**Working with External Auditors**

# Role, Mandate and Appointment of external auditors

1. “External audit” refers to an audit carried out by a body that is external to, and independent of, the organization being audited and has direct reporting responsibility to a relevant Governing Body. In UNDP, external auditors are one of the key independent oversight bodies and report to the General Assembly.



1. External auditors’ work is utilized by UNDP in strategic thinking, governance, accountability, transparency, and in the delivery of its services on the ground.

1. The United Nations Board of Auditors (BoA) was established in 1946 by the General Assembly and is comprised of the Heads of the Supreme Audit Institutions from three Member States. The Board certifies the UN accounts, its funds and programmes (including UNDP), and provides reports covering a wide array of financial, managerial and value-for-money audits. The overarching goal of the Board is to use the unique perspective of public external audit to both aid the General Assembly in holding UN entities accountable for the use of public resources, and add value by identifying ways to improve the delivery of international public services.

1. By resolution 55/248 of 12 April 2001, the General Assembly approved a non-consecutive, six-year term of office for board members with the initial duration beginning 1 July 2002. Appointments are staggered so that the term of office of one of the members expires every two years. The General Assembly appoints a new board member every two years.

1. The Board conducts its audits in accordance with the International Standards on Auditing. UNDP external audits are also conducted in accordance with the financial rules and regulations, associated internal control framework, policies and procedures.

1. BoA and OAI consult on an ongoing basis and coordinate work-plan priorities and audit work to avoid audit gaps and/or duplication of efforts. For more information concerning the UNBOA, please consult [United Nations Board of Auditors s](http://www.un.org/auditors/board/)ite.

# Scope of work of external audit

1. While the mandate of the UNBOA is to certify the Finance Statements of UNDP for the financial year, the external audit has been vested with the authority from the General Assembly to raise audit observations on areas they deem exposed to risk and to make necessary audit recommendations with the objective of enhancing the efficiency and effectiveness of UNDP operations, practices and policies.

1. The Board provides a long-form report (from recommendations made to management on risk areas identified during their audits on an annual basis) and an audit opinion on the UNDP financial statements. These are submitted to the General Assembly, or to other governing bodies, along with the audited financial statements. The reports that are transmitted to the General Assembly are first examined by the Advisory Committee on Administrative and Budgetary Questions, which forwards its comments to the General Assembly.

1. According to UNDP Financial Regulations and Rules, audits of UNDP activities may only be carried out by UNDP’s internal and external auditors. Internal audits are the responsibility of the Office of Audit and Investigations (OAI) and external audits are the responsibility of the UNBOA.

# Difference between Office of Audit and Investigations (OAI) and UN Board of Auditors

1. The BoA, as external auditors of UNDP, conducts audits with the purpose of certifying the UNDP financial statements and ensuring that transactions were carried out in line with UNDPs financial rules and regulations and associated policies and procedures. The BoA reports to the United Nations General Assembly through the Fifth Committee and after review and advice by the Advisory Committee on Administrative and Budgetary Questions (ACABQ). The OAI, as internal auditor of UNDP, conducts its audits to assess the adequacy and effectiveness of the governance, risk management and control processes in the following main areas:

* 1. Governance and strategic management
	2. United Nations system coordination
	3. Programme activities; and
	4. Operations

1. OAI reports to the UNDP Administrator.

# Year End Closing Guidelines issued by Comptroller’s Office

12. Given that the external audit provides an audit opinion about the Financial Statements of UNDP, the UNBOA will review and assess the processes and procedures established by the Office of Finance in the Year End Closing. All COs and HQ units are required to adhere to these instructions in order to ensure timely and quality financial statement preparation.

See [**Year End Closing Guidelines**](https://intranet.undp.org/unit/ofrm/fpmr/CFRA/SitePages/Home.aspx) (under “Financial Closures”)

# Pre–Audit Announcement and Preparation

1. The scope of external audit and the list of country offices and HQ departments to be audited are established during the annual audit planning cycle in coordination with the Director of Office of Audit and Investigations (OAI) and the Director of Office of Finance and Administration and Director External Audit, UNBOA. UNBOA also independently investigates issues as requested by the governing bodies including the Executive Board, the Advisory Committee on Administrative and Budgetary Questions (ACABQ) etc. Key considerations include the risk assessment of the country offices, results and schedule of the last audit, the extent to which the offices would be covered by the OAI audit, and specific circumstances surrounding the office.

1. The annual audit planning cycle for OAI is typically completed in October while for BoA it is completed in August. A preliminary audit schedule and a list of country offices to be audited by the UNBOA for the year will be established and communicated to all concerned regional bureaus for discussion with their offices during the third quarter. The BoA will typically issue a formal audit notification letter to the UNDP Administrator at least one month prior to the visit (during September or October for Interim audit and during April or May for final audit) and the Resident Representative or Heads of Units are notified accordingly. Additional information about the scope of the audit and/or specific audit documentation requirements will be provided to the offices prior to the arrival of the auditors, including specific instructions on the email address to be used when providing the pre-audit documentation requested.

# Working with external auditors during audit

1. There are several standard tasks that are conducted by the external audit team during the audit period (typically 2 to 3 weeks). The key activities include:
	* Audit kick off meeting, chaired by the Resident Representative or Unit Head
	* Response to audit questions raised during the course of the audit
	* Response to audit observations written up by the external audit team in the form of management action that will be taken and, if necessary, provide “additional management clarifications” to the raised audit observations
	* Exit meeting
2. Please refer to the procedures section for more details on the processes during the period of external audit engagement with UNDP offices.

# Post audit follow-up and implementation status update

17. The post audit-follow up process begins with the conclusion of the exit meeting with the external audit team. Upon receipt of the audit management letter from the UNBOA, UNDP is required to provide a formal response to the letter, including action plans to address the audit observations raised. The audit management letter is a formal audit report and will include a review of audit observations raised, including feedback from the country offices or units. The key activities in this process include (1) The issuance of the audit management letter by the UNBOA (2) The responses from country offices or units, including specific action plans to address the audit issues raised (3) The issuance of a formal management response from UNDP HQ on the management letter received (4) The follow up of audit recommendations at the country office or unit (5) The follow up of corporate issues raised by the UNBOA (6) An implementation status update by the country offices or unit.

**Accountability Framework for Working with External Auditors**

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| Accountability Framework  |   |
| Audit Team Lead, BoA     |  Attends the kick off meeting and briefs country office team or unit on detail scope, expectations and working procedures during the audit  Ensures that the Audit Team Lead conducts the exit meeting  Ensures that the Audit Team Lead briefs management team of the office or unit on the audit observations raised including outstanding responses  Ensures that the country offices or unit, BMS Audit Focal point were given the opportunity to provide formal written responses to the pre final audit report  |

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| Accountability Framework  |
|   |  *The schedule for the exit meeting should be agreed with the audit team at the kick off meeting*   |
| BMS External Audit Focal Point  | * Supports the unit or country office audit focal point for audit observations that require interpretation or clarifications from central bureau policy focal points, BMS Divisions etc.
* Supports the offices being audited with preparation of documentation prior to the audit
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| Director of Bureaus  |   The Bureau Audit Focal point will help clarify or respond to audit observations that have global impact from a policy perspective in consultation with the BMS audit focal point e.g. OHR will clarify and comment on matters pertaining to OHR policy.  |
| Country offices Resident Representative or Head of Unit  | * Conducts the audit kick off meting meeting with the external audit team
* Ensures that the audit focal point respond to audit questions
* Ensures prompt management responses to audit observations
* Co-hosts the exit meeting with the Audit Team Lead

 *The agenda for the kick off meeting should include an overview of the office/unit, programmatic focus and introduction of key staff.*   *The exit meeting is for the external audit team to bring key audit findings to the Management team.*  |
| Director External Audit, BoA  | * Issue the audit management letter based on feedback received from the country offices.
* Validate implementation status of audit recommendations updated by auditee units in CARDS
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| Director OAI  |  Note audit observations for follow up audit planning  |
| Director OFM  |  Note audit observations for follow up audit planning  |
| BMS External Audit Focal Point  | * Work with Heads of Bureaus to issue formal responses to the audit management letter
* Upload BoA audit recommendations in the audit database (CARDS)
* Track responses to corporate issues on the UNDP audit recommendation tracking dashboard
* Provide summary update to the Organizational Performance Group meeting as required and/or designated management forums on key audit issues raised by BoA
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| Directors of Bureaus responsible for the office or unit being audited  | * Review and track audit action plan submitted by the country office or unit
* Work jointly with Director BMS to review audit issues and issue management responses to the BoA
* Review audit implementation status report provided by the country offices or unit no later than 6 months after the audit

 *A copy of the management responses should be copied to the UNDP*  *Administrator, Director BMS, Director Finance and Administrator and Director OAI*   |
| Resident Representative of Country offices or Head of Units  | * Provide draft input to formal responses to BoA
* Submit audit action plan to Director RBX
* Update implementation status in the audit database (CARDS) on a periodic

basis  *Copy of the action plan should be copied to BMS Audit Focal point, Director OAI and Director BMS*   |

**Templates and Guidelines**

[Annex 1: Country Office profile template to be completed prior to arrival of the external audit team](https://popp.undp.org/node/2646)

[Annex 2: Sample list of information to be completed prior to arrival of external audit team](https://popp.undp.org/node/2231)

[Annex 3: Sample audit observation](https://popp.undp.org/node/2666)

[Annex 4: Sample audit action plan](https://popp.undp.org/node/2651)

[Annex 5: Guideline for preparing management responses](https://popp.undp.org/node/2671)