Distribution: All staff members at headquarters, established offices and permanent missions

DIRECTOR GENERAL’S BULLETIN

CHARTER OF THE OFFICE OF INTERNAL OVERSIGHT SERVICES OF UNIDO

1. This bulletin, which contains the Charter of the Office of Internal Oversight Services (IOS) of UNIDO, supersedes the Director General’s bulletin UNIDO/DGB(M).92/Rev.2 issued in April 2011.

2. The present Charter reflects, inter alia, compliance with updated international and organizational practices.
I. Preamble

1. The Office of Internal Oversight Services (IOS) contributes to UNIDO achieving its vision and goals in assisting developing countries and economies in transition.

2. This Charter establishes the mission, authority and responsibilities conferred by the Director General on IOS.

3. IOS shall be governed by the terms of this Charter, which is promulgated pursuant to the provisions of UNIDO’s Financial Regulation 9.1 and Financial Rule 109.1.15.

II. Mission

4. The mission of IOS is as follows:
   - To provide the Director General with independent, objective assurance and advice designed to add value and improve UNIDO’s operations. It shall support UNIDO in accomplishing its objectives by bringing a systematic, disciplined and objective approach to assess and improve efficiency and effectiveness of UNIDO’s internal control framework, risk management, results-based management and governance processes. Recommendations shall aim to enhance efficiency and effectiveness, and foster compliance with UNIDO’s regulatory framework.
   - To assist UNIDO with fraud prevention and detection activities, and to conduct investigations into alleged irregularity, wrongdoing, waste of resources and/or violations of the regulatory framework of UNIDO.

III. Scope of Activities and Objectives

A. Overview

5. IOS activities consist of internal auditing (assurance and advisory services) and examination of alleged wrongdoing (prevention, detection and investigative services).

6. IOS shall be the Organization’s focal point for liaising with the Joint Inspection Unit regarding its activities in relation to UNIDO.

7. The mandate of IOS covers all systems, processes, operations, functions and activities of UNIDO.

8. IOS shall cooperate as necessary with other international organizations in order to contribute to oversight of joint or coordinated activities.
B. Internal Auditing

B.1 Overview

9. Assurance is the objective examination of evidence for the purpose of providing an independent assessment of the effectiveness of risk management, internal control and governance processes. For its assurance services, IOS shall rely on risk-based planning and an opinion should be included in each assurance audit report.

10. Advisory services are management-requested activities that intend to add value and improve UNIDO’s governance, risk management and control processes without IOS assuming management responsibility.

11. The main internal auditing activities shall be covered by the audit plan unless requested ad hoc by the Director General.

B.2 Assurance Services

12. IOS shall determine whether, and provide assurance as appropriate that, the risk management, internal control and governance processes are adequate and functioning in a manner which ensures that:
   - Risks are appropriately identified and managed;
   - Significant financial, managerial and operating information is accurate, reliable and timely;
   - Actions are in compliance with the regulatory framework of UNIDO, including its policies, standards of conduct, procedures and applicable regulations and rules;
   - Resources are acquired economically, used efficiently, as well as adequately protected and safeguarded;
   - Programmes and plans are achieved, and results are consistent with established objectives;
   - Quality and continuous improvement are fostered in the Organization’s internal control processes.

B.3 Advisory Services

13. IOS may provide advisory services including, but not limited to, review of agreements, policies, procedures, or serve as an observer in committees. Some advisory services may require that the objectives and terms are jointly defined and fixed in written form.

C. Examination of fraud risks and alleged wrongdoing

14. IOS conducts examination of alleged wrongdoing, which includes investigation of specific allegations, with a view to safeguarding the Organization’s interests and ensuring accountability. Examination of alleged wrongdoing also includes assisting in the detection and prevention of fraud and other financial irregularities.

IV. Appointment of the Director, IOS and Accountability

15. The Director, IOS is appointed by the Director General of UNIDO, who may terminate the appointment of the Director, IOS in accordance with the terms and conditions of his or her appointment.
16. The Director, IOS shall be accountable to the Director General and shall periodically provide the Director General with information on the status and results of the annual work plan and on the adequacy of the resources of IOS.

17. The Director, IOS shall ensure that IOS conducts its work with due professional care, objectivity and stringent regard for the safekeeping and confidentiality of information provided to or discovered by IOS, as well as with due regard for the regulatory framework of the Organization.

V. Independence and Objectivity

18. The work of IOS shall remain free of influence by management, staff or any party related to the Organization or external to the Organization.

19. To preserve the objectivity necessary to render impartial and unbiased judgment, IOS staff shall not:
   - Actually have, or have had, in the previous 12 months managerial authority over, or operational responsibility for, any of the activities subject to internal auditing or examination;
   - Develop, install or operate systems; draft or design processes, policies and procedures;
   - Initiate or approve accounting transactions external to IOS;
   - Direct the activities of any staff member not part of IOS, except to the extent that such staff member has been assigned to IOS or requested to assist IOS staff;
   - Perform any other managerial or operational functions for UNIDO; or
   - Engage in any activity that could impair, in fact or appearance, their individual objectivity and/or the organizational independence of IOS.

20. IOS staff shall promptly declare to the Director, IOS any impairment, in fact or appearance, of their individual objectivity in relation to an assigned activity. IOS staff shall also promptly report to the Director, IOS any situation in which an actual or potential impairment of the organizational independence of IOS may reasonably be inferred, or any questions as to whether a situation constitutes an impairment of their individual objectivity or of the organizational independence of IOS.

21. Director, IOS shall declare to the Director General any situation representing an impairment of his or her individual objectivity or of the organizational independence of IOS.

22. The Director, IOS shall confirm to the Director General, at least annually, the organizational independence of IOS.

VI. Authority

23. In conducting internal audit activities or examination of alleged wrongdoing, IOS shall have full authority and shall, in particular, be free from interference in determining the objectives, scope, timing and manner of performing its work, and in communicating the results to relevant parties in accordance with the provisions of this Charter.

24. In carrying out their functions under this Charter, IOS staff shall have:
   - Full, free, unrestricted and prompt access to all organizational records (in paper and electronic format), property, personnel, operations and functions that, in the opinion of
IOS, are relevant to the subject matter under review;

- Access to official email accounts, provided that the Director General is informed thereof and IOS receives a “no objection” reply;
- Authority to communicate with all personnel, at all levels in the Organization;
- Authority to request any personnel to provide information and explanations that IOS deems necessary to discharge its responsibilities.

25. In the fulfillment of its responsibilities, IOS may use its own staff, consultants, contractors, or other UNIDO staff assigned to IOS, as appropriate. In this Charter, the term “IOS staff” covers all of the above categories.

VII. Responsibilities

A. IOS Director and staff

26. The Director, IOS is responsible for the overall functioning and performance of IOS within the resources allocated to IOS (see para.43).

A.1 Internal Auditing

27. IOS shall:
   - Develop an audit risk assessment methodology and apply it in the preparation of an annual internal audit work plan that should be consistent with UNIDO’s goals;
   - Take into account and coordinate the internal audit work plan with other assurance providers such as the Evaluation Group or the Focal Point on Ethics and Accountability in order to ensure a wide and effective coverage of the Organization’s activities, as well as to minimize duplication of effort;
   - Submit the internal audit work plan to the Director General for review and approval;
   - Report significant departures from the approved work plan and the reasons therefore to the Director General for review and approval;
   - Implement the internal audit work plan and, as appropriate, carry out any additional assurance or advisory services requested by the Director General or the Policymaking Organs of UNIDO.

A.2 Examination of alleged wrongdoing

28. IOS shall:
   - Conduct investigative activities with regard to specific allegations of wrongdoing;
   - Conduct proactive activities in high risk areas, including activities aimed at the prevention and detection of fraud and other anomalies.

29. IOS receives, from UNIDO personnel and third parties, complaints or information concerning the possible existence of irregularities, fraud, violations of the Code of Ethical Conduct\(^1\) and/or other wrongdoing within the Organization (generally referred to as “wrongdoing”). UNIDO personnel should report allegations in accordance with the procedures set out in the policy on protection against retaliation\(^2\) and the policy on fraud awareness and prevention.\(^3\)

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2. Director General’s bulletin UNIDO/DGB/(M).116, dated 1 March 2010, entitled Protection against retaliation for reporting misconduct or cooperating with audits or investigations.
In carrying out investigations, IOS establishes the existence of (i.e. proves) or the non-existence of (i.e. disproves) the elements that constitute a wrongdoing. Facts are revealed through evidence gathering. The principle of preponderance conclusions of the evidence is the minimum standard applied by IOS when making findings and reaching conclusions on allegations of wrongdoing.

IOS does not deal with staff grievances. If IOS is informed of such situations, they will be brought to the attention of the appropriate service (e.g. Human Resources Management Branch).

The Director, IOS may assign investigative activities to, or ask for the support of, individuals other than IOS staff, such as project managers, UNIDO Representatives, or officials of the United Nations Department of Safety and Security (UNDSS). In such cases, IOS may provide technical and methodological support and will, as required, receive any evidence gathered, as well as any report or note written on the matter. These individuals are bound by confidentiality and are forbidden to reveal or discuss any information relating to the matter, except with IOS.

IOS shall coordinate with other international organizations or national law enforcement bodies, as appropriate and as authorized by the Director General.

A.3 Reporting

IOS shall report on the results of its internal auditing activities to the Director General and relevant managers. Copies of its reports shall be provided to the External Auditor. Each report shall include recommendations by IOS and comments by responsible managers that encompass action taken and/or plans made to implement or otherwise address the recommendations. Where a significant audit finding or recommendation is not accepted by management, or where implementation of a recommendation is assessed as unsatisfactory, the Director, IOS shall draw the issue to the attention of the Director General for a decision.

IOS shall issue a report to the Director General on each investigation. Investigation reports are subject to restricted distribution, with free access given to the External Auditor. Information on the types of issues encountered during such activities shall be shared with the Focal Point for Ethics and Accountability from time to time.

After issuance of a report by IOS, the recipient becomes its custodian and decides on further distribution thereof as necessary. IOS will give neither access to, nor a copy of, a report to any party unless expressly directed to do so by the recipient. Reports of alleged retaliation against whistleblowers, are, however, copied to the Focal Point for Ethics and Accountability.

IOS issues at least annually an Activity Report to the Director General, with a copy to the External Auditor. The Activity Report describes the activities of IOS during the reporting period and summarizes significant oversight findings, recommendations, and actions taken in response. Upon direction of the Director General, the Activity Report may be shared with the Focal Point for Ethics and Accountability and further layers of management.

A.4 Overall Responsibilities

The Director, IOS shall develop and establish internal auditing and investigation procedures for IOS.
39. IOS shall establish and maintain a system to monitor progress in implementing recommendations made by IOS. IOS shall also prepare periodic summaries for the Director General on the status of implementation, underlining where adequate and timely corrective action has not been undertaken by management.

40. The Director, IOS shall promptly inform the Director General and, upon his direction, relevant managers, if and when significant evidence is reported to or discovered by IOS, which indicates the existence of:

- A material failure or weakness in the Organization’s internal control framework;
- An activity of a criminal or unlawful nature involving the Organization’s funds, property and/or staff members or other personnel; and
- Improperies or misconduct with the potential to cause material damage the Organization’s reputation.

41. Where required, IOS shall cooperate with other relevant internal audit, oversight or investigation services, including those of the United Nations system or multilateral financial institutions, with a view to (a) harmonize and exchange information on internal audit or investigative policies, procedures and practices, and ensure implementation of best practices as appropriate; and (b) contribute to the oversight of joint activities.

42. The Director, IOS shall maintain and strengthen the technical competence and professional standing of IOS through, inter alia, on-the-job and specialized training, and a quality assurance and improvement programme.

B. UNIDO management and staff members

43. Within the budgetary resources available to the Organization, the Director General shall ensure that IOS is provided with the necessary resources in terms of appropriate staffing, adequate funding and suitable training to discharge its responsibilities.

44. UNIDO personnel shall:

- Cooperate fully and provide IOS with support at all levels;
- Provide IOS with unrestricted access to all records, property and personnel under their responsibility, which is deemed relevant by IOS;
- Provide written responses to IOS reports submitted to them for their comments;
- Devise action plans to address recommendations made in IOS reports;
- Provide IOS, on a regular basis, with information on the status of implementation of such recommendations and action plans;
- Promptly advise the Director, IOS of any weakness or breakdown in the Organization’s internal control framework which comes to their attention; and
- Promptly inform IOS of known or suspected irregularities and/or wrongdoing involving organizational funds, property, staff members, other personnel or third parties in contractual relation to UNIDO, in line with the policy on fraud awareness and prevention.  

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4 Director General’s bulletin UNIDO/DGB/(M).94/Rev.1, dated 21 February 2013, entitled **Policy on Fraud Awareness and Prevention.**
45. No action shall be taken against staff members, other personnel or third parties who cooperate with or provide information to IOS, unless the information was willfully provided in the knowledge that it was false or with intent to misinform. In such cases, the matter will be referred to the Director General for further appropriate action.

46. Responsibility for complying with regulations, rules and applicable laws, as well as correcting deficiencies, rests with staff members and management. Deterrence of irregularity, wrongdoing, waste of resources, and violations of UNIDO’s regulations and rules is the responsibility of management. The prevention of fraud and the protection of UNIDO’s reputation and interests remain the responsibilities of all UNIDO personnel.

47. IOS activities do not in any way relieve personnel of the Organization of the responsibilities assigned to them.

VIII. Relations with the External Auditor

48. The Director, IOS shall have free and unrestricted access to the External Auditor.

49. Where appropriate, the Director, IOS and the External Auditor shall share information and coordinate their activities to ensure wide and effective coverage of the Organization’s activities and to minimize duplication of effort, with due regard for each party’s mandate and responsibilities.

IX. Standards of Practice

50. The Director, IOS and IOS staff will conduct their internal audit work in conformance with the International Professional Practices Framework\(^5\) issued by The Institute of Internal Auditors, in its latest version.

51. The Director, IOS and IOS staff will conduct their investigations in a manner that reflects best practices and will take into due consideration the provisions in the Uniform Principles and Guidelines for Investigations, adopted by the Conference of International Investigators in June 2009.\(^6\)

X. Amendment to the IOS Charter

52. The Director, IOS may propose amendments to this Charter as required. Such amendments shall be subject to the approval of, and promulgation by, the Director General.

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\(^5\) Including the mandatory elements of the *International Standards for the Professional Practice of Internal Auditing, Code of Ethics and Definition of Internal Auditing*.

\(^6\) As incorporated in Director General’s Administrative Instruction No. 19, UNIDO/DGAL19, dated 16 January 2012, entitled *Office of Internal Oversight Services Investigation Guidelines*. 