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## **Industrial Development Board**

### **Forty-ninth session**

Vienna, 12–15 July 2021

Item 15 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 decisions IDB.44/Dec.3 and IDB.48/Dec.10, and updates the previous report contained in IDB.48/23.

## **I. Background**

1. The Office of Evaluation and Internal Oversight (EIO) is responsible for the oversight functions, which include internal audit, investigation, and evaluation. 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 Independent Oversight Advisory Committee (OAC).
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 (comprising internal audit and investigation) is governed by the EIO Charter,<sup>1</sup> Internal Audit Manual and Investigation Guidelines. An internal audit policy, as well as an investigation policy, as subsidiary policies to the EIO Charter, are being finalized.
4. Currently, the EIO internal audit and investigation functions' budgeted posts comprise five and a half Professional and two General Service staff, including the Chief of EIO/IOD, three Auditors, one Investigator and two support staff. According

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<sup>1</sup> Director General's Bulletin DGB/2020/11.

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to the suggested JIU formula,<sup>2</sup> the range of internal audit professional staff at UNIDO should be between six and eleven, whereas it is currently at four.

## II. Key achievements in 2020

5. **EIO policy framework:** A major milestone was achieved in 2020, with the approval of the revised EIO Charter by the Industrial Development Board at its forty-eighth session (decision IDB.48/Dec.10). This brought UNIDO in line with JIU recommendations, consolidated the oversight functions, and ensured their effectiveness. This important milestone was achieved with the valuable contributions and guidance of the OAC, whose revised terms of reference were approved by the Board at the same session (decision IDB.48/Dec.5). The inclusion of the evaluation and investigation functions under the mandate of the OAC aligned its mandate with best practice in the United Nations system.

6. **EIO strategy:** The EIO strategy 2020-2024 was issued in February 2020, as a key management and accountability framework for EIO and a road map on how EIO can add further value to UNIDO's achievement of the goals and objectives of the Organization. This EIO strategy was duly used for the preparation and update of EIO workplans, as well as for monitoring and reporting purposes.

7. **EIO services acknowledged by the JIU as "best practice" examples in the United Nations system:** The JIU report entitled "Enterprise Risk Management: approaches and uses in United Nations system organizations", issued in October 2020, cited EIO's internal audit synthesis engagement conducted in 2019, and management's response as a good example of how internal audit could play an active role to enhance enterprise risk management (ERM) processes.

## III. Overview of EIO internal oversight work in 2020

8. Due to the onset of the COVID-19 pandemic, EIO adapted its activities with much agility to support colleagues in the immediate handling of the crisis. It did so, inter alia, by contributing to the revision of the Business Continuity Plan (based on the business continuity management audit 2019) and of the ERM policy, as well as by developing an assurance map as a tool for management to assess risks to and gaps in the management response to COVID-19.

9. The OAC endorsed the assurance map, noting that EIO's COVID-19-specific assurance map was "exemplary" and "best practice" in that it was one of the most practical seen recently. The assurance map and the three lines model were successfully introduced in the draft policies of the internal control framework, accountability framework and the enterprise risk management policy, which were issued in January 2021.

10. EIO, through the internal audit function's assurance and advisory services in 2020, added value to the Organization's governance, risk management and control processes in the following ways:

(a) Six audits were undertaken, out of which two audits concerned critical areas and provided some strategic guidance, namely: IT security and donor reporting processes. The results of the latter audit are being taken into account by the internal technical cooperation task force for the development of new technical cooperation guidelines. Further reports issued were the audits of the Senegal Country Office and the Cambodia Country Office, audits of the Financial Statements of the Major Repairs and Replacement Fund, and of the Catering Service. The detailed reports are available on the UNIDO Extranet;

(b) Four investigation reports were completed; and

<sup>2</sup> JIU/2010/5, Annexes, table 1.

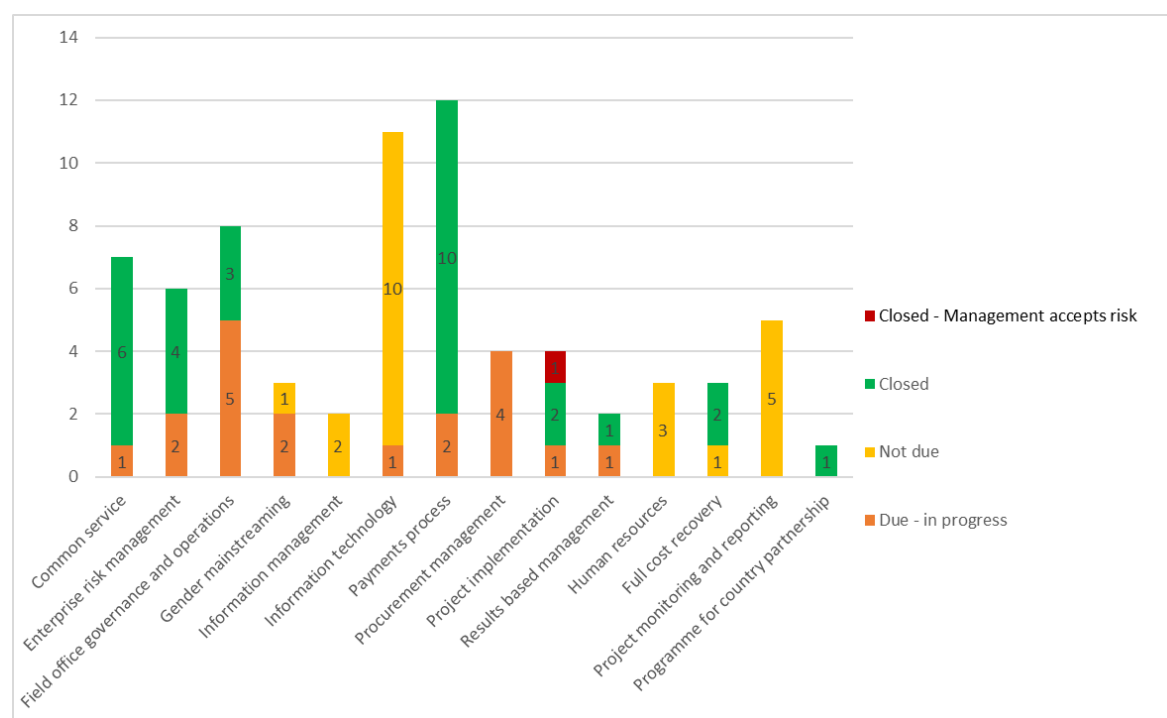
(c) Inputs were provided to key advisory activities, inter alia, the internal control framework, the accountability framework, the Investment and Technology Promotion (ITP) Network Handbook, the Programme for Country Partnership (PCP) Guidelines, the Field Offices Handbook, the self-assessment of compliance with the updated Global Environment Fund (GEF) minimum fiduciary standards, and the UN-SWAP peer review. Contributions were also made in working groups or task forces on resource optimization for technical cooperation, results-based budgeting, and the Technical Cooperation Guidelines.

11. EIO confirms that in 2020, 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 but that operational limitations due to budget constraints should be noted.

#### IV. Implementation status of Management Action Plans (MAPs)

12. In 2020, UNIDO management implemented four of 31 newly-issued MAPs. As at 31 December 2020, there were 71 MAPs in total, of which 19 were due for implementation in 2020 and 52 for implementation in 2021. An analysis of the MAPs by business processes is presented in figure 1. In 2020, EIO further enhanced cooperation with the Senior Level Focal Point for the implementation of audit recommendations, paving the way for reporting to the Executive Board and to establish a more systematic and holistic approach on the monitoring and implementation of all recommendations, including those from the External Auditor and Joint Inspection Unit, for the attention of senior management.

Figure 1  
Status of MAPs implemented as at 31 December 2020



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

13. Active engagement in activities of the United Nations Representatives of Internal Audit Services (UN-RIAS) and the United Nations Representatives of Investigation Services (UN-RIS) remained part of the EIO internal oversight function. In addition, consultations with the External Auditors were conducted to share workplans, expand the coverage of assurance activities and cooperate in areas such

as IT security, for the efficient use of limited resources and to avoid duplication of work.

## **VI. Strengthening governance of the internal oversight function**

14. EIO maintained consultations and close coordination with the OAC. In its role as OAC Secretariat, EIO supported the OAC to hold its meetings, and facilitated its engagement with senior management and Member States, to help it conduct its work and provide advice to the Industrial Development Board and the Organization.

15. EIO capacities were enhanced by six members of the office obtaining the “Certified Fraud Examiner – CFE” certification.

## **VII. Outlook**

16. 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. Taking into account the COVID-19-related measures in place and the EIO Strategy, the internal audit workplan for 2021 is further aligned with UNIDO’s strategic priorities and objectives through a systematic risk assessment. The workplan includes an assurance review of the full cost recovery process, advisories on lessons learned from the COVID-19 pandemic (jointly with the evaluation function), as well as on UNIDO’s competencies. One country office audit is also planned. Depending on the situation, this may be done in the form of a remote audit. To improve efficiency and effectiveness, the audit function will also introduce upgraded auditing software and new auditing tools.

17. As noted by the External Auditor, the OAC, and JIU, resource constraints continues to result in a scope limitation. No significant resource increase is foreseen; therefore, the internal oversight function is not in a position to fully cover all identified high-risk and high-priority business activities through its workplan.

18. 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.

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

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

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