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DIRECTOR GENERAL'S BULLETIN

CHARTER OF THE OFFICE OF INTERNAL OVERSIGHT AND ETHICS OF UNIDO

1. This bulletin, which contains the Charter of the Office of Internal Oversight and Ethics (IOE) of UNIDO, supersedes the Director General's bulletin UNIDO/DGB/(M).92/Rev.3 issued in January 2015.
2. The present Charter reflects, inter alia, compliance with updated international and organizational practices.



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
CHARTER OF THE OFFICE OF INTERNAL OVERSIGHT AND ETHICS (IOE)

I. Preamble

1. The Office of Internal Oversight and Ethics (IOE) 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 Member States and the Director General on IOE.
3. IOE 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 IOE is to provide the Director General with independent, objective assurance, advisory and internal oversight services designed to add value to and improve UNIDO's operations as well as emphasize accountability, transparency and ethics through (i) internal audit, (ii) fact-finding, and (iii) ethics-related services.

III. Scope of Activities

A. Overview

5. IOE activities consist of internal auditing (assurance and advisory services); examination of alleged wrongdoing (prevention, detection and investigative services); conducting proactive reviews; and ethics-related services.
6. IOE 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 IOE covers all systems, processes, operations, functions and activities of UNIDO.
8. IOE shall function as the Secretariat for the Independent Audit Advisory Committee to facilitate the Committee's work in accordance with the Committee's Terms of Reference (IDB.44/Dec.4).
9. IOE shall cooperate as necessary with other international organizations in order to contribute to oversight of joint or coordinated activities.

B. Internal Auditing

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

B.1 Assurance Services

11. Assurance is the objective examination of evidence for the purpose of providing an independent assessment of the effectiveness and efficiency of risk management, internal control and governance processes. For its assurance services, IOE shall rely on risk-based planning and an opinion should be included in each assurance audit report.
12. IOE 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 and assets are acquired economically, used efficiently, as well as adequately protected and safeguarded;
 - Programmes and plans are achieved, and results are consistent with established objectives; and
 - Quality and continuous improvement are fostered in the Organization's internal control processes.

B.2 Advisory Services

13. Advisory services are management-requested activities that intend to add value and improve UNIDO's governance, risk management and control processes without IOE assuming management responsibility.
14. IOE 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

15. IOE 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.

D. Ethics

16. The Director, IOE and the Ethics Officer provide advice and guidance on ethics-related matters to the Director General, management, staff, and other personnel.
17. As a safeguard measure to any potential impairment to the independence and objectivity of the Director, IOE, internal auditors and investigators, ethics-related activities that have a direct impact on IOE's work, such as review of annual financial disclosure and declaration of interest

statements and consultations with UNIDO personnel on ethics and retaliation matters, shall be the sole responsibility of the Ethics Officer.

18. IOE will not undertake an internal audit of the ethics function, and the provision of assurance on the ethics function will be outsourced to a competent internal or external assurance provider, if required.

IV. Appointment of the Director, IOE and Accountability

19. The Director, IOE is appointed by the Director General of UNIDO, who may terminate the appointment of the Director, IOE in accordance with the terms and conditions of his or her appointment. The Director General may consult the Independent Audit Advisory Committee in the appointment and termination of the Director, IOE as deemed appropriate.
20. The Director, IOE shall be accountable to the Director General and shall periodically provide the Director General and the Independent Audit Advisory Committee with information on the status and results of the annual work plan and on the adequacy of the resources of IOE.
21. The Director, IOE shall ensure that IOE conducts its work with proficiency, due professional care, objectivity and stringent regard for the safekeeping and confidentiality of information provided to or discovered by IOE, as well as with due regard for the regulatory framework of the Organization.

V. Independence and Objectivity

22. The work of IOE shall remain free of influence by management, staff or any party related to the Organization or external to the Organization.
23. To preserve the objectivity necessary to render impartial and unbiased judgment, IOE staff involved in assurance and investigative work, in the performance of their duties, 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 IOE;
 - Direct the activities of any staff member not part of IOE, except to the extent that such staff member has been assigned to IOE or requested to assist IOE 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 IOE.
24. IOE staff shall promptly declare to the Director, IOE any impairment, in fact or appearance, of their individual objectivity in relation to an assigned activity. IOE staff shall also promptly report to the Director, IOE any situation in which an actual or potential impairment of the organizational independence of IOE 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 IOE.
25. The Director, IOE shall declare to the Director General and the Independent Audit Advisory Committee any situation representing an impairment of his or her individual objectivity or of the organizational independence of IOE.

26. The Director, IOE shall declare IOE's organizational independence in its annual Activity Report (see para. 43).

VI. Authority

27. In conducting internal audit activities or examination of alleged wrongdoing, IOE 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.
28. The Director, IOE shall have unrestricted access to, and communicate and interact directly with, the Independent Audit Advisory Committee and the Director General, including in private meetings.
29. In carrying out their functions under this Charter, IOE 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 IOE, are relevant to the subject matter under review;
 - Access to official email accounts, provided that the Director General is informed thereof and IOE receives a "no objection" reply;
 - Authority to communicate with all personnel, at all levels in the Organization; and
 - Authority to request any personnel to provide information and explanations that IOE deems necessary to discharge its responsibilities.
30. In the fulfillment of its responsibilities, IOE may use its own staff, consultants, contractors, or other UNIDO staff assigned to IOE, as appropriate. In this Charter, the term "IOE staff" covers all of the above categories.

VII. Responsibilities

A. IOE Director and Staff

31. The Director, IOE is responsible for the overall functioning and performance of IOE within the resources allocated to IOE (see para. 49).

A.1 Internal Auditing

32. IOE 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, the Ethics Officer or the External Auditor 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 Independent Audit Advisory Committee for review and thereafter to the Director General for review and approval;
 - Report significant departures from the approved work plan and the reasons thereof to the Director General for review and approval; and
 - Implement the internal audit work plan and, as appropriate, carry out any additional assurance or advisory services requested by the Director General, the Independent Audit

Advisory Committee or the Policymaking Organs of UNIDO.

A.2 Examination of Alleged Wrongdoing

33. IOE 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.

34. IOE receives, from UNIDO personnel and third parties, complaints or information concerning the possible existence of irregularities, fraud, violations of the Code of Ethical Conduct¹ 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 retaliation², the policy on fraud awareness and prevention³ and the policy on harassment.⁴

35. In carrying out investigations, IOE establishes the existence (i.e. proves) or the non-existence (i.e. disproves) of the elements that constitute a wrongdoing. Facts are revealed through evidence gathering. The preponderance of the evidence standard is the minimum standard applied by IOE when making findings and reaching conclusions on allegations of wrongdoing.

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

37. The Director, IOE may assign investigative activities to, or ask for the support of, individuals other than IOE staff, such as project managers, UNIDO Representatives, or officials of the United Nations Department of Safety and Security (UNDSS). In such cases, IOE 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 IOE.

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

A.3 Reporting

39. IOE 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 Board (IDB.44/Dec.3), the Independent Audit Advisory Committee and the External Auditor. Each report shall include recommendations made by IOE and comments received from 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, IOE shall draw the issue to the attention of the Director General and where appropriate to the Independent Audit Advisory Committee.

¹ Director General’s bulletin UNIDO/DGB/(M).115, dated 1 March 2010, entitled *Code of Ethical Conduct*.

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*.

³ Director General’s bulletin UNIDO/DGB/(M).94/Rev.1, dated 21 February 2013, entitled *Policy on Fraud Awareness and Prevention*.

⁴ Director General’s bulletin UNIDO/DGB/2016/13, dated 20 December 2016, entitled *Prohibition, prevention and resolution of harassment, including sexual harassment, discrimination and abuse of authority*.

40. IOE shall issue a report to the Director General on each investigation. Investigation reports are subject to restricted distribution, with read-only access given to the External Auditor. Information on the types of issues encountered during such activities shall be shared with the Ethics Officer, as necessary.
41. After issuance of a report by IOE, the recipient becomes its custodian and decides on further distribution thereof as necessary. IOE 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 Ethics Officer.
42. IOE shall issue an Information Circular annually, which summarizes the findings and recommendations of investigations completed during the reporting period. The anonymity of the subjects will be safeguarded.
43. IOE issues at least annually an Activity Report to the Director General, with a copy to the Board, the Independent Audit Advisory Committee and the External Auditor. The Activity Report describes the activities of IOE 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 Executive Board members and further layers of management.

A.4 Overall Responsibilities

44. The Director, IOE shall develop and establish internal auditing and investigation procedures for IOE and provide guidance to the Ethics Officer.
45. IOE shall establish and maintain a system to monitor progress in implementing recommendations made by IOE. IOE shall also prepare periodic summaries for the Director General and the Independent Audit Advisory Committee on the status of implementation, underlining where adequate and timely corrective action has not been undertaken by management.
46. The Director, IOE shall promptly inform the Director General and, upon his direction, relevant managers, if and when significant evidence is reported to or discovered by IOE, 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
 - Improprieties or misconduct with the potential to cause material damage to the Organization's reputation.
47. Where required, IOE 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.
48. The Director, IOE shall maintain and strengthen the technical competence and professional standing of IOE through, inter alia, on-the-job and specialized training, and a quality assurance and improvement programme.

B. UNIDO Management and Personnel

49. Within the budgetary resources available to the Organization, the Director General shall ensure that IOE is provided with the necessary resources in terms of appropriate staffing, adequate funding and suitable training to discharge its responsibilities.
50. UNIDO personnel shall:
- Cooperate fully and provide IOE with support at all levels;
 - Provide IOE with unrestricted access to all records, property and personnel under their responsibility, which is deemed relevant by IOE;
 - Provide written responses to IOE reports submitted to them for their comments;
 - Devise action plans to address recommendations made in IOE reports;
 - Provide IOE, on a regular basis, with information on the status of implementation of such recommendations and action plans;
 - Promptly advise the Director, IOE of any weakness or breakdown in the Organization's internal control framework which comes to their attention; and
 - Promptly inform IOE 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.⁵
51. No action shall be taken against staff members, other personnel or third parties who cooperate with or provide information to IOE, 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 appropriate action.
52. Responsibility for complying with regulations, rules and applicable laws, as well as establishing and operating internal control and risk management systems and correcting deficiencies or mitigating actions thereof, 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.
53. IOE activities do not in any way relieve personnel of the Organization of the responsibilities assigned to them.

VIII. Relations with the External Auditor

54. The Director, IOE shall have free and unrestricted access to the External Auditor.
55. Where appropriate, the Director, IOE 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.

⁵ Director General's bulletin UNIDO/DGB/(M).94/Rev.1, dated 21 February 2013, entitled *Policy on Fraud Awareness and Prevention*.

IX. Standards of Practice

56. The Director, IOE and IOE staff will conduct their internal audit work in conformance with the International Professional Practices Framework issued by The Institute of Internal Auditors, in its latest version, including the mandatory elements of the International Standards for the Professional Practice of Internal Auditing, Code of Ethics and the Definition of Internal Auditing.
57. The Director, IOE and IOE 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 IOE Charter

58. The Director, IOE and the Independent Audit Advisory Committee may propose amendments to this Charter as required. Such amendments shall be subject to the approval of, and promulgation by, the Director General.

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*.