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## **Industrial Development Board**

### **Forty-eighth session**

Vienna, 23–25 November 2020

Item 15 of the provisional agenda

### **UNIDO Independent Audit Advisory Committee**

## **Terms of reference of the Independent Oversight Advisory Committee**

### **Proposal by the Chairperson of the Independent Audit Advisory Committee**

In line with Board decision IDB.44/Dec.4 on the establishment of the Independent Audit Advisory Committee, and in line with section I, paragraph 25 of the terms of reference of the committee, the present document submits revised terms of reference of the “Independent Oversight Advisory Committee” to the Board for approval.

## **I. Introduction**

1. With decision IDB.44/Dec.4,<sup>1</sup> the Industrial Development Board at its forty-fourth session established the Independent Audit Advisory Committee and endorsed the terms of reference of the committee. Section I, paragraph 25 of the terms of reference provides that any proposed amendment to the terms of reference shall be submitted to the Board for approval before becoming effective.
2. The Chairperson of the Independent Audit Advisory Committee hereby submits the annexed revised terms of reference of the committee to the Board for approval.
3. A proposal on the appointment of the members of the committee will be submitted in a separate document (IDB.48/22).

## **II. Background**

4. The Independent Audit Advisory Committee has been operating since 2017 under the current terms of reference.

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<sup>1</sup> See document GC.17/2, p. 12.

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



**Rationale for proposed amendments**

5. On 10 October 2019, the Joint Inspection Unit (JIU) issued report JIU/REP/2019/6, entitled “Review of Audit and Oversight Committees in the United Nations System.” According to the report, the review was conducted to “contribute to the ongoing reform in the United Nations system aimed at strengthening governance and enhancing accountability and transparency.” The overarching recommendation in the report is that, “The legislative and/or governing bodies of the United Nations system organizations [...] should ensure that the terms of reference or charter of their audit and oversight committees are periodically revised and updated with a view to including emerging priorities of, and new challenges to, their respective organizations” (recommendation 7). The present revision of the terms of reference of the Independent Audit Advisory Committee gives effect to that recommendation, and reflects lessons learned in the first two years of operation of the committee.

**Mandate of the committee**

6. The report of the JIU recommends that, “The legislative and/or governing bodies of the United Nations system organizations that have not already done so should ensure that the terms of reference or charter of the audit and oversight committees [...] are revised to reflect all the internal oversight functions that are part of the responsibilities and activities of the committee, where applicable, by the end of 2021” (recommendation 2). The Independent Audit Advisory Committee supports the implementation of this recommendation.

7. In the case of UNIDO, the three oversight functions – internal audit, evaluation and investigation – were combined under the Office of Evaluation and Internal Oversight (ODG/EIO) in January 2018. This change took place after the Board had endorsed the current terms of reference in November 2016. The consolidation of oversight functions was undertaken to increase synergies between them and to make the oversight functions more effective.

8. The Independent Audit Advisory Committee proposes amending its terms of reference to include the evaluation and investigation functions in order to align the mandate of the committee with best practice in the United Nations system. In order to reflect its mandate more accurately, the committee further proposes that its name should be changed to Independent Oversight Advisory Committee. It is intended that the next review of the terms of reference also consider the inclusion of the ethics function.

**Other proposed amendments**

9. The expanded mandate of the committee is reflected in the amplified skills set required of members (paragraph 5). Amendments are also proposed to ensure a staggered approach to appointments, as reflected in decision IDB.45/Dec.13, and to ensure that there will be no gap in membership in years in which the Board is convened during the fourth quarter of the year (paragraph 8). In addition to a Chairperson, the committee will also select a Vice-Chairperson from among its members (paragraph 9). The Vice-Chairperson will support the Chairperson generally and chair meetings of the committee in the absence of the Chairperson.

10. Furthermore, the reporting requirements in the revised terms of reference are brought into line with current practice whereby the committee submits its annual report, covering all activities up to that point, to the Board at the Board’s annual regular session (paragraph 3).

11. The Secretariat has assessed the proposed amendments to be budget-neutral. The number of meetings of the committee held in Vienna, as well as the number of members of the committee, remain the same.

### **Consultations**

12. In January 2020, the Independent Audit Advisory Committee met with members of the Informal Working Group on Programme and Budget Committee-related issues on the proposed amendments to its terms of reference. Through an information note dated 13 February 2020, Member States were invited to provide their inputs on the draft document to the Secretariat, which were then taken into consideration by the committee. The revised terms of reference have also been reviewed by the UNIDO Legal Adviser.

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

13. The Board may wish to consider adopting the following draft decision:

“The Industrial Development Board:

(a) Takes note of the proposal by the Chairperson of the Independent Audit Advisory Committee on the terms of reference of the Independent Oversight Advisory Committee (document IDB.48/21);

(b) Decides to change the name of the Independent Audit Advisory Committee to Independent Oversight Advisory Committee;

(c) Approves the attached revised terms of reference of the committee, as contained in the annex to document IDB.48/21.”

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**Annex**

**UNITED NATIONS INDUSTRIAL DEVELOPMENT  
ORGANIZATION INDEPENDENT OVERSIGHT  
ADVISORY COMMITTEE**

**Terms of Reference**

**A. Purpose and mandate**

1. The Independent Oversight Advisory Committee (the “Oversight Committee”) is an advisory committee established pursuant to Rule 63 of the Rules of Procedure of the Industrial Development Board (the “Board”) to advise the Board and the Director General on issues within the Oversight Committee’s mandate.
2. The Oversight Committee’s mandate shall be to review and advise on:
  - (a) Financial regulations and rules, accounting policies, as well as financial reports;
  - (b) Governance, internal controls, compliance and risk management;
  - (c) Internal audit function;
  - (d) Evaluation function;
  - (e) Investigation function, limited to investigation policy, standards, and operational arrangements, without accessing any information on individual cases;
  - (f) External audit, including:
    - (i) Provisions to ensure an independent and effective external audit;
    - (ii) Audit reports and management letters;
    - (iii) Actions to address external audit reports;
    - (iv) Other matters raised by the External Auditor;
  - (g) Actions taken by management and legislative bodies to address JIU recommendations.

**B. Reporting**

3. The Oversight Committee shall report to the Board through an annual report containing its advice, as well as the results of an annual self-assessment of the effectiveness and compliance with these terms of reference. The report will be submitted to the Secretariat well in advance of the legislative deadline for the issuance of documentation for the Board session of that year. The report will be presented to the Board, including any Management response, as deemed necessary. The Chairperson of the Oversight Committee, or in his/her absence the Vice-Chairperson, will be invited to attend the session of the Board considering the report.

### **C. Composition, qualifications and selection of member**

4. The Oversight Committee shall be comprised of at least three and no more than five members appointed by the Board. They shall serve in an independent, non-executive and personal capacity, and their responsibilities cannot be delegated.

5. To qualify as members, they shall possess relevant professional qualifications and senior level experience at international, United Nations and/or public or private sector organizations in the areas covered by these terms of reference, including finance, accounting, auditing, evaluation, investigation, or risk management. They shall be free of any relationship that would interfere (or give the appearance of interfering) with the exercise of independent judgment. They shall be external to and independent of the Organization and reflect the highest level of integrity and professionalism. In performing their duties, they shall not seek or receive instructions from any government or other authority external to or within UNIDO.

6. Former UNIDO staff, employees and consultants are disqualified from serving on the Oversight Committee unless their employment or contractual relationship with UNIDO terminated at least five years prior to their nomination to the Oversight Committee. A five-year period shall apply to any person employed or contracted by a former or current supplier of goods or services to UNIDO. Government officials serving in Vienna-based delegations shall not be eligible to serve on the Oversight Committee.

7. The Director General will provide an open call for nominations to the Oversight Committee, including but not limited to, Member States. Following consultations with Member States, the Enlarged Bureau of the Board shall submit to the Board a non-exhaustive list of possible candidates for membership in the Oversight Committee. No two members shall be nationals of the same State. In the selection process, due regard shall be given to the principle of equitable geographical representation and gender balance.

### **D. Term of office**

8. Members shall serve for renewable terms of three years each with a maximum of six years. Rotation of membership shall be staggered to allow for continuity as outlined in Board decision IDB.45/Dec.13, and details should be included in the Oversight Committee's internal procedures (refer para. 25). The term of office will commence on the date of the Board's appointment, and it will expire upon conclusion of the three-year term or upon the appointment (or reappointment) of a member at the regular Board session of the relevant year, whichever is later.

9. A Chairperson and Vice-Chairperson of the Oversight Committee shall be selected by its members to serve in this capacity for at least two years on a rotational basis, once renewable.

10. In the event of resignation, incapacity, death or any other circumstance whereby the term of office of an Oversight Committee member is cut short, the Enlarged Bureau of the Board shall appoint a replacement for the remainder of his or her term of office.

11. Members shall sign a statement of confidentiality and disclosure of interest. If any matter before the Oversight Committee presents an actual or perceived conflict of interest for a member, it shall be timely disclosed to the Oversight Committee. The Oversight Committee will then determine whether the actual or perceived conflict of interest is such that the member should be excused from the discussion and abstain from the matter. All such declared conflicts of interest will be recorded in a register maintained by the Secretariat of the Oversight Committee. The Oversight Committee may establish more detailed conflict of interest policies in consultation with the Director General and representatives of Member States.

12. Members will not be held personally liable for decisions taken by the Oversight Committee acting as a whole.

13. Members shall not be eligible for any employment or contractual relationship with UNIDO during their term of office and for at least five years immediately following the last day of their term of office.

#### **E. Expenses**

14. Members serve on a voluntary basis and will not be remunerated. UNIDO will reimburse subsistence costs and other direct expenses associated with attending meetings of the Oversight Committee in compliance with applicable UNIDO rules and regulations.

#### **F. Budget**

15. The biennial programme and budgets shall include a specific allocation for the Oversight Committee to budget for the costs associated with the activities foreseen in these terms of reference, namely, the regular meetings (whether in Vienna or by videoconference), attendance by the Chairperson to the Board, the United Nations System Oversight Committees, and other meetings, as required, as well as resources to cover administrative support costs for the designated Secretariat within the budget approved by Member States for the Oversight Committee.

#### **G. Meetings and administrative arrangements**

16. The Director of the Office of Evaluation and Internal Oversight will designate a Secretariat to the Oversight Committee from amongst their staff.

17. The Oversight Committee will meet at least two times a year in regular face-to-face sessions. All meetings shall be convened by the Chairperson and be held either at UNIDO Headquarters or by videoconference. The Chairperson, the Vice-Chairperson, any Oversight Committee member, the External Auditor, the Director General, and the Director of the Office of Evaluation and Internal Oversight may propose additional meetings, which may be conducted by videoconference.

18. Provisional agendas are prepared by the Chairperson in consultation with members of the Oversight Committee and the Secretariat. The approved provisional agenda will be circulated together with invitations to the members at least 21 days prior to the date of the meeting. Supporting documents and briefing materials will be circulated at least seven days prior to the meeting.

19. The Oversight Committee may invite the Director of the Office of Evaluation and Internal Oversight, management, auditors, evaluation officers, investigator, ethics officer or other UNIDO staff to attend its meetings to serve as resource persons and/or to assist in its deliberations.

20. The deliberations and minutes of Oversight Committee meetings will be kept confidential unless otherwise decided by the Oversight Committee. Documents and information material circulated for the consideration of the Oversight Committee shall be used solely for that purpose and treated as confidential.

21. The Oversight Committee shall provide its corresponding advisory briefings and/or written reports to the Director General, and, if so decided, to representatives of Member States, as soon as possible after each meeting.

22. The Oversight Committee is expected to maintain free and open communication with the External Auditor, the Director of the Office of Evaluation and Internal Oversight, and management. It is empowered to:

(a) Obtain all relevant records and documents necessary to perform its responsibilities, including the Office of Evaluation and Internal Oversight and external audit reports;

(b) Meet in executive session with the Director General and other appropriate managers to discuss any issues that the Oversight Committee believes should be discussed privately;

(c) When required, meet separately with the Director of the Office of Evaluation and Internal Oversight to discuss any matters that the Oversight Committee or the Office of Evaluation and Internal Oversight believes should be discussed privately;

(d) When required, meet separately with the representatives of the External Auditor to discuss any matters that the Oversight Committee or the External Auditor believes should be discussed privately;

(e) When required, meet separately with Members of the Board or its Enlarged Bureau to discuss any matters that the Oversight Committee or those representatives believe should be discussed privately.

23. The Oversight Committee will establish a rolling multiyear plan or road map as a basis for a biennial work programme to ensure that its responsibilities and stated objectives for the period are effectively addressed.

24. The documentation of the Oversight Committee shall follow UNIDO's document retention policy.

## **H. Rules of procedure**

25. Except as otherwise provided in these terms of reference, the Oversight Committee may adopt its own rules of procedure, which shall be communicated to the Board. If considered appropriate, the Committee may, in addition, be guided by the Rules of Procedure of the Board concerning conduct of business and decision-making.

26. Three Oversight Committee members, including the Chairperson or Vice-Chairperson, shall constitute a quorum. The Oversight Committee shall work on a consensus basis and by simple majority in the absence of consensus.

## **I. Amendment**

27. The Oversight Committee shall periodically review the present terms of reference to revalidate their content or recommend necessary amendments, as appropriate. Any proposed amendment to these terms of reference shall be submitted to the Board for approval before becoming effective.