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## **Industrial Development Board**

### **Forty-eighth session**

Vienna, 23–25 November 2020

Item 16 of the provisional agenda

### **Evaluation and Internal Oversight Activities**

## **Charter of the Office of Evaluation and Internal Oversight**

### **Report by the Secretariat**

In line with the recommendation by the Independent Audit Advisory Committee (IDB.47/21), the revised Charter of the Office of Evaluation and Internal Oversight is submitted to the Board for its consideration and approval.

## **I. Introduction**

1. In decision IDB.44/Dec.3 on the establishment of an effective and functionally and operationally independent Office of Internal Oversight, the Board requested the Director General “to ensure independent, timely and effective oversight (evaluation, investigation and audit) in line with standards and norms of the United Nations and reflecting the implementation of respective General Assembly resolutions”.
2. The Director General promulgated the current Charter of the Office of Evaluation and Internal Oversight on 26 March 2019 (IDB.47/CRP.5). In paragraph 10(a) of its report IDB.47/21, the Independent Audit Advisory Committee recommended further changes to the Charter to increase the independence of the Office. The Committee also recommended approval of the Charter by the Board.
3. In line with the recommendation of the Independent Audit Advisory Committee, the annexed revision of the Charter of the Office of Evaluation and Internal Oversight is submitted to the Board for its consideration and approval.

## **II. Background**

4. In 2016, the Joint Inspection Unit (JIU) issued report JIU/REP/2016/8, entitled “State of the internal audit function in the United Nations system.” In paragraph 56, the JIU recommended that, “[i]n addition to approval by the executive head, it is essential that the internal audit charter be approved by the governing body” and that “the oversight committee should be substantively involved in the review process” ().

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5. In UNIDO, the three oversight functions of evaluation, internal audit and investigation were combined under the Office of Evaluation and Internal Oversight (ODG/EIO) in January 2018. The consolidation was undertaken to increase synergies between the oversight functions and to ensure that the functions are more effective.
6. During 2019 and 2020, EIO and the Independent Audit Advisory Committee provided several briefings to Member States on the roadmap to further enhance governance and accountability, and to consolidate and strengthen the evaluation and internal oversight functions in UNIDO.
7. The revised Charter of the Office of Evaluation and Internal Oversight hereby submitted has been prepared in consultation with the Independent Audit Advisory Committee. The revised Charter has also been reviewed by the UNIDO Legal Adviser and cleared by the Director General.

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

8. The Board may wish to consider adopting the following draft decision:  
“The Industrial Development Board:
  - (a) Takes note of the report by the Secretariat on the Charter of the Office of Evaluation and Internal Oversight (IDB.48/25);
  - (b) Approves the revised Charter contained in the annex to that report;
  - (c) Requests the Director General to promulgate the revised Charter.”

## Annex



# **CHARTER OF THE OFFICE OF EVALUATION AND INTERNAL OVERSIGHT OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION**

## **I. Preamble**

1. The Office of Evaluation and Internal Oversight (ODG/EIO) (the “Office”) shall be an internal body organizationally located within the Office of the Director General of UNIDO. The head of the Office shall be the Director of the Office of Evaluation and Internal Oversight (the “Director”). The Office shall enjoy operational independence relating to the performance and operations of its evaluation, internal audit and investigation functions, in accordance with the terms of the present Charter.
2. In order to discharge its mandate, the Office is composed of two divisions: the Independent Evaluation Division (EIO/IED), and the Internal Oversight Division (EIO/IOD).

## **II. Mandate**

3. The Office shall be responsible for providing independent and objective assurance, advice, investigations, and evaluations, for the purpose of adding value to, and improving the efficiency and effectiveness of, the operations, internal control framework, risk management, results-based management, and governance processes of the Organization. The Office shall provide evidence-based information that is credible, reliable and useful, in order to enable the timely incorporation of findings, recommendations, management action plans, and lessons learned into decision-making processes at Organization-wide, programme, and project level. The Office shall also assess the extent to which the programmes and projects of UNIDO, as well as their thematic areas, correctly address and effectively achieve the stated objectives of the Organization.
4. The Office shall be the organizational focal point for liaising with the Joint Inspection Unit (JIU) regarding its activities in relation to UNIDO.
5. The Office shall cooperate as necessary with the relevant services of other international organizations in order to contribute to the oversight of joint or coordinated activities.
6. The Office shall function as the Secretariat for the Independent Oversight Advisory Committee to facilitate the work of the Committee in accordance with its mandate.

## **III. Director of the Office**

7. The Director of the Office shall be appointed by the Director General, who may terminate the appointment of the Director in accordance with the terms and conditions of his or her appointment. The Director General shall consult the Independent Oversight Advisory Committee on the appointment and termination of the Director.

8. The Director shall be accountable to the Director General and shall be responsible for the overall functioning and performance of the Office.
9. The Director shall have authority over the staff and the budgetary resources of the Office. The Director shall be authorized to take such personnel and operational decisions in respect of the Office as he or she deems necessary and appropriate, subject to the provisions of the staff regulations and rules and the financial regulations and rules.
10. The Director shall oversee the divisions of the Office (EIO/IOD and EIO/IED) and shall ensure that they conduct their work with proficiency, due professional care, objectivity and stringent regard for the safekeeping and confidentiality of information provided to or discovered by them, as well as with due regard for the regulatory framework of the Organization. The Director shall further ensure appropriate collaboration and coordination between the two divisions in order to promote synergies as much as possible.
11. The Director shall function as the “chief audit executive” of the Organization within the meaning of the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors.

#### **IV. Independence and Objectivity**

12. The work of the Office shall remain free from any undue influence or interference whatsoever, whether by management, personnel or any party related or external to the Organization. The Office shall determine the scope of its evaluation, internal audit and investigation activities, and shall perform its work and communicate the results thereof independently.
13. The Office shall independently prepare biennial work plans, which shall be reviewed by the Independent Oversight Advisory Committee. The evaluation work plans shall be based on a gap analysis and shall be submitted to the Executive Board for approval. The audit work plans shall be based on a risk assessment and shall be submitted to the Director General for approval.
14. In order to preserve the objectivity necessary to render impartial and unbiased judgment in the performance of their duties and responsibilities, the Director and staff of the Office shall **not**:
  - (a) Actually have, or have had, in the previous 12 months managerial authority over, or operational responsibility for, any of the activities subject to evaluation, internal audit or investigation;
  - (b) Design, develop, configure, test, deploy or install systems; or draft or design processes, policies and procedures;
  - (c) Initiate or approve accounting transactions external to the Office;
  - (d) Direct or supervise the activities of any personnel not part of the Office, except to the extent that such personnel have been assigned to or requested to assist the Office;
  - (e) Perform any other managerial or operational functions for UNIDO; or
  - (f) Engage in any activity that could impair, in fact or appearance, their individual objectivity or the independence of the Office.
15. Staff of the Office shall promptly declare to the Director, through the Chief of the respective division, any impairment, in fact or appearance, of their individual objectivity in relation to an assigned activity. Staff of the Office shall also promptly report to the Director any situation in which an actual or potential impairment of the independence of the Office may reasonably be inferred, and any questions as to whether a situation constitutes an impairment of their individual objectivity or of the independence of the Office.

16. The Director shall declare to the Director General, the Industrial Development Board, and the Independent Oversight Advisory Committee any situation representing an impairment of his or her individual objectivity or of the functional independence of the Office.

17. The annual report of the Director on the activities of the Office shall confirm the independence of the Office and declare whether any situation has occurred representing an impairment of its objectivity or its functional independence.

18. The Office shall not be competent to investigate itself. In particular, the Office shall not investigate allegations of wrongdoing on the part of the Director of the Office or the staff of the Internal Oversight Division. The Office shall refer any such allegations to the Director General for appropriate action.

19. In the case of a finding of wrongdoing against the Director General, the Director shall consult the President of the Industrial Development Board and inform the Chairperson of the Independent Oversight Advisory Committee.

## **V. Authority**

20. The Office shall have full authority in conducting its evaluation, internal audit and investigation functions and activities. In particular, the Office shall be free from interference in determining the objectives, scope, timing and manner of performance of its work, and in communicating the results thereof to relevant parties in accordance with the provisions of this Charter.

21. The Director of the Office shall have unrestricted access to, and shall be entitled to communicate and interact directly with, the Director General and the Independent Oversight Advisory Committee, including in private meetings.

22. In carrying out their internal oversight functions under this Charter, the Director and staff of the Office shall have:

(a) 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 the Office, are relevant to the subject matter under review;

(b) Access to official e-mail accounts, provided that the Director General shall be informed thereof;

(c) Authority to communicate with all personnel, at all levels in the Organization; and

(d) Authority to request any personnel to provide information and explanations that the Office deems necessary to discharge its functions.

23. In the fulfilment of its functions, the Office may make use of its own staff, consultants, contractors, or other personnel assigned to Office, as appropriate. In this Charter, the term "staff of the Office" comprises all of the above categories.

## **VI. Professional Standards**

24. The Office shall conduct its internal audit work in conformity with the *Core Principles for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors, and in conformity with the provisions of the Institute's *International Standards for the Professional Practice of Internal Auditing*, *Code of Ethics* and *Definition of Internal Auditing*.

25. The Office shall conduct its investigation work in conformity with the principles and guidelines contained in the *Uniform Guidelines for Investigations*, as endorsed by the Conference of International Investigators in its latest version.

26. The Office shall conduct its evaluation work in conformity with the norms and standards contained in the *Norms and Standards for Evaluation* of the United Nations Evaluation Group.

27. The Director of the Office, in cooperation with the Chiefs of the divisions, shall take appropriate steps to maintain and strengthen the technical competence and professional standing of the staff of the Office, inter alia, through on-the-job and specialized training, and a quality assurance and improvement programme.

## **VII. Supplementary Policies**

28. Supplementary policies containing on independent evaluation, internal audit, and investigation shall be promulgated as Administrative Instructions and/or Director General bulletins. The policies shall be prepared by the Office and shall be subject to periodic review, taking into account the advice of the Independent Oversight Advisory Committee.

29. The Director of the Office may issue additional standard operating procedures for the work of the Office, as required.

## **VIII. Reporting**

30. The Director of the Office shall periodically provide the Director General, the Industrial Development Board and the Independent Oversight Advisory Committee with information on the status and results of the work plans of the Office and on the adequacy of its resources.

31. The Director shall submit an annual report on the activities of the Office to the Industrial Development Board and circulate copies of the report simultaneously to the Director General and Member States.

32. Specific reporting requirements shall be provided in the supplementary policies referred to in paragraph 28, above.

33. The Director shall furnish copies of relevant evaluation and internal audit reports to the Independent Oversight Advisory Committee for its information.

## **IX. Requirements of Management and Personnel<sup>1</sup>**

34. Within the budgetary resources of the Organization, the Director General shall ensure that the Office is provided with the resources necessary for it to discharge its functions under this Charter. Such resources shall include appropriate staffing, adequate funding and suitable training. When the Office cannot fully discharge its functions due to resource constraints, the Director of the Office should disclose this situation to the Director General, the Industrial Development Board and the Independent Oversight Advisory Committee.

35. The management and personnel of UNIDO shall:

(a) Cooperate fully with the Office and take reasonable steps to provide the Office with such support or assistance as it may request;

(b) Provide the Office with unrestricted access to all organizational records, property and personnel under their authority, which are deemed relevant by the Office;

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<sup>1</sup> In this Charter, the term "personnel" shall mean, unless the context otherwise provides, any and all staff members of UNIDO, holders of individual service agreements, individuals on reimbursable and non-reimbursable loan, Goodwill Ambassadors, interns, and other individuals associated with UNIDO.

(c) Provide written responses to reports by the Office, which are submitted to them for their comments;

(d) Develop and implement management action plans to address findings recommendations made to them by the Office;

(e) Provide the Office, on a regular basis, with information on the status of implementation of such recommendations and action plans;

(f) Promptly advise the Director of the Office of any weakness or breakdown in the internal control framework of the Organization which comes to their attention; and

(g) Promptly report to the Office suspected irregularities and/or wrongdoing involving any organizational funds, property or personnel, or any third parties in a contractual relationship with UNIDO.

36. No action shall be taken against personnel or third parties who cooperate with or provide information to the Office, unless the information was wilfully provided in the knowledge that it was false or with intent to misinform. In such cases, the matter may be referred to the Director General for appropriate action.

37. Responsibility for complying with regulations, rules and applicable laws, for establishing and operating internal control and risk management systems, and for correcting deficiencies and taking mitigating actions, rests with personnel and management. Deterrence of irregularity, wrongdoing, waste of resources, and violation of regulations and rules is the responsibility of management. The prevention of fraud and the protection of the reputation and interests of UNIDO remain the responsibilities of all personnel.

38. The functions and activities of the Office do not in any way relieve personnel of the Organization of the responsibilities assigned to them.

## **X. Relations with the External Auditor**

39. The Director of the Office shall have free and unrestricted access to the External Auditor of UNIDO.

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

## **XI. Amendment, Approval and Promulgation**

41. The Director General, the Director of the Office and the Independent Oversight Advisory Committee may propose amendments to this Charter.

42. This Charter shall be reviewed by the Director of the Office and the Independent Oversight Advisory Committee, normally at least once every five years.

43. This Charter and any revision thereof shall be approved by the Board and promulgated by the Director General.