# Framework for Joint Internal Audits of United Nations Joint Activities

**UN-RIAS**

## UN-RIAS Endorsed Document
United Nations: Representatives of Internal Audit Services

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# Framework for Joint Internal Audits of United Nations Joint Activities

## I.   CONTEXT

1.      The General Assembly resolution 67/226 on the quadrennial comprehensive policy review (QCPR) of December 2012 emphasized harmonization and collaboration among United Nations organizations. In particular, in its paragraph 167, it recognizes progress made in improving transparency while calling to "ensure coherence and complementarity in the oversight functions, audits and evaluations across the United Nations development system". The United Nations system organizations have been called to increase coherence and harmonization of business practices. In that context, inter-agency bodies have called for joint audits.

2.      Ahead of the QCPR's emphasis on harmonization and coordination, Internal Audit Services (IAS) of United Nations organizations recognized the mutual accountability shared among United Nations organizations in this context and the need for inter-agency internal audit collaboration on providing assurance on these undertakings. To that effect, these IASs concluded three audit frameworks: on Multi-Donor Trust Funds in 2007; on coordinated programmes supported by multiple agencies (Joint Programmes) (2008); and on Delivering-as-One in 2011.

3.      Since then the number of joint undertakings by United Nations organizations has significantly increased, with numerous Delivering-as-one programmes, Multi-Donor Trust Funds, Joint Programmes, and other instances where several United Nations organizations agree to implement shared or harmonized business processes, such as HACT[1]. These joint undertakings are referred to as "Joint Activities" hereafter.

4.      In 2013, the IAS so far involved in joint audits acknowledged the changing landscape, and took stock of their experience implementing the three existing frameworks. It was decided at the 6th meeting[2] of United Nations Representatives of Internal Audit Services (UN-RIAS) that IASs whose organizations are, or may be, involved in Joint Activities (referred to hereafter as UN-RIAS Joint IASs) would develop a single audit framework, encompassing audit of all joint undertakings.

5.      The UN-RIAS Joint IASs aim to combine and pool their audit resources and efforts to conduct comprehensive, cost-effective and appropriate assurance coverage of Joint Activities.

6.      The purpose of the present document is to present, in a single framework, the basis for an internal audit approach for jointly providing audit coverage of these Joint Activities. It aims at delineating the responsibilities of the UN-RIAS Joint IASs participating in joint audits; at providing a basis for agreeing on scope and objectives of joint audits; at harmonizing their execution, the  process of reporting on them (including audit ratings and report structure and content); and following up on joint audits.

7.      It should be noted that this framework equally applies to Joint Activities in a development context as well as in humanitarian interventions.

8.      The present document is complemented by standard operating procedures (SOP) which detail and amplify it, at the operational level. These are internal to UN-RIAS Joint IASs.

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1 Harmonized Approach to Cash Transfers
[2] Vienna, 2012

## II.    PRINCIPLES AND DEFINITIONS

9.      Internal auditing is defined by the Professional Practices Framework of the Institute of Internal Auditors, adopted by the Representatives of Internal Audit Services of the United Nations, as an independent, objective assurance and advisory activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of its governance, risk management and control processes.

10.     The implementation of programme activities is the responsibility of each participating United Nations organization (PUNO) in the joint undertaking and is carried out by each PUNO in accordance with its applicable regulations, rules, directives and procedures.

11.     This framework for joint audits also acknowledges that the Administrative Agents, Managing Agent or Convening Agency, as applicable per the programme implementation modality, and PUNOs are audited in accordance with their own Financial Regulations and Rules.

12.     In the spirit of the QCPR, United Nations organizations share mutual accountability in the context of Joint Activities. The UN-RIAS Joint IASs involved therein acknowledge the importance of inter-agency internal audit collaboration to ensure audit coverage of these Joint Activities, and to this end, commit to cooperate, advocate and support the implementation of this framework. The UN-RIAS Joint IASs will set up a coordination mechanism[3] to that effect.

13.     The term "joint audit" can be defined as (i) audits conducted by a joint team composed of members of several IASs; or (ii) audits coordinated among the participating IASs, but not undertaken necessarily concurrently, yet within a timeframe allowing for consolidation of audit results.

14.     The selection of joint internal audits is risk-based. A joint internal audit will cover joint programme governance and administration, as well as the implementation of programme components by the PUNOs of IASs participating in the joint audit to the extent that it is appropriate and necessary for the scope and coverage of the joint audit activities.

15.     All IAS involved in joint audits would time their activity such that the overall  report  or consolidation (which will depend on the modality) would be completed within one year, between planning to issuance of audit.

16.     The joint internal audit report may be supplemented by further reports on issues specific to particular PUNOs.  Each of these reports will be issued by the IAS of each PUNO in accordance with their own organization's disclosure policy. In cases where the PUNO has adopted a policy of disclosure of internal audit reports, the joint report and any specific report to that PUNO will be disclosed by that PUNO in the same manner as for its other internal audit reports.

17.     The total cost of internal audits of Joint Activities will be covered:

   a.   Directly by those activities, with a budgetary provision included from the onset for Joint Programmes and Multi-Donor Trust Funds; or

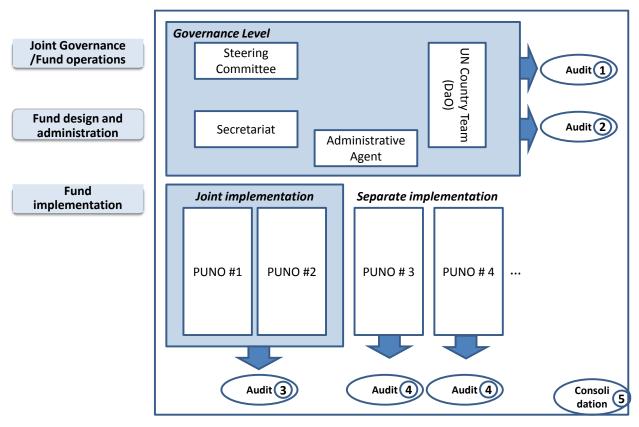   b.   By participating IASs.

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[3] A working group of UN-RIAS

## III. OBJECTIVES OF JOINT AUDITING

18. Joint audits are designed to provide reasonable assurance to key stakeholders funding, managing, implementing and/or overseeing Joint Activities, as applicable on the adequacy and effectiveness of the governance, risk management, and control processes of Joint Activities that are in place regarding the:

   a. Achievement of the Joint Activities' strategic objectives;

   b. Reliability and integrity of financial, operational and performance information;

   c. Effectiveness, efficiency of operations and economic acquisition of resources;

   d. Safeguarding of assets; and

   e. Compliance with mandates, regulations and rules, policies and procedures, donor requirements as well as standard operating procedures, Memoranda of Understanding or any such governance document that guides the Joint Activities.

19. Joint audits may also provide an inter-agency picture of Joint Activities, improve the governance of inter-agency processes by identifying and addressing audit issues common to several UN organizations in the implementation of joint activities, and ensure that any major shortcomings, requiring action by more than one PUNO, are properly reported.

## IV. ACTORS INVOLVED AND PRODUCTS OF JOINT AUDITS

20. Joint Activities may take place under different fund transfer modalities: pass-through, pooled funds and parallel funding. Whichever the modality, there are different actors involved, and consequently different streams of audit work.

21. The various roles and responsibilities are depicted and described below.

22.    Joint Activities have different governance mechanism in place. This could be a form of steering committee - in the case of Delivering-as-one programmes, the UN Country Team -, supported by some form of secretariat. In the case of pass-through funding, there is one entity disbursing funds to PUNOs and being accountable for the Joint Activities in question; that is the Administrative Agent. A Convening Agency may also coordinate all programmatic activities and narrative reporting. In the case of pooled funding, the Managing Agent combines both roles.

23.    At the level of the Joint Governance over "funds operations", and "fund design and administration"[4], audit activities scope may cover[5]:

(a)    The Joint Activities' governance arrangements; and

(b)    The role of the Administrative Agent, Convening Agency, or Managing Agent.

24.    At the implementation level, activities may be implemented jointly by two or more PUNOs.

25.    Hence, there can be different audit modalities:

①    a.    Joint governance (see 'Governance' in the graph above) shall be audited jointly by IASs of the PUNOs involved and the report thereon being issued to the Joint Programme Steering Committee and to UNDG; PUNOs who have public internal audit report disclosure policies will make the report available publicly;

②    b.    The administration role shall be audited by the IAS of the PUNO which has the role of Administrative Agent, Convening Agency, or Managing Agent. Reporting thereon may be

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[4] UNDG terminology
[5] The numbers refer to the graph.

> integrated in the audit of joint governance and administration, or may be disclosed in a separate report by the IAS of the PUNO involved, according to its internal audit report disclosure policy;

③
> c.  Those activities undertaken jointly by several PUNOs (see 'Joint Implementation' in the graph above) shall be conducted jointly by the IASs of the PUNOs involved in those activities. Reporting thereon may be integrated in the audit of joint governance and administration, or may be disclosed in a separate report by those involved in this joint activity, and will be issued according to the policies of disclosure of internal audit reports of the PUNOs involved; and

④
> d.  The portion of programme activities separately undertaken by each PUNO (see 'Separate Implementation' in the graph above) is audited by that PUNO based on its risk-based planning. In view of the diverse policies of disclosure of internal audit reports across the United Nations system, each IAS will follow the policy in place in that PUNO.

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> e.  In addition, the PUNOs involved in audits of fund implementation (type 3 and '4') will provide a high level summary of key results and recommendations to the Lead IAS. The latter will consolidate these with those of the governance level (audits of type 1 and 2) and provide a high level report to the Joint Programme Steering Committee, and to UNDG or another inter-agency body as appropriate. Depending on the Joint Activities, the consolidation (level 5) may involve results of all audits or some only.

26.    In those cases where an IAS does not participate in the Joint Audit Team, it will however facilitate contacts and meetings of the Joint Audit Team with its own organization's representatives, other relevant managers and staff members; this may also include requesting information related to Joint Activities, as necessary for the assessment of shared governance, risk management and internal control processes. The Joint Audit Team will not include in its scope of work the portion of Joint Activities implemented separately by PUNOs whose IAS is not participating in the joint audit, unless specifically authorized by the IAS of that PUNO.

## V.    STEP 1 – Audit universe and risk assessment

27.    The UN-RIAS Joint IASs, through their coordinating mechanism, will collectively determine the audit universe for Joint Activities.

28.    Based on an annual risk assessment of Joint Activities presented in the context of the UN-RIAS annual meeting, the heads[6] of the UN-RIAS Joint IASs will decide on the priorities for Joint Audits of Joint Activities to be undertaken the coming year and on an indicative three-year rolling plan. A heat map of the Joint Activities based on risk criteria established by the UN-RIAS Joint IASs, including the respective role and share of expenditure of the PUNOs, will help determine the Joint Activities to include in the audit plan, as well as the IASs of PUNOs whose participation is critical for the Joint Audits. Details on the risk assessment approach, criteria and ratings will be included in an SOP.

29.    The IASs of the PUNOs involved will then confirm their participation in the Joint Audits retained in the audit plan, based on resources available and internal priorities. The audit modality as per paragraph 24 (joint/coordinated) will also be discussed, subject to further confirmation at the engagement level (see paragraph 32).

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[6] The title of the ultimate individual in charge of audit (Chief Audit Executive) may vary by organization (e.g. Director, Inspector-General); hence, it is referred to the generic name of 'head of IAS'

30.    When deciding to collaborate on audit activities, the time frame for conducting those audit activities shall be discussed and agreed among UN-RIAS Joint IASs. When an audit is conducted by a single joint team, audit activities happen concurrently. When an audit takes place in a coordinated manner, different IAS teams may be going concurrently, or within a close timeframe. Activities conducted separately by each IAS would be then timed in such a way as to allow for a consolidation at the overall Joint Activity level. IASs that undertake a separate audit of their organization's element of a Joint Activity, based on their internal risk assessment, are responsible to inform the Lead IAS of their intention to undertake a separate audit.

31.    The outcome of the yearly planning exercise will be documented in a Joint Audit Plan of Joint Activities, with all IASs involved and an indication of the audit modality. Stakeholders (Joint Activity Steering Committee, Administrative Agent, Convening Agency or Managing Agent and PUNOs concerned) will be informed accordingly. This plan will also be taken into consideration by each IAS in their respective yearly planning process.

## VI.    STEP 2 – at the engagement level

### A.    Governance of the joint audit: Engagement Steering Committee and Lead Internal Audit Service

32.    An Engagement Steering Committee comprised of the heads (or their senior delegates) of the IAS participating in a joint audit will be responsible for the overall supervision and coordination of each engagement. If information on a PUNO not participating in the audit becomes available at any stage of the joint audit work, that PUNO will be informed immediately by the Lead IAS.

33.    Based on further information available at the planning stage, the Engagement Steering Committee will reconfirm which audit modality is the most relevant, and for what areas (see graph, and audits at level 1, 2 3 and 4, and if applicable, a level 5 consolidation) and IAS involved. The Engagement Steering Committee will determine the Lead IAS, accountable and responsible for the operational supervision and coordination of the engagement, where appropriate managing the joint audit team, and for reporting.

34.    The Engagement Steering Committee will also decide on the most appropriate costing modality (for Joint Programme and Multi-Donor Trust Fund, the total cost of internal audits will normally be covered directly by the Joint Programme/ Multi-Donor Trust Fund with a budgetary provision included from the onset). The Committee will also decide on the apportionment of cost among participating IASs.

35.    The composition of the joint audit team and the commitment of each IAS in terms of skill-set will be finalized at the Engagement Steering Committee level, together with the timelines of the audit(s).

### B.    Planning of the engagement

36.    Shortly after agreeing on the joint audit activities in year N+1 by the UN-RIAS Joint IASs in year N, the Lead IAS for a particular joint audit will develop a timeline for the audit (with indication of the period when the team needs to be available for planning, fieldwork and reporting) before the end of year N, so that each participating IAS can incorporate this in their resource planning and workplan for the year N+1. Each participating IAS, when deciding to participate in a joint audit, needs to indicate the name and level of the team member, as well as commit to their availability. In the event the audit team members may not be available as planned, for whatever reason (e.g. reassignment, promotion, separation, etc.), the Head of

the IAS should inform the Lead IAS of the change of team member promptly. Any resource issue shall be escalated to the level of heads of IASs for resolution.

37.      The joint audit team will undertake a risk assessment at the engagement level, coordinated by the Lead IAS, including the perspective of each individual PUNO as well as the joint views.

38.      The scope of internal audits of Joint Activities will be guided by the engagement risk assessment. The joint audit team will propose the scope and objectives of the joint audit (period and activities covered) for approval by the Engagement Steering Committee, and develop audit procedures based on the proposed engagement risk assessment.

39.      The Lead IAS will communicate objectives and scope of the audit through an Audit Notification Letter to the auditee(s) identified at the onset of the audit.  Each IAS involved will also be responsible to communicate the Audit Notification Letter to its own management.

40.      The IASs involved will also determine the disclosure modality of the final audit report(s), depending on the audit modality as laid out in paragraph 25.

## C.  Field work

41.      At the planning, fieldwork and reporting stages, supervision of the joint audit team and quality assurance over the audit work and engagement communications will be provided by the Lead IAS. The team leader will have authority over all joint audit team members, including allocating the elements of joint audit work; he/she will also provide guidance and feedback on the work assigned to the team members in respect of the assignment.

42.      The Lead IAS (though the Team Leader) will be responsible for the review of working papers and their quality assurance. The Lead IAS will also be the custodian of the engagement's working papers.

43.      An Exit Meeting will conclude the field audit work, led by the Team Leader. Exit meeting notes will be shared with the auditee(s) and later shared with the Engagement Steering Committee of the Joint Audit.

## D.  Reporting[7]

44.      Based on the exit meeting notes, each team member will draft the section of the joint audit report related to their allocated responsibilities. The Lead IAS will coordinate the various inputs to ensure that the draft report is available within a reasonable time frame from the end of field-work (determined at the planning stage); that the consolidated report is consistent in form and content; that it is supported by all appropriate working papers, and includes clear conclusions on the governance, risk management and internal control performance of the Joint Activities.

45.      The Engagement Steering Committee will review the draft report prepared by the Lead IAS, deciding on its content, rating and wording. An indicative turnaround time and timeframe will be determined at the planning stage.

46.      Once approved by the Engagement Steering Committee, the Lead IAS will send the draft report to the auditees (defined at the planning stage) on behalf of the Committee, copying all heads of the IASs

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[7] This pertains mainly type 1 and 3 as indicated in the graph.

involved, who in turn will send the draft report to their own management for information and input, as appropriate.

47.      Upon receipt of the management responses from auditees to the Lead IAS and from the management of the PUNOs through the corresponding IAS, the Lead IAS will coordinate with the joint audit team members for review of and feedback on the management responses, to determine whether amendments are required, and if so, incorporate them in the draft. The Lead IAS will ensure that all comments are addressed in the draft of the final report. In cases of significant and material differences expressed with respect to the results, the Lead IAS will bring these to the attention of the Engagement Steering Committee for their review and decision on the way forward.

48.      The Engagement Steering Committee will review the draft of the final report and endorse the finalized report. The final report will be signed by all heads of the IASs involved, i.e. it will include the name of each Head of IAS, but no actual 'graphic' signature. The Lead IAS will then issue the final report to the auditees according to the decision made at the planning stage, normally on behalf of all others IASs involved; further, each IAS involved will be responsible to send the final report to its own management.

## E.   Report quality assurance

49.      The Lead IAS will ensure quality assurance on audit report (work papers, substance, editing).

50.      In exceptional circumstances, the Engagement Steering Committee may decide on different quality assurance arrangements.

# VII.     Step 3 – After conclusion of the engagement

## A.   Performance assessment of joint audit team members

51.      The Team Leader will provide input on the audit team members' performance assessment, formally or informally, as requested by the procedures in place in the organization to which each team member belongs.

## B.   Recommendation follow-up

52.      The follow-up of recommendations will be led by the Lead IAS involving the other participating IASs where relevant[8]. Results of the recommendations follow-up will be presented periodically to UN-RIAS Joint IASs, and shared with the appropriate United Nations body related to the Joint Activities, e.g. UNDG. Each IAS may be involved in following up recommendations related to its own organization (audit level 2, 3 or 4), as relevant.

## C.   Yearly activity report of IASs involved in joint activities

53.      All IASs will include the joint audits in which they have participated and the results thereof in their activity report, in the format they normally report. To avoid duplication, the Lead IAS only will report on the status of implementation of joint audit recommendations.
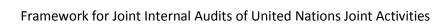
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[8] For instance, in cases when the management of PUNOs are involved in implementing joint audit recommendations.

## VIII.    Amendments to the Framework

54.    The framework will be reviewed periodically and may be amended as necessary.

**Date: September 2014**

## Annex – UN-RIAS members

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|---|---|---|
| Comprehensive Nuclear-Test-Ban Treaty Organization | **CTBTO** | Internal Audit Section |
| Food and Agriculture Organization of the United Nations | **FAO** | Office of the Inspector General |
| International Atomic Energy Agency | **IAEA** | Office of Internal Oversight Services |
| International Civil Aviation Organization | **ICAO** | Evaluation and Internal Audit Office |
| International Fund for Agricultural Development | **IFAD** | Office of Audit and Oversight |
| International Labour Organization | **ILO** | Office of Internal Audit and Oversight |
| International Telecommunication Union | **ITU** | Internal Audit Unit |
| International Maritime Organization | **IMO** | Internal Oversight and Ethics Office |
| Pan-American Heath Organization | **PAHO** | Internal Oversight and Evaluation Services |
| Organisation for the Prohibition of Chemical Weapons | **OPCW** | Office of Internal Oversight |
| United Nations | **UN** | Office of Internal Oversight Services |
| United Nations Development Programme | **UNDP** | Office of Audit and Investigations |
| United Nations Educational, Scientific and Cultural Organization | **UNESCO** | Internal Oversight Service |
| United Nations  Population Fund | **UNFPA** | Office of Audit and Investigation Services |
| United Nations  Children's Fund | **UNICEF** | Office of Internal Audit and Investigations |
| United Nations Industrial Development Organization | **UNIDO** | Office of Internal Oversight Services |
| United Nations Office for Project Services | **UNOPS** | Internal Audit and Investigation Group |
| United Nations Relief and Works Agency for Palestine | **UNRWA** | Department of Internal Oversight Services |
| World Food Programme | **WFP** | Office of the Inspector General |
| World Health Organization | **WHO** | Office of Internal Oversight Services |
| World Intellectual Property Organization | **WIPO** | Internal Audit and Oversight Division |
| World Meteorological Organization | **WMO** | Internal Oversight Office |