



## **Industrial Development Board**

### **Forty-eighth session**

Vienna, 23–25 November 2020

Item 16 of the provisional agenda

### **Evaluation and internal oversight activities**

## **Internal oversight activities**

### **Report by the Director of the Office of Evaluation and Internal Oversight**

The present document provides information on the activities of the internal oversight function in accordance with decision IDB.44/Dec.3, and updates the previous report contained in [IDB.47/22](#) providing information on the activities undertaken in 2019.

## **I. Background**

1. The Office of Evaluation and Internal Oversight (EIO) oversees the oversight functions, which include the internal audit, investigation, and evaluation functions. The mandate of EIO is to provide independent and objective assurance, advice, investigation, and evaluation for the purpose of adding value to and improving the efficiency and effectiveness of UNIDO's operations, internal control framework, risk management, results-based management and governance processes. In addition, EIO is also the focal point for coordinating the activities of the Joint Inspection (JIU), and serves as the Secretariat to the Audit Advisory Committee (AAC).
2. EIO is composed of two divisions: the Independent Evaluation Division (EIO/IED) and the Internal Oversight Division (EIO/IOD).
3. The **internal oversight function** (internal audit and investigation) is governed by the EIO Charter, Internal Audit Manual, Investigations Guidelines, and the Code of Ethical Conduct. The scope of the internal oversight function covers all systems, processes, operations, functions, and activities of UNIDO. Based on guidance from the AAC, the audit function introduced important improvements as described below.
4. The current EIO Charter was approved by the Director General, promulgated in the Director General's Bulletin (DGB/2019/07) on 26 March 2019 and circulated to all Permanent Missions. A further revision is being submitted to the present session of the Industrial Development Board in a separate document (IDB.48/25) for consideration and approval.

For reasons of economy, this document has not been printed. Delegates are kindly requested to bring their copies of documents to meetings



5. In 2019, the EIO internal audit and investigation functions' budgeted posts comprised five and a half Professional and two General Service staff. By the end of 2019, EIO/IOD included six staff – a Chief, three Auditors, one Investigator and one support staff. According to the suggested JIU formula, the range of internal audit professional staff at UNIDO should be between six and eleven, whereas it is currently at four.<sup>1</sup>

## II. Overview of internal oversight work in 2019

6. During the year, the internal audit function devoted a significant percentage of its resources towards improving and aligning its work, procedures and practices with UNIDO's strategy, as well as leading internal audit best practices. With guidance from the AAC, some highlights include:

(a) Further aligned its risk methodology and annual work planning process with UNIDO's strategic priorities and objectives;

(b) Improved its internal processes and procedures and issued the first Internal Audit Manual, in line with leading IIA<sup>2</sup> best practices. It contains detailed guidance and provides clarity on internal audit procedures and practices, and will provide further transparency and confidence with all stakeholders and clients;

(c) Successfully passed an external quality assessment: The IIA standards require the internal oversight function to undergo a quality assessment every five years. In line with the standards, in 2019 the internal audit function opted for a self-assessment with an independent external validation by the IIA, Austria. The internal audit function received the highest possible performance rating – “Generally Conforms” with the International Standards for the Professional Practice of Internal Auditing. The results were shared with the Director General, the Executive Board, the AAC, and Member States in April 2019;

(d) Further synergies are being explored between the audit and evaluation functions, with joint engagements planned for 2020;

(e) Improved its communications with audit clients and stakeholders through more open discussion with management regarding the implementation of agreed action plans.

7. EIO through the internal audit function's assurance and advisory services in 2019 added value to the Organization's governance, risk management and control processes in the following ways:

(a) Enhanced trust in assurance and advisory services, and renewed commitment to embed risk management in governance through a deepened dialogue with management to agree on management action plans (MAPs) for issues and risks identified. The Director General appointed a full-time Risk Management and Business Continuity Focal Point for the first time. The Focal Point was at the Director level and through the recent restructuring was elevated to the Managing Director level;

(b) Enhanced tone at the top: Based on the work performed by the internal oversight function, and based on the AAC's advice, the Director General appointed the Managing Director, Directorate of Corporate Management and Operations as the Senior Level Focal Point for the implementation of audit recommendations to address risks identified by all assurance providers in a timely manner;

(c) Renewed commitment to address the risks of not having basic cooperation agreements: The audit of country offices drew management's attention to the importance of upholding General Conference decision GC.1/Dec.40, which mandates UNIDO to propose and conclude standard basic cooperation agreements with countries that are recipients of UNIDO's technical assistance. Taking note that the

<sup>1</sup> JIU/2010/5, Annexes, table 1.

<sup>2</sup> IIA: The Institute of Internal Auditors.

Board through its decision IDB.35/Dec.6 refreshed the need to uphold the earlier decision of the Conference, the Secretariat presented a note (IDB.47/CRP.4) to Member States for their cooperation on this matter;

(d) Accelerated implementation of audit recommendations: Through the internal audit synthesis engagement, 168 open internal audit recommendations triangulated with recommendations made by other assurance providers, were reduced to eight management action plans (MAPs) related to three key thematic and risk areas namely, results-based management (RBM), enterprise risk management (ERM) and procurement management. This contributed to senior management's strategic decision-making in these areas.

8. During 2019, four audit reports and five investigation reports were issued. Table 2 below shows an overview of reports issued in the last five years.

Table 2

**Overview of internal oversight reports by year of issue**

<i>Reports issued</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Internal audit	5	4	5	4	4
Investigation	5	3	5	2	5
Total	10	7	10	6	9

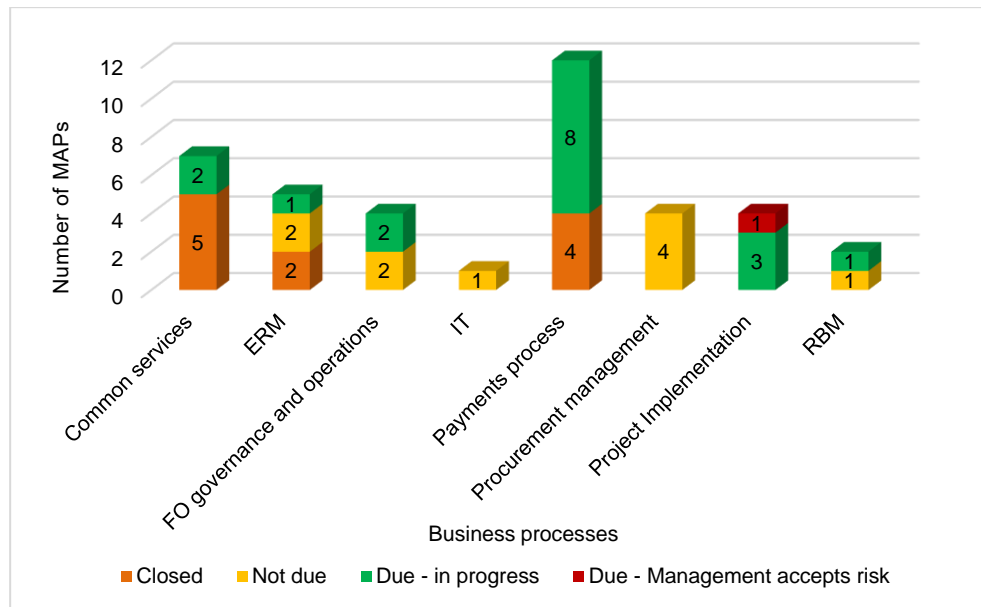
9. The reports issued were: the audits of the Côte d'Ivoire Country Office, the Jordan Country Office; Business Continuity Management, as well as the Internal Audit Synthesis Engagement, in the form of an assurance review. The detailed reports are available on the Permanent Missions' extranet.

10. EIO confirms that during 2019, in performing its internal audit and investigation activities, it functioned independently and objectively without any interference and/or influence from any internal or external parties. However, operational limitations due to budget constraints should be noted.

### III. Implementation status of Management Action Plans

11. Based on the results of the Synthesis Engagement, outstanding recommendations were closed and replaced with eight Management Action Plans (MAPs). In 2019 management implemented 11 MAPs out of 39 MAPs. As at 31 December 2019, there were 28 MAPs, of which 18 MAPs were due for implementation. An analysis of the MAPs by business processes is presented in figure 1.

Figure 1  
**Status of MAPs Implementation as at 31 December 2019**



#### IV. Cooperation with United Nations and other oversight bodies

12. Active engagement in activities of the UN Representatives of Internal Audit Services (UN-RIAS) and the UN representatives of Investigation Services (UN-RIS) was part of the EIO internal oversight function. In addition, consultations with the External Auditors were conducted to share work plans and to expand the coverage of assurance activities in field offices; for efficient use of limited resources; and to avoid duplication of work.

#### V. Strengthening governance of the internal oversight function

13. EIO maintains consultations and close coordination with the AAC. EIO supported the AAC to hold its third meeting in June 2019 and its fourth meeting in January 2020. Details are provided in a separate report from the AAC, presented to this session of the Board (document IDB.48/20).

14. The AAC met with senior management, as well as the Board President and the Co-Chairs of the informal working group on Programme and Budget Committee-related issues. A further briefing via video link was provided by the AAC, on 6 May 2019.

15. EIO held two tele-conferences with the AAC. On 26 April 2019 the AAC's comments on the report of the External Auditor were provided as a conference room paper to the Programme and Budget Committee (PBC.36/CRP.6).

16. In December 2019, the AAC Chair attended the meeting of the United Nations Oversight Committees held in New York.

#### VI. Outlook

17. EIO conducted a systematic strategic planning process, which produced the "Office of Evaluation and Internal Oversight (EIO) Strategy 2020-2024" (issued in February 2020). The EIO Strategy provides all stakeholders with an explicit road map of how EIO would further add value to UNIDO's organizational performance and governance; and ultimately contribute to the achievement of the institutional goals

and objectives. The EIO Strategy also provides the basis for further aligning the biennial work plans 2020-2021 for the respective EIO functions.

18. EIO's internal oversight functions will continue efforts to fulfil their mandate and continuously improve the ability to provide services that lead to enhancing UNIDO's governance, oversight, management decision-making and accountability. The preparation of the internal audit work plan for the biennium 2020-2021 is further aligned with UNIDO's strategic priorities and objectives, on the basis of a systematic risk assessment.

19. As noted by the External Auditor, the AAC, and JIU, the resource situation continues to represent a scope limitation. No significant resource increase is foreseen; therefore, the internal oversight function is not in a position to fully cover through its work plan all identified high-risk and high-priority business activities comprehensively.

20. Lessons learned and knowledge generated from the COVID-19 global crisis are being gathered, consolidated and validated, inter alia through the sharing of experiences in UN-system wide oversight networks, and will be used by EIO to contribute to its incorporation in UNIDO strategic decision-making.

21. As ever, the impact of internal oversight and evaluation, through its effective independent, credible and objective functions assisting the Organization in achieving its goals depends ultimately on the continuous support received from UNIDO's senior management and its Member States.

## **VII. Action required of the Board**

22. The Board may wish to take note of the information provided in the present document.

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