNFPA Policies and Procedures.

Approved by:

Date:

Dr. Babatunde Osotimehin
Executive Director
United Nations Population Fund