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UNICEF Office of Internal Audit and Investigations 2021 annual report to the Executive Board*Summary*

This report summarizes the activities of the Office of Internal Audit and Investigations for the period 1 January to 31 December 2021. The addendum to this report ([E/ICEF/2022/AB/L.5/Add.1](#)) provides information on the investigations cases that were closed by UNICEF in 2021.

As requested by the Executive Board in its decision 2015/11, and in relation to internal audit activities, this report includes: (a) an opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the organization's framework of governance, risk management and controls; (b) a summary of work and the criteria that support the opinion; (c) a statement of conformance with the internal audit standards to which UNICEF adheres; and (d) a view on whether resourcing of the function is appropriate, sufficient and effectively deployed to achieve the desired internal audit coverage. The report also provides an overview of the status of management implementation of internal audit recommendations. Updates on other requests from the Executive Board made in decision 2021/12 paragraphs 3, 4 and 5 are also covered in this report.

Section XIII of this document presents a draft decision for consideration by the Executive Board. The management response to this report is presented separately in document ([E/ICEF/2022/AB/L.6](#)).

* [E/ICEF/2022/9](#).



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I. Overview

1. In 2021, the Office of Internal Audit and Investigations (OIAI, or the “Office”) continued to adapt with flexibility to effectively deliver on its mandate amid the coronavirus disease 2019 (COVID-19) pandemic. This included conducting audits and investigations remotely throughout the year.
2. The OIAI internal audit workplan for 2021, which was based on a risk analysis conducted by the Office and consultations across UNICEF and with the Audit Advisory Committee, was approved by the Executive Director. The Office also conducted a midyear review of its initial assurance plan to address the changing global landscape and emerging risks to UNICEF.
3. The Office confirms that during 2021 it was free from management interference in determining the scope of its internal audits and investigations, performing its work and communicating its results.
4. Pursuant to Executive Board decision 2015/11, OIAI is pleased to report that, based on the scope of work undertaken in 2021, the UNICEF framework of governance, risk management and controls was generally adequate and effective. The criteria for this opinion include the risk-based audit plans, the results of internal audits and advisory services, the status of implementation of internal audit agreed actions from 2021 and prior years, and the non-discovery of any material deficiencies by the audits completed.
5. The Internal Audit Section of OIAI issued 20 reports in 2021 (16 country office audit reports, 1 thematic audit report and 3 advisory reports). In addition, three internal audits conducted in 2021 are now in the reporting phase. Overall, the Office achieved 76 per cent of the revised 2021 risk-based workplan. All of the internal audit reports issued in 2021 contained conclusions that were generally satisfactory (i.e., either “unqualified” or “moderately qualified”¹). As at 31 December 2021, there were two agreed actions open for more than 18 months. The Office published all audit reports issued in 2021 in conformance with the criteria set by the Executive Board.
6. In 2021, the Investigations Section handled 647 cases, a 24 per cent increase over 2020, primarily attributable to a 23 per cent increase in the number of new cases initiated. The number of cases closed increased by 22 per cent compared with 2020.
7. The strategy for internal audit and investigations for 2022–2025, which is aligned with the UNICEF Strategic Plan, 2022–2025, was approved in 2021. With the support of the Executive Board and UNICEF management, OIAI received approval for most of the additional internal audit staff resources requested but OIAI non-post resources remain below the level of the previous quadrennium, despite a significant increase in the workload. The OIAI office in Budapest became fully operational in 2021. Based on its experience with the Budapest office, OIAI will decide whether to open a third office in another location, or to expand the Budapest office.
8. The Office has analysed the experiences of remote audits and investigations conducted since March 2020, identifying risks, opportunities and lessons learned to inform its operating modalities in 2022. The increased maturity of its data analytics programme enabled the Office to gain efficiencies and attain better risk coverage.

¹ See annex I for the definitions of the four audit conclusions.

9. Pursuant to Executive Board decision 2021/12, OIAI has started to harmonize its reporting with other United Nations funds and programmes to provide a more coherent overview of findings and results.

II. Mandate

10. The revised [Charter](#) of OIAI was approved by the Executive Director in June 2021 after it was reviewed by the Audit Advisory Committee and presented to the Executive Board. The Charter incorporates current best practices and professional standards, and reflects recommendations from external quality assessments, the United Nations Board of Auditors and the Joint Inspection Unit.

11. The mission of OIAI is to provide independent and objective assurance, investigative and consulting services through internal audits and investigations. The Office promotes accountability, proper risk management, integrity and ethical behaviour in all activities undertaken to promote the rights and well-being of every child.

12. Internal audits evaluate the adequacy and effectiveness of the UNICEF framework of governance, risk management and controls. In this regard, internal audits aim to support the:

- (a) Achievement of the organization's strategic objectives;
- (b) Adequacy and effectiveness of risk identification and prioritization, determination of risk tolerance, and efficiency and effectiveness of actions required to mitigate residual risks;
- (c) Reliability and integrity of financial and operational information;
- (d) Effectiveness, economy and efficiency of operations and programmes;
- (e) Safeguarding of assets;
- (f) Compliance with applicable regulations, rules, policies, procedures and contracts.

13. The Office is also responsible for assessing and conducting investigations into possible misconduct or wrongdoing within and associated with UNICEF. This includes allegations of fraud, corruption and other forms of misconduct and wrongdoing involving UNICEF staff and non-staff personnel, institutional contractors, implementing partners and other third parties.

III. Internal audit assurance opinion for 2021

A. Overall opinion

14. UNICEF management is responsible for designing and maintaining governance, risk management and control systems and processes to achieve organizational objectives. The Office is responsible for independently assessing the adequacy and effectiveness of these systems and processes. The Office also relies on management to proactively identify and communicate materialized risks, potential control failures, irregularities and regulatory non-compliance that could be material to the control environment. Despite the impacts of the COVID-19 pandemic on the Office's assurance work (described in paragraph 19 below), in the opinion of OIAI, based on the scope of the work undertaken in 2021, the UNICEF framework of governance, risk management and controls was generally adequate and effective.

B. Basis of opinion

15. The overall opinion for 2021 is based on the following factors:

- (a) Risk-based planning and prioritization of assurance activities by OIAI that take into consideration available internal audit resources and the impacts of the COVID-19 pandemic;
- (b) Conclusions of the internal audits completed during the year;
- (c) Implementation rate of actions agreed to mitigate the risks identified;
- (d) Non-discovery in any of the completed audits of material deficiencies in the organization's overall framework of governance, risk management and controls that might individually or collectively diminish the achievement of significant outcomes globally.

16. Owing to the COVID-19 pandemic, all audits were conducted remotely during 2021. This limited the scope of the audits as follows:

- (a) Original supporting documentation could not be reviewed and the audit teams therefore relied on digital copies;
- (b) Meetings with the staff and personnel of audited entities were carried out virtually, which could at times limit understanding of the working environment;
- (c) In-person visits of project sites and meetings with partners, counterparts and local beneficiaries were not conducted;
- (d) Verification of assets and inventory was only performed remotely;
- (e) Safe and petty cash contents were not verified;
- (f) Information and communication technology was not reviewed on-site.

C. Implementation of the risk-based workplan

17. The Office used a risk-based methodology to identify, select and prioritize its assurance activities and thus direct audit resources towards the areas of greatest risk to UNICEF.

18. Annex I lists the internal audit reports issued in 2021. These cover the audits of 16 country offices, 1 thematic audit and 3 advisory engagements. By the end of 2021, three additional audits were in the reporting phase. The 16 country offices audited account for 29 per cent of the UNICEF allotted expenditure for country and regional offices in 2021. The three advisory engagements also provided assurance in respect of proposed improvements to governance, risk management and control processes. The present overall assurance opinion is based on all of these reports.

19. In 2021, all audits conducted were fully remote. To minimize the risks associated with the inability to undertake audits on-site, OIAI analysed information available electronically, conducted online interviews of UNICEF personnel and expanded the use of data analytics. In many instances, audit teams also interviewed selected donors and partners to validate and corroborate management assertions. In other instances, on-site audit actions were outsourced to independent accounting firms.

20. The 2021 audit workplan was revised to address the rapidly changing global landscape and emerging risks to UNICEF identified by OIAI through consultations across UNICEF and with the Audit Advisory Committee. The revised workplan allowed OIAI to meet its assurance obligations while also increasing its advisory activities.

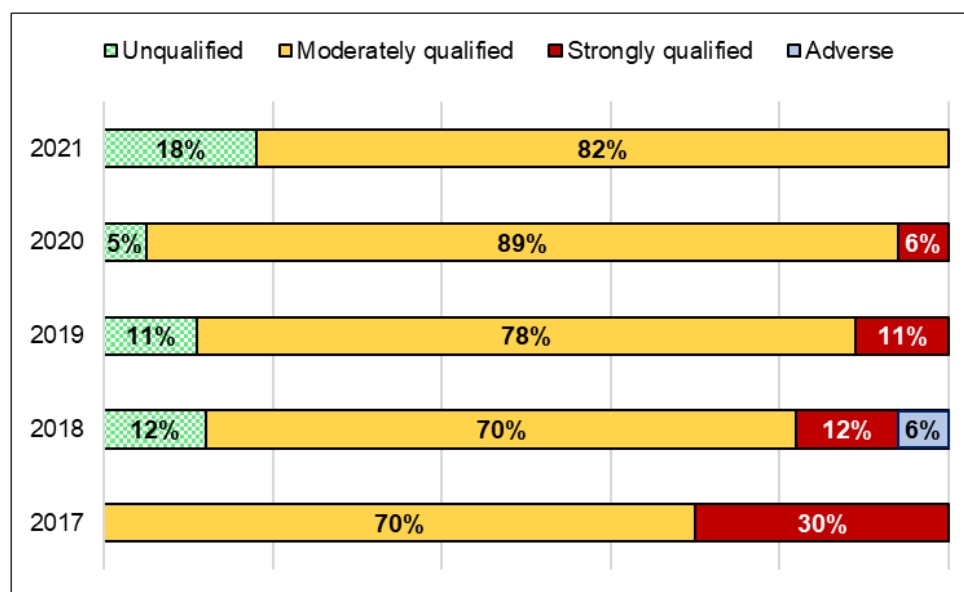
D. Conclusions of internal audit engagements completed

21. The Office uses a four-tier scale for distinguishing the conclusions in its internal audit reports: unqualified, moderately qualified, strongly qualified and adverse. The first two tiers represent a generally satisfactory conclusion, while the latter two signify a more urgent need to improve the controls and processes in the audited areas.

22. In 2021, 100 per cent of assurance activities resulted in generally satisfactory conclusions. This is consistent with the positive trend reported in recent years. While acknowledging that a firm conclusion on the overall health of the organization's framework of governance, risk management and controls cannot be drawn from this single metric, OIAI derives additional confidence in these results from the overall breadth of coverage of the audits and the significance of risks involved in the audited operations. Figure I provides details on the distribution of the audit conclusions.

Figure I

Audit report conclusions, 2017–2021



E. Implementation rate of agreed actions

23. The Office continuously assesses progress by management in taking adequate action to mitigate the risks identified by audits. Overall, efforts are being made to implement agreed actions in a timely fashion. While it is too early to evaluate the timeliness of implementation of agreed actions in the audit reports issued in 2021, OIAI derives confidence from the timeliness of implementation of agreed actions in reports issued in previous years. As at 31 December 2021, 99 per cent of agreed actions from 2019 and 95 per cent of agreed actions from 2020 had been implemented. (See table 1 for details.)

24. As at 31 December 2021, two agreed actions had been pending implementation for more than 18 months (see annex II for details). The Office periodically shares updates with the UNICEF management on the status of agreed actions, and, since 2021, OIAI has maintained an intranet site, accessible to all staff, that reports on open agreed actions.

Table 1
Length of time agreed actions have been outstanding, as at 31 December 2021

Priority of agreed action	Total outstanding agreed actions from audit reports (2019–2021)	Time agreed actions have been outstanding (from issuance of the final audit reports)		
		<12 months	12–18 months	>18 months
High	14	13	0	1
Medium	89	79	9	1

F. Material deficiencies

25. Internal audit reporting by OIAI involves extensive consultations with the management of an audited or responsible office to agree on the appropriate actions that best respond to concerns identified by the audit with respect to the adequacy of controls to mitigate risk. The actions are then rated as high, medium or low priority, depending on the potential impact should the risk materialize. Only high- and medium-priority actions are included in an audit report; low-priority actions are informally communicated to the audited entity.

26. Fifteen per cent of the 152 agreed actions included in the 2021 audit reports were rated as high priority (see annex I for details). While these actions were considered imperative to reduce the exposure to higher risks, in the view of OIAI, they were not sufficient to adversely impact the organization's overall framework of governance, risk management and controls.

IV. Independence

27. In accordance with the OIAI mandate:

(a) The OIAI Director continued to report and be accountable to the Executive Director on the planning and execution of the Office's work;

(b) The OIAI Director maintained direct communication with the Executive Director, including concerning the staffing and budget required to achieve the mission of the Office;

(c) The Audit Advisory Committee continued to provide independent advice to the Executive Director on the work of OIAI;

(d) The Office independently reported to the Executive Board on its findings and concerns.

28. The Office is in discussions with the Division of Human Resources concerning the potential impact on OIAI staff of proposals under consideration to change UNICEF policies related to staff mobility and rotation, recognizing that due consideration must be given to the need to maintain the independent nature of OIAI.

29. The Office confirms that during 2021 it was free from management interference in determining the scope of its internal audits and investigations, performing its work and communicating its results.

V. Professional standards

30. The Office conducts its internal audit work in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, which were adopted for use by the Representatives of

the Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions in June 2002.

31. The Office maintains an internal quality assurance and improvement programme for its audit function, which includes engagement-level quality assurance, ongoing self-assessments (that include feedback from clients) and an external quality assessment every five years. The most recent external quality assessment was completed in 2019² and the Office received the top rating available.

32. The Office conducts investigations in accordance with the Uniform Principles and Guidelines for Investigations, endorsed by the 10th Conference of International Investigators in 2009, and in conformity with the due process principles set out in the applicable framework.

33. An external quality assessment of the investigations function began in September 2021 and was completed in January 2022. The assessment found that the investigations function was in conformity with the Uniform Principles and Guidelines for Investigations and complied with the OIAI Charter and other UNICEF legislative instruments. The external quality assessment also identified opportunities for improvement, including recommendations for OIAI to explore options for earlier closure and/or referral of certain complaints of prohibited conduct; take a more active role in investigating allegations of fraud and corruption by vendors and implementing partners; and identify cases suitable for referral to national authorities.

34. Pursuant to Executive Board decision 2018/12, the Office is pleased to report in annex III on its performance against key indicators and targets.

VI. Professional network

35. During 2021, the Office remained an active member of Representatives of the Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions and the United Nations Representatives of Investigative Services. Additionally, OIAI participated in periodic meetings to discuss matters to strengthen internal oversight services in the United Nations system.

36. The Office communicated with representatives of the United Nations Board of Auditors to coordinate workplanning and avoid overlaps in assurance coverage. To promote collaboration, the Office engaged in discussions with other internal oversight functions within UNICEF and with donor oversight bodies.

VII. Harmonization

37. In response to Executive Board decisions 2020/20 and 2021/12 requesting UNICEF to work with other United Nations funds and programmes to harmonize definitions and reporting for audit and investigation matters, OIAI has agreed with the audit and investigation offices of the United Nations Development Programme, the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), the United Nations Office for Project Services and the United Nations Population Fund to harmonize language for the overall audit opinion, criteria for the opinion, the statement of independence and conformance to professional standards, and various charts and tables setting out elements of office activity, which have been incorporated into this report. Additional opportunities for

² Available at www.unicef.org/auditandinvestigation/documents/iaa-external-quality-assessment-eqa-unicef-internal-audit-2019.

harmonization among the United Nations funds and programmes will be considered in 2022.

VIII. Resources

38. In 2021, OIAI had a budget of \$13.6 million, of which 99.98 per cent had been spent by year end. The most significant expenditures were staff salaries (85 per cent) and consultants (10 per cent).

39. At the end of 2021, the Office had 49 authorized posts (with six vacancies) and 1 Junior Professional Officer post. These posts included the Director (aided by an Adviser), a Deputy Director, Audit, and a Deputy Director, Investigations. The Internal Audit section had 22 posts and the Investigations Section had 24 posts.

40. The office management plan, 2022–2025 was approved in 2021. With the support of the Executive Board (in decision 2021/12) and the UNICEF management, OIAI received approval for several of the additional resources requested in the plan. Eight of the 13 posts requested were approved and the Office tentatively earmarked them for its internal audit function. By the end of 2022, OIAI will have 12 posts in Budapest, with additional posts earmarked to move out of New York, either to Budapest or to a third location, to be determined based on an evaluation of lessons learned from the Budapest office.

41. With regard to non-post costs for 2022–2025, the Office proposed a non-post budget of \$9.6 million and was allocated \$5.3 million. Non-post resources for the next quadrennium therefore remain below the level of the previous quadrennium, despite the significant increase in workload. The Office remains committed to using all cost-saving opportunities to make up for the 25 per cent annual cut to the non-post budget introduced in 2020. This includes leveraging remote auditing, reducing the duration of missions and number of travellers per mission, increasing the use of co-sourcing,³ expanding the use of local consultants and guest auditors, and optimizing group training modalities.

42. The Office is of the view that its actions to date and its approved office management plan, 2022–2025 are well aligned with the objectives of the ongoing organizational efficiency review. In particular, the Office has operationalized a decentralized office in Budapest and is already moving forward with additional decentralization over the strategic plan period.

IX. Internal audit results

43. In 2021, the Office issued 20 engagement reports (see annex I).

A. Distribution of audit conclusions

44. All internal audit reports issued in 2021 (100 per cent) were found to be satisfactory (i.e., unqualified or moderately qualified). The distribution across the UNICEF regions is shown in table 2.

³ Co-sourcing refers to partnerships for assurance activities between the Office and external service providers that offer specialized skills and/or enable wider geographical coverage.

Table 2
Distribution of audit conclusions, by region and thematic area, 2021^a

<i>Audited area</i>	<i>Number of audits</i>	<i>Number of unqualified conclusions</i>	<i>Number of moderately qualified conclusions</i>	<i>Number of strongly qualified conclusions</i>	<i>Number of adverse conclusions</i>
A. Country office audits (by region)	16	3	13	0	0
Eastern and Southern Africa	5	0	5	0	0
Middle East and North Africa	4	1	3	0	0
West and Central Africa	3	0	3	0	0
Europe and Central Asia	2	1	1	0	0
Latin America and Caribbean	1	0	1	0	0
South Asia	1	1	0	0	0
East Asia and the Pacific	0	0	0	0	0
B. Thematic/ headquarters audits	1	1	0	0	0
Total (A+B)	17	4	13	0	0

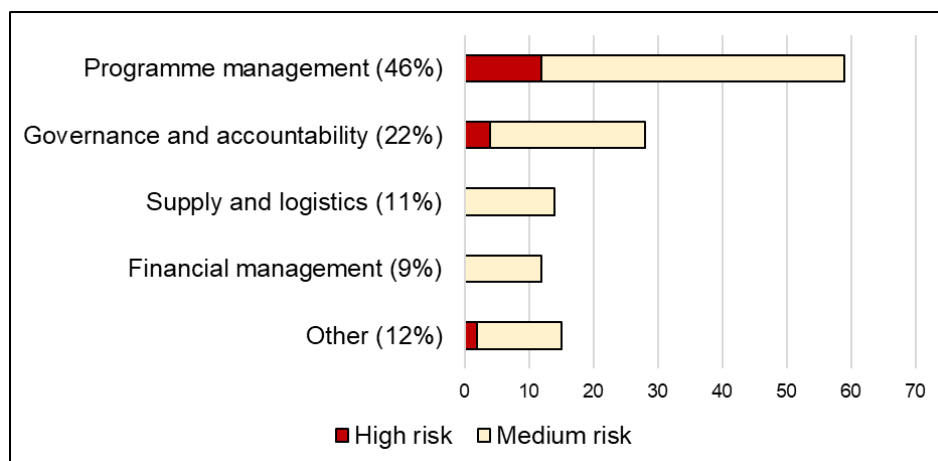
^a Three advisory reports that do not include standard conclusions have not been included in this table.

B. Significant results from internal audits of country offices

45. In 2021, OIAI audited 16 country offices across six UNICEF regions, focusing on key risks identified with management during the engagement planning process.

46. The audits of country offices sought assurance of the adequacy and effectiveness of governance, risk management and controls implemented to ensure the achievement of organizational objectives. The audits identified both good practices and areas for improvement and agreed with management on needed actions to address any shortcomings. Figure II provides a summary of the agreed actions.

Figure II
Country office audit agreed actions, 2021, by area, prioritized by risk level



47. The subsequent paragraphs describe the areas covered by the majority of agreed actions (88 per cent) resulting from the country office audits.

1. Programme management

48. Actions to mitigate the risks related to programme management represented 46 per cent of actions agreed by country offices in 2021. Key actions include:

(a) Planning: Strengthen programme planning through identification of baseline data and target populations before establishing and mobilizing partnerships for interventions;

(b) Partnerships: Develop partnership strategies to promote the sustainability of interventions and enhance collaboration with non-governmental organizations; enhance partnership risk management, particularly for partners with high financial risks; and increase open selection of civil society partners to obtain the best value;

(c) Monitoring: Develop a field monitoring plan to ensure adequate coverage; update procedures to clarify processes and staff accountabilities; review the coverage and quality of work done by third-party monitors; and carry out programme visits to high-risk partners to obtain reasonable assurance of effective programme implementation;

(d) Assurances under the harmonized approach to cash transfers: Strengthen management of direct cash transfers through enhanced monitoring, quality assurance processes and capacity-building of implementing partners; identify alternative forms of assurance when travel restrictions prevent on-site visits; and carry out programme visits for all high-risk partners to bring assurance risks within acceptable risk tolerance levels;

(e) Evaluation: Secure sufficient resources to complete timely and essential evaluations;

(f) Donor reporting: Strengthen preparation of reports to donors by ensuring results reported are accurate and supported by reliable evidence.

2. Governance and accountability

49. The importance of governance, accountability and risk management in a decentralized organization like UNICEF cannot be overemphasized. Actions to mitigate the risks related to governance and accountability made up 22 per cent of actions agreed by country offices in 2021. Key actions agreed include:

(a) Incorporate contextual and situational analysis into risk and fraud assessments; ensure residual risks fall within agreed tolerance levels; and ensure the assurance plan is in line with UNICEF COVID-19-related emergency procedures;

(b) Complete ongoing efforts related to the prevention of sexual exploitation and abuse; integrate related questions into the monitoring templates used during programme monitoring visits to increase community awareness of the reporting mechanisms available; build the capacity of partners to prevent sexual exploitation and abuse; and ensure that programme monitoring visits cover this area for all high-risk partners.

3. Supply and logistics management

50. The Office assessed UNICEF supply and logistics management, procurement and contracting functions in country offices, noting both good practices and areas for improvement. Actions to mitigate risks related to supply and logistics management made up 11 per cent of actions agreed by country offices in 2021. Key actions agreed include:

(a) Ensure the timely and accurate recording of supply information and undertake an integrated approach to planning distribution of supplies to support their timely receipt by end users;

(b) Ensure that programme monitoring visits assess the accuracy of supply records and the quality and usefulness of programme supplies.

4. Financial management

51. Actions to mitigate the risks related to financial management represented 9 per cent of the actions agreed by country offices in 2021. Key actions agreed include:

(a) Review country programme budgets to align activities and results with the planned budget, as required by results-based budgeting;

(b) Strengthen management of direct cash transfers through enhanced monitoring, quality assurance processes and capacity-building of implementing partners; and ensure that disbursements are appropriately approved and have adequate supporting documentation to minimize the risks of ineligible expenditures and misuse of funds.

C. Significant results from thematic and joint audits

1. Management of non-governmental implementing partnerships

52. The OIAI thematic audit focused on country offices' partnerships with non-governmental organizations. Between 1 January 2019 and 13 October 2021, country offices disbursed approximately \$2 billion to civil society organizations and \$2.9 billion to government implementing partners. The effectiveness of these partnerships and proper accountability for disbursements to them is critical to the effective and efficient achievement of UNICEF strategic objectives. The key agreed actions resulting from the audit are:

(a) Ensure routine verifications are undertaken by regional offices for assurance that programme documents are aligned with the country programmes and mainstream gender considerations;

(b) Increase the number of partners selected through a competitive process, and strengthen performance monitoring and reporting of partners;

(c) Determine how regional and country offices can improve the quality of programme visits and follow-up on resulting recommendations;

(d) Provide guidance on efficient and effective ways for country offices to track ineligible expenses that are pending justification or recovery from partners.

D. Significant results from advisory engagements

53. As part of its internal audit practice, OIAI provides independent objective advisory services to promote improvements in governance, risk management and control processes. An advisory engagement is not an audit and is not intended to provide assurance on the office or processes reviewed. The demand for advisory services has risen steadily and in 2021 three advisory engagements were conducted. The key advice rendered is summarized below.

1. Enhancement of risk management in the West and Central Africa Regional Office

54. This advisory engagement sought to clarify the Regional Office's "second line"⁴ role in facilitating strong governance and risk management in the region, thereby strengthening the operational effectiveness of the risk and compliance function. The report included the following advice:

- (a) Revise internal control elements in job descriptions for professional positions;
- (b) Develop criteria to evaluate the need for a risk and compliance function in country offices; institute peer-review mechanisms; better utilize data for assessing compliance and emerging risks; and design a standardized and prioritized annual workplanning approach for internal control personnel;
- (c) Consider forming a regional community of practice for risk management and compliance.

2. Diversity in contracting at the South Africa Country Office

55. This advisory engagement aimed to evaluate the effectiveness of the office's action plan for addressing the perception of bias and lack of diversity in its procurement of services. The report included the following advice:

- (a) Establish diversity, equity and inclusion indicators, and gather data on the diversity of suppliers, consultants and partners to help the office to ensure more inclusivity and equity in procurement processes;
- (b) Use the adopted indicators to monitor progress, share lessons learned with the human resources and supply teams, and align indicators with organizational indicators and policies;
- (c) Scale up opportunities for potential partners and service providers in the most disadvantaged provinces and low-performing priority districts.

3. Overtime and danger pay entitlements at the Somalia Country Office

56. This advisory engagement sought to determine whether the country office had effectively managed danger pay and overtime entitlements. The report included the following advice:

- (a) Assess the use of overtime and its impact on the well-being of staff; consider equitable distribution and better prioritization of work; monitor overtime trends; carry out periodic reconciliation; and ensure overtime is justified and equitable;
- (b) Hold staff accountable for failing to accurately record attendance; periodically carry out an analysis of danger pay to determine any irregularities and take recovery actions as needed.

X. Disclosure of internal audit reports

57. Pursuant to Executive Board decision 2012/13, all internal audit reports issued in 2021 were published in full without redactions. All internal audit reports

⁴ Under the Three Lines Model of the Institute of Internal Auditors, which helps organizations identify structures and processes to assist the achievement of objectives, the "second line" of an organization provides expertise, support and monitoring to support the operational managers and staff (the "first line:") in ensuring that risks are properly managed.

disclosed to date can be accessed from the OIAI website.⁵ Advisory reports are not subject to public disclosure.

XI. Investigations results

58. The Investigations Section assesses and investigates reports of possible misconduct and wrongdoing that involve UNICEF resources, staff and non-staff personnel as well as implementing partners, institutional contractors and other third parties. The results of the fact-finding activities of the Investigations Section are transmitted to the appropriate offices to guide UNICEF management in deciding on administrative, disciplinary or other actions to be taken, as appropriate.

59. Since 2020, the Investigations Section has been led by a Deputy Director of Investigations, who oversees three units: an Investigation Unit and a Strategy, Intake and Analysis Unit based in New York, and an Investigation Unit based in Budapest.

60. All reports of possible misconduct and wrongdoing received are reviewed by the OIAI intake team, which, together with Investigations Section management, provides guidance to staff and managers regarding the range of options available to resolve matters, including alternative resolution mechanisms, with the goal of proceeding as expeditiously and effectively as possible. The intake team also assesses allegations and collects additional information to determine whether a full investigation should be initiated. Matters determined to be outside the purview of OIAI are referred to another office or entity. If an investigation is opened, it is assigned to an investigator and its outcome is documented in an investigation report, in cases when allegations are substantiated, or in a closure report, in cases where allegations cannot be substantiated consistent with the required burden of proof.

61. In 2021, the Investigations Section continued to adapt to the impact of the COVID-19 pandemic by conducting primarily remote investigations. In some cases, OIAI coordinated with other United Nations investigations services to assist with its investigations in the field. The Office also assisted other United Nations investigations services with their activities. The ongoing reliance on remote investigations and travel restrictions often lengthened case timelines.

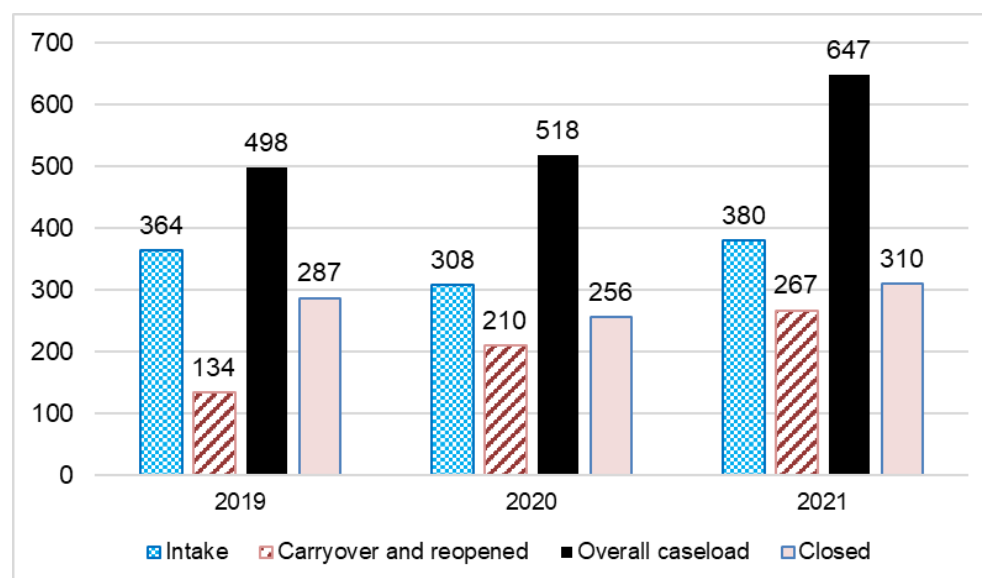
62. Figures III and IV and tables 3 and 4 below provide a snapshot of OIAI case activity. Allegations have been grouped by category. The data are in line with the initiative to harmonize reporting of investigations-related data (see paragraph 37 above). For the purpose of harmonization of data, the prohibited conduct category includes harassment, abuse of authority and discrimination, but excludes sexual harassment, which is grouped together with sexual exploitation and abuse in the sexual misconduct category.

A. Case management

63. In 2021, the Investigations Section saw a 23 per cent increase in complaints of misconduct and wrongdoing over the prior year. In addition to the 380 complaints that were registered as new cases (see figure III), the Section continued to receive a substantial volume of inquiries requiring further review and action. More than 5,000 emails were received on its email hotline, of which 350 concerned allegations of fraudulent recruitment scams utilizing UNICEF staff names or similar third-party scams.

⁵ See www.unicef.org/auditandinvestigation/internal-audit-reports.

Figure III
Investigations intake, completion and caseload comparison, 2019–2021*



* Updates to the case management system undertaken in 2021 resulted in slight adjustments to some previously reported 2020 data.

64. The Investigations Section managed 647 cases in 2021 (see table 3), including 262 cases carried over from the previous year, 380 new cases opened and 5 cases that were reopened.

Table 3
Investigations cases handled in 2021

<i>Status of cases</i>	<i>Number of cases</i>
Carry-over as at 1 January 2021	262
Intake during the year	380
Reopened from previous year	5
Total cases during the year	647
Closed during year	310
Cases ongoing as at 31 December 2021	337

65. These 647 cases represented a 24 per cent increase from 2020. Notwithstanding its growing caseload, the Section has sought to improve its efficiency in bringing cases to resolution and closed 310 cases by the end of 2021, a 22 per cent increase from the previous year.

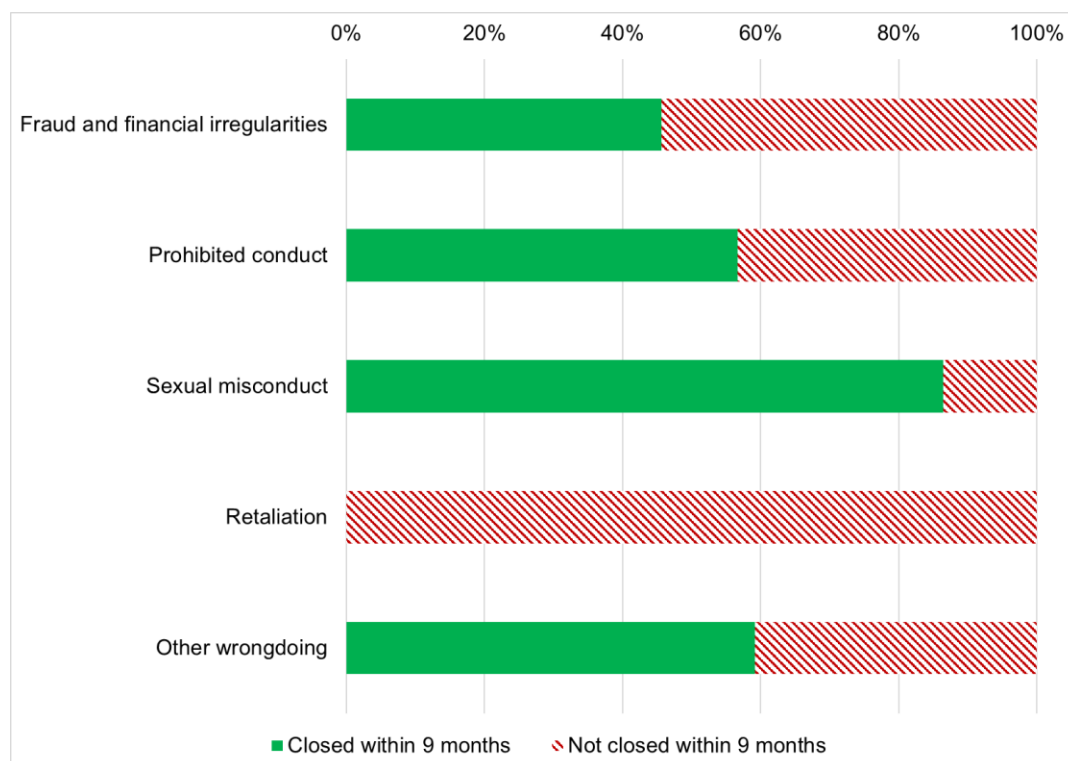
66. The Office strives to resolve matters within nine months whenever possible. This time frame serves as a guide rather than a target, as implementing a metric that penalizes keeping cases open for valid reasons can incentivize inadequate investigations, minimizing due process-related considerations and premature closing of investigations. At the same time, OIAI remains focused on prioritizing the most critical cases and improving the efficiency and effectiveness of its case resolutions.

67. Out of 310 cases completed in 2021, OIAI closed 182 (59 per cent) within nine months. The average time spent on each case closed was 11 months.

68. Figure IV shows the percentage of cases closed within nine months, by type. The speed of closure is impacted by several factors, including the nature of the case, its prioritization (e.g., all cases involving sexual misconduct are prioritized) and complexity (e.g., cases of fraud involving external parties generally take longer to resolve).

Figure IV

Percentage of cases closed within nine months in 2021, by case type⁶



B. Analysis of allegations received

69. Figure V and table 4 categorize the 380 cases opened in 2021, by type. The largest category of such cases was fraud and financial irregularities (152 cases), followed by sexual misconduct (95 cases), with both categories showing an increase from 2020. The increase in sexual misconduct cases (95 compared to 75 in 2020) is primarily attributable to an increase in sexual exploitation and abuse cases involving the staff of implementing partners (75 compared to 60 in 2020), with the number of sexual harassment cases remaining relatively steady (17 compared to 15 in 2020). There was also an increase in other types of prohibited conduct cases (50 compared to 35 in 2020). The increase in intake in 2021 suggests that the lower intake in 2020 may have been attributable to the impact of the COVID-19 pandemic, although it remains to be seen whether intake will continue to increase in 2022.

⁶ There was only one case of retaliation in 2021, which was closed in 281 days.

Figure V
Case intake in 2021, by category of allegation

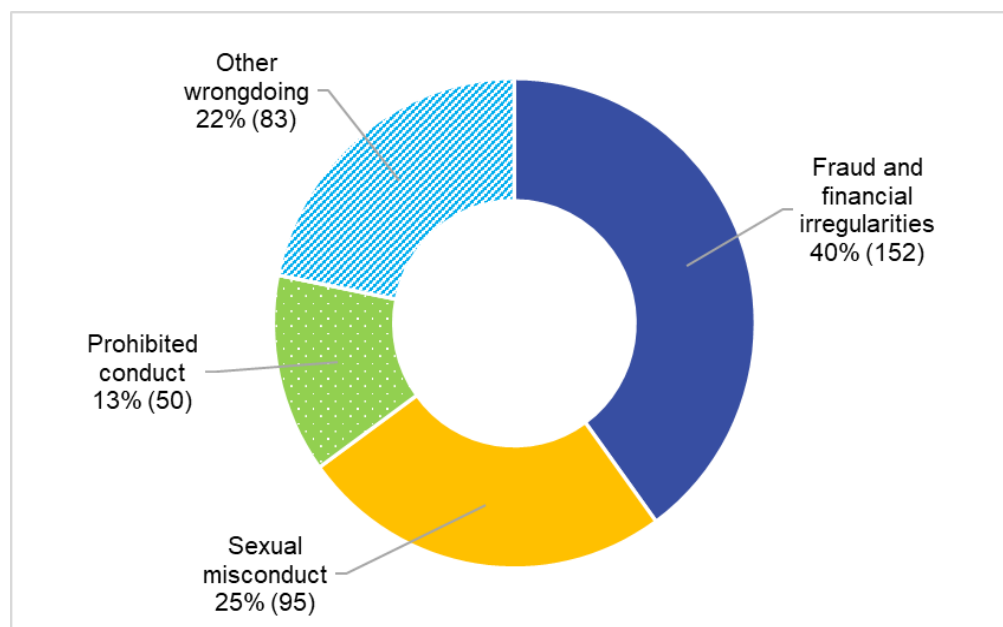


Table 4
Case intake by category, 2019–2021

<i>Allegation category</i>	<i>Cases in 2019</i>	<i>Cases in 2020</i>	<i>Cases in 2021</i>
Fraud and financial irregularities	142	107	152
Prohibited conduct	58	35	50
Sexual misconduct	65	75	95
Retaliation	3	2	0
Other wrongdoing	96	89	83
Total	364	308	380

70. The Investigations Section has started tracking cases alleging discrimination according to type. In 2021, OIAI opened 18 such cases, of which 8 concerned allegations of racial discrimination. Other cases alleged discrimination based on religion, ethnicity and other characteristics.

71. Table 5 shows the breakdown of allegations received by location.

Table 5
Case intake in 2020 and 2021, by UNICEF region

<i>UNICEF region/location</i>	<i>2021</i>		<i>2020</i>	
	<i>Number of cases</i>	<i>Percentage of the total</i>	<i>Number of cases</i>	<i>Percentage of the total</i>
Headquarters	23	6	34	11
East Asia and the Pacific	14	4	15	5
Eastern and Southern Africa	102	27	56	18

<i>UNICEF region/location</i>	<i>2021</i>		<i>2020</i>	
	<i>Number of cases</i>	<i>Percentage of the total</i>	<i>Number of cases</i>	<i>Percentage of the total</i>
Headquarters	23	6	34	11
Europe and Central Asia	19	5	17	6
Latin America and Caribbean	19	5	17	6
Middle East and North Africa	75	20	65	21
South Asia	43	11	34	11
West and Central Africa	76	20	59	19
Other ^a	9	2	11	3
Total	380	100	308	100

^a "Other" comprises matters where the location is unknown or the allegations concern non-UNICEF entities, including National Committees for UNICEF.

C. Disposition of completed cases

72. The Office issued 42 investigation reports and 87 referrals in 2021. Twenty-three of the 310 completed cases in 2021 were closed because the investigation found that the allegations could not be substantiated, including a handful of cases where the alleged victims withdrew their complaints and the allegations could not be established through other means. The disposition of cases completed in 2021 is summarized in table 6, and details of each closed case are provided in the addendum to the present report.

Table 6

Disposition of cases completed in 2021

<i>Type of closure</i>	<i>Number of cases</i>
Investigation report	42
(a) Submitted to senior management under UNICEF disciplinary policy*	36
(b) Submitted to the Ethics Office (whistle-blower retaliation)	1
(c) Submitted to other UNICEF offices or other United Nations entities (non-staff contractual matters)	5
Closure report	23
(a) Allegation not substantiated	23
(b) Allegation in which no perpetrator was identified	0
Advisory memorandum	1
Other (lack of actionable information sufficient to commence an investigation)	157
Referral made to another UNICEF office or other entity**	87
Total cases closed in 2021	310

* Includes cases submitted under paragraphs 21 and 33 of the UNICEF policy on the disciplinary process and measures.

** Referrals may be issued not only when the matter falls outside the mandate of the Office of Internal Audit and Investigations (OIAI), but also when OIAI has determined that an investigation is not warranted but has identified issues appropriate for management intervention.

73. The largest number of closed cases related to harassment, discrimination and abuse of authority (60 cases), followed by fraud involving misuse of programme funds by third parties (49 cases) and sexual exploitation and abuse (43 cases). The

Office established financial losses to UNICEF from 23 cases amounting to \$1,298,405.

D. Disciplinary measures and other actions taken by UNICEF

74. While OIAI is responsible for conducting necessary investigations, senior management is responsible for taking appropriate action based on OIAI investigation reports. In this regard, the Office submitted to senior management 36 matters under paragraphs 21 and 33 of the UNICEF policy on the disciplinary process and measures for consideration of disciplinary or other action. Disciplinary actions taken as a result of OIAI findings are reported by the Deputy Executive Director, Management, in the UNICEF report on disciplinary measures and other actions in response to misconduct. In 2021, those actions included:

- (a) Ten staff members were dismissed or separated from service;
- (b) One staff member was demoted;
- (c) Nine staff members lost steps in grade;
- (d) Two staff members were censured;
- (e) Five staff members separated from UNICEF during or prior to the investigation or disciplinary process, and appropriate action was taken to record these cases for accountability purposes;
- (f) Nine cases were found not to establish misconduct.

E. Non-case specific activities

75. In 2021, the Investigations Section provided advisory services and non-investigative support in a number of areas, which required a significant investment of resources by management and other section personnel. These activities included:

- (a) Advice to UNICEF personnel and management: The Section provided guidance and advice on a wide range of matters raised by senior management and staff concerning possible misconduct and wrongdoing, including alternative measures for resolution.
- (b) Policy initiatives: The Section provided detailed contributions to several policy and other organizational initiatives, including developing an action plan in response to the recommendations of the internal Task Team on Anti-Racism and Discrimination. The Section also participated in the United Nations Representatives of Investigative Services working group on best practices for harassment, sexual harassment, abuse of authority and discrimination allegations.
- (c) Sexual exploitation and abuse and sexual harassment: The Office participated in numerous cross-divisional and inter-agency initiatives focused on the prevention of sexual exploitation and abuse. In 2021, OIAI assumed responsibility for reporting to the Executive Office of the Secretary-General allegations of sexual exploitation and abuse related to UNICEF against an identifiable perpetrator or victim.⁷ It also introduced a new internal reporting protocol to ensure all allegations of sexual exploitation and abuse are reported to OIAI, and delivered presentations

⁷ The number of sexual exploitation and abuse allegations reported to the Office of the Secretary-General may differ from the number included in this report, as the Office of Internal Audit and Investigations (OIAI) receives allegations that do not meet the criteria for reporting to the Executive Office of the Secretary-General. These include cases that OIAI refers to other United Nations entities.

on sexual exploitation and abuse and sexual harassment to UNICEF leadership in various regions.

(d) **Fraud and corruption:** The Office undertook a comprehensive analysis of the UNICEF legal and policy framework to identify areas where the role of OIAI could be clarified or strengthened in relation to allegations of fraud and corruption by implementing partners and vendors. The external quality assessment of the investigations function also recommended that OIAI take a more active and direct role in investigating such allegations. The Office anticipates engaging with other UNICEF offices to implement this recommendation in 2022.

(e) **Communications and training:** The Investigations Section participated in 18 presentations for staff, including by providing an overview of the work of OIAI and presenting on discrete topics, such as fraud and corruption and sexual harassment. The Office also launched a new intranet page, published two newsletters for all staff and initiated the addition of a link, available in four official United Nations languages on every public UNICEF webpage, to report fraud, abuse and wrongdoing.

(f) **Review of provisions in agreements:** The Investigations Section participated in the drafting and review of 24 financing and legal agreements with donors and other parties such as multilateral organizations.

XII. Strategic road map

A. Office of Internal Audit and Investigations strategy for 2022–2025

76. The Office strives to be an agent of change and a trusted adviser in support of UNICEF efforts to protect the world's most vulnerable children. The Office endeavours to maximize its value and impact on effective and sustainable governance. The OIAI strategy for 2022–2025 connects its mandate and mission with the available resources and results framework to deliver high-quality assurance and investigative and consulting services.

77. Under the strategy, OIAI will work to provide increased assurance of risk coverage that is insightful and proactive and promotes organizational improvement by (i) enhancing audit coverage through combined assurance;⁸ (ii) further focusing audits on the most significant risks; (iii) expanding the use of consulting services; (iv) optimizing the use of technology and data analytics; and (v) enhancing the effectiveness of communication.

78. Through its investigative work, the Office aims to be a respected trustee and catalyst for an integrity framework that promotes a spectrum of behaviours and remedies that are consistent with UNICEF values, including the most effective and efficient conflict-resolution mechanisms and the detection and proactive investigation of fraud.

B. Decentralization

79. The Office is committed to increasing the number of staff located outside New York to increase efficiencies and cost savings. It will pursue this in a manner that

⁸ "Combined assurance" is a model that maps all internal and external assurance services and functions used by an organization and enables each service provider to assess reliance on the work of other assurance providers for a streamlined view of an organization's controls, risk and governance framework.

prioritizes staff morale, ensures business continuity and maintains the ongoing effectiveness of audits and investigations.

C. Remote working strategy

80. Pursuant to Executive Board decision 2021/12 and considering guidance from professional bodies,⁹ the Office reviewed its experience with remote work over 18 months between April 2020 and September 2021 to identify risks, opportunities and lessons learned and to inform its approach to future audits and investigations. The key benefits and risks are summarized in table 7 below.

Table 7

Key benefits and risks of remote audits and investigations

<i>Key benefits</i>	<i>Key risks</i>
Efficiency and innovation opportunities arising from:	Impacts on the quality of assurance and investigations arising from:
<ul style="list-style-type: none"> – Cost savings and reduced carbon footprint – Leveraging of technology and data analytics – Enhanced confidentiality, privacy and security – Streamlined resource allocation – Optimizing of alternative assurance sources – Innovation mindset and skills development 	<ul style="list-style-type: none"> – Inability to build trust and gather dynamic intelligence through in-person and direct communication – Reliance on secondary evidence such as scanned documents, and absence of physical verification of project sites, assets and inventories – Client disengagement and staff well-being challenges, including as a result of time zone differences – Absence of direct engagement with beneficiaries and limited engagement with partners and counterparts – Digitization, technology, cybersecurity and connectivity challenges in some locations

81. While the global environment remains uncertain, OIAI expects that opportunities to travel will increase. The Office will transition to a hybrid approach that will include field travel where necessary and feasible. The approach will be based on an engagement-specific assessment of the need for and feasibility of in-person investigative and audit activities, the nature of the evidence required, status of travel restrictions, leveraging communications with field personnel and other locally-based entities, effectiveness of technology connectivity, time zone differences, deployment of tools for reviewing electronic evidence remotely, and evolving guidance from professional standards. The Office will remain flexible in its approach, allowing for adjustments that respond to the evolving global context and the needs of each specific engagement.

82. Whatever the approach taken, OIAI will not compromise the quality and timeliness of its work or the health, well-being and safety of staff.

⁹ The Institute of Internal Auditors has noted that it is important not to rely on remote audits only as a cost-saving measure and that remote auditing will test practitioners' abilities to provide high-level assurance and advisory services, while providing opportunities to demonstrate the value of internal audits.

83. Options for engaging third-party consultants or guest auditors to perform on-site work under the remote supervision of OIAI will also be considered.

D. Leveraging communications

84. The Office has invested in efforts to better communicate both the nature and the results of its work. This has included the publication of a newsletter highlighting key aspects of OIAI work and periodic cross-cutting reports on common themes distilled from OIAI audit reports designed to help staff to identify and address the most pressing risks facing UNICEF operations. The Office also redesigned its audit report template to offer a clearer and more dynamic view of audit findings and agreed actions.

E. Data analytics

85. Mainstreaming the use of data analytics across all aspects of OIAI work will be critical to implementing the Office's strategy for 2022–2025. Figure VI presents the road map for the OIAI data analytics programme. Significant progress has already been achieved, including the roll-out of 25 information dashboards across a range of priority areas, such as cash transfers, partnerships, procurement, financial management and human resources. These dashboards enable more efficient planning and garner better insights for risk assessments conducted remotely.

86. Going forward, OIAI will focus on smarter risk intelligence by connecting risk indicators with vast, disparate data sets. This will achieve higher assurance coverage through risk profiling and pattern analysis, testing of potential red flags and continuous auditing of key controls. Examples of future areas of focus include using machine learning and predictive modelling for real-time analytics; conducting continuous risk analysis and implementing automated workplans; facilitating natural language processing to enhance risk intelligence; and exploring the use of drone technology in place of manual verification exercises and to better map changes to project sites.

Figure VI
Data analytics strategy for 2022–2025



87. The Office endeavours to continuously strengthen insights from internal oversight. It will review its strategic drivers regularly to remain agile and responsive to the external risk landscape and organizational priorities.

XIII. Draft decision

The Executive Board

Takes note of the UNICEF Office of Internal Audit and Investigations 2021 annual report to the Executive Board ([E/ICEF/2022/AB/L.5](#)), its addendum ([E/ICEF/2022/AB/L.5/Add.1](#)) and its management response ([E/ICEF/2022/AB/L.6](#)), as well as the UNICEF Audit Advisory Committee 2021 annual report to the Executive Board, and welcomes the overall opinion of the adequacy and effectiveness of the organization's framework of governance, risk management and controls.

Annex I

Audit and advisory reports issued in 2021^a

No.	Reference number	Region ^b	Audit and advisory reports	Number of agreed actions		Report conclusion ^c
				Total	High priority	
I. Audit reports						
A. Country offices						
1.	2021/01	MENA	Libya	14	3	Q-M
2.	2021/02	ESA	South Sudan	11	2	Q-M
3.	2021/03	MENA	Tunisia	4	1	Q-M
4.	2021/04	WCA	Niger	9	1	Q-M
5.	2021/05	ECA	Georgia	6	0	Q-M
6.	2021/06	LAC	Venezuela (Bolivarian Republic of)	12	1	Q-M
7.	2021/07	ESA	Kenya	6	1	Q-M
8.	2021/08	ECA	Turkey	4	0	U
9.	2021/09	WCA	Sierra Leone	6	1	Q-M
10.	2021/10	ESA	Somalia	11	1	Q-M
11.	2021/11	MENA	Yemen	15	3	U
12.	2021/12	ESA	South Africa	7	1	Q-M
13.	2021/13	ESA	Zambia	5	0	Q-M
14.	2021/14	WCA	Chad	10	3	Q-M
15.	2021/15	MENA	Iraq	9	0	Q-M
16.	2021/16	SA	India	11	1	U
Total				140	19	
B. Thematic areas						
17.	2021/17	N/A	Management of non-governmental implementing partnerships	12	4	U
Total				12	4	
Grand total				152	23	
II. Advisory reports						
18.	2021/A01	WCA	West and Central Africa enhancement of second line roles	-	-	-
19.	2021/A02	ESA	Overtime and danger pay entitlements in Somalia	-	-	-
20.	2021/A03	ESA	South Africa Country Office diversity in contracting	-		

^a Audit reports are listed by category and report reference number.^b The UNICEF regions listed are as follows: EAP: East Asia and the Pacific; ECA: Europe and Central Asia; ESA: Eastern and Southern Africa; LAC: Latin America and Caribbean; MENA: Middle East and North Africa; SA: South Asia; and WCA: West and Central Africa.^c Report conclusions are classified as: unqualified (U); moderately qualified (Q-M); strongly qualified (Q-S); or adverse (A). See the definitions below.

Audit conclusions:*

Unqualified: Based on the audit work performed, the Office of Internal Audit and Investigations (OIAI) concluded at the end of the audit that the controls and processes over the Office were generally established and functioning during the period under audit.

Moderately qualified: Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over the Office were generally established and functioning during the period under audit.

Strongly qualified: Based on the audit work performed, OIAI concluded that the controls and processes over the Office needed improvement to be adequately established and functioning.

Adverse: Based on the audit work performed, OIAI concluded that the controls and processes over the Office needed significant improvement to be adequately established and functioning.

* The harmonized definitions of internal audit report conclusions, as agreed with other United Nations entities in late 2021, will be operational for the reports issued in 2022.

Annex II

Open agreed actions older than 18 months as at 31 December 2021

#	<i>Title of audit/issue month and year/age of agreed action/agreed action (by risk prioritization)</i>	<i>Status update (as of December 2021)</i>
1	<p>Information and Communications Technology and Cybersecurity in the of Private Fundraising and Partnerships Division (December 2019: 25 months)</p> <p>(a) Medium priority: (i) The Division of Private Fundraising and Partnerships (PFP) coordinate with the Information and Communication Technology Division (ICTD) and the Global Shared Services Centre to ensure that its critical systems are included in any future proposed security information event management solution. (ii) PFP review its implementation of the network monitoring software and ensure that any monitoring and alerting that are no longer required are removed.</p>	<p>PFP agreed to identify critical systems that need to be monitored and to coordinate with ICTD to ensure that they are included in its security information event management solution. ICTD asked for names of individuals responsible for each of the identified applications (to set up security alerts) and parameters for monitoring them. The Management then agreed to postpone the expected completion date to 30 June 2022 because of the ICTD team's move to Valencia, Spain.</p>
2	<p>Results monitoring and reporting (December 2019: 25 months)</p> <p>(a) High priority: The Division of Data, Analytics, Planning and Monitoring, in consultation with regional offices and relevant headquarters divisions, should identify specific strategic monitoring questions to be integrated in the regular monitoring activities of country offices by translating them into standard indicators.</p>	<p>The agreed action included seven subaction points, out of which five were closed as of December 2021 and two remained open. OIAI noted significant progress on both of the open action points as at 31 December 2021, including on embedding corporate programme monitoring indicators in the planning, monitoring and reporting of country programmes, and securing resources for their implementation in early 2022. The actions are expected to be completed in 2022.</p>

Annex III

Key performance indicators for the Office of Internal Audit and Investigations in 2021

<i>No.</i>	<i>Key performance indicator</i>	<i>Target (2021)</i>	<i>Achievement (2021)</i>
1.	Delivery of a risk-based workplan ^a	90%	76%
2.	Compliance with Executive Board decision 2012/13 on public disclosure	100%	100%
3.	Engagements in which feedback from clients has been “generally satisfactory” ^b	100%	100%
4.	General conformity with Institute of Internal Auditors standards, including external assessments (once every five years)	Yes	Yes
5.	Compliance with timeliness indicators for internal audit reporting	90%	47% ^c
6.	Compliance with timeliness indicators for investigations	75%	59%

^a Any adjustments made to the workplan are communicated to the Executive Director and the Audit Advisory Committee.

^b Audit clients either agreed or strongly agreed that, overall, the individual audits added value and resulted in meaningful agreed actions and results.

^c The reprioritization of activities both within the Office of Internal Audit and Investigations and the audited offices following the disruptions due to the coronavirus disease 2019 (COVID-19) pandemic, and the resulting remote audit modalities, contributed to delays in finalizing audit reports in 2021.