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### **UNICEF management response to the annual report of the Office of Internal Audit for 2011**

#### *Summary*

This report is submitted in response to Executive Board decisions 2006/18, 2007/17, 2008/23, 2009/19 and 2010/17, and presents the management response of UNICEF to the annual report to the Executive Board of the Office of Internal Audit for 2011 (E/ICEF/2012/AB/L.2).

A status update on implementation of recommendations from the one internal audit that has remained unresolved for 18 months or more is provided in the annex.

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\* E/ICEF/2012/9.



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## **I. Management actions and plans to address country office audit observations**

1. The management of UNICEF is committed to assuring an effective internal audit function and notes that in the 2012-2013 institutional budget, resources were allocated to the Office of Internal Audit (OIA) to fund the establishment of two additional Professional posts.
2. UNICEF acknowledges the findings reported by OIA and is committed to improving performance in all audited areas. Management appreciates the action taken by OIA in 2011 to adopt the reporting standards of the International Organization of Supreme Audit Institutions (INTOSAI) and notes that, due to the change in reporting format, a comparison of audit findings between 2011 and previous years is not practical and is not presented in the annual report of OIA or in the response of UNICEF management.
3. The management of UNICEF notes that each issued audit report includes a plan developed by the audited office, which states the actions to be taken to address each audit recommendation. UNICEF management appreciates the practice introduced by OIA in 2011 to report quarterly to the Executive Director on the status of the implementation of the annual audit workplan and follow-up of recommendations. This quarterly reporting supports senior management to assure that timely actions are taken.
4. UNICEF management continues to address the risks identified in the audits of country offices in a timely manner.<sup>1</sup> By end-February 2012, some 96 per cent of the recommendations issued to field offices in 2010 had been closed. Regarding the audits completed in 2011, OIA has reported to management that field offices have already taken actions leading to the closure of 44 per cent of the audit recommendations.
5. OIA's 2011 annual report describes all 73 high-priority recommendations issued in the 19 engagements in field offices (18 audits and one follow-up to an audit completed in 2010). UNICEF management notes that two issues resulted in high-priority recommendations in five or more offices, indicating important issues that require global action: (i) financial controls (seven offices) including (variously by office) processing payments outside of the Programme Manager System (ProMS), segregation of duties, payment documentation, processing, and coding; and (ii) the provision of cash transfers to partners (seven offices).
6. UNICEF has undertaken a number of actions in 2011 and 2012 that address weaknesses found by OIA in multiple offices in 2011. The guidance in the UNICEF regulatory framework and system capacity of VISION — the Virtual Integrated System of Information launched throughout UNICEF in January 2012 following extensive staff training — introduce organization-wide improvements in financial controls and in the provision of cash transfers to partners. This includes the following: strengthened segregation of duties; system functionality, which requires that payment processing is made from within VISION; simplified transaction coding, which can improve coding accuracy; and performance dashboards and reports,

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<sup>1</sup> All recommendations to country offices older than 18 months as of 31 December 2011 have been closed.

which monitor the timeliness and completion of key elements in financial control processing and in the management of cash transfers to partners.

7. A global staff support network for VISION and the regulatory framework is strengthening the quality and timeliness of financial-controls assistance provided to country offices from regional offices and headquarters. This support includes online training sessions facilitated by headquarters staff; these have been well attended by field offices. Topics since January 2012 have included direct cash transfers, sales orders, individual contracts, and the segregation of duties. The support network uses an intranet-based tool to log service calls, route requests to appropriate UNICEF experts, build a library of answers to frequently asked questions, and monitor the timeliness of the resolution of issues. Staff training for the management of cash transfers is a component of the revised Programme Planning Process (PPP) training, which was launched in 2011. In the first year of PPP, 433 staff were trained from 37 offices, and the training events planned for 2012 are expected to include an additional 600 staff from approximately 50 country offices.

### **Governance**

8. In 2011, OIA audited 18 field offices and issued 27 medium-priority recommendations and 20 high-priority recommendations in the area of governance. Eight of the high-priority recommendations were issued to three offices on issues related to vacant posts, slow recruitment processes and staffing structure. Three offices received high-priority recommendations associated with zone offices, and one office received two high-priority recommendations on contracting-out programme and support responsibilities in zone offices. Two offices received one high-priority recommendation each in the assignment of delegated authorities. Two offices received one high-priority recommendation each on operational costs and support budget. The audits also issued one high-priority recommendation in 2011 in each of the following areas: compliance with minimum operating security standards, operating procedures for emergencies, and long-term programme strategy.

9. Over 50 per cent of the high-priority recommendations in governance were associated with staff recruitment and the management of zone offices. Both issues were also addressed by thematic audits in 2011 (*The Efficiency and Effectiveness of Recruitment and The Management of Zone Offices*). The recommendations from these audits informed management actions — which are reported in section II.B. below — to strengthen field office performance in the two areas.

10. With the introduction of VISION, there are systemic improvements in the assignment of delegated authorities in UNICEF. The system provides structured control over staff access to budget commitments and expenditure processing. Before the launch of VISION and during the first months of 2012, training was provided to all field offices on the risk-based delegation and application of authorities for financial controls. This training will continue through 2012. Currently, UNICEF headquarters reviews and advises on field office proposals for the establishment of and modification to the defined structure of authorities for field offices in VISION.

11. To strengthen field office practices associated with the support budget and the management of operational costs, UNICEF in 2011 issued new budget instructions and held intranet-based training sessions to guide the development and review of the 2012-2013 management plans and budgets of field and headquarters offices. In 2012,

UNICEF is developing monitoring reports to link office performance and budget utilization, which will strengthen performance analysis and oversight.

12. To strengthen security management and operating procedures during emergencies, the UNICEF Security Operations Manual has been revised, with the new version to be issued in the second quarter of 2012. In 2011, UNICEF also issued guidance on remote programming to strengthen the management of programmes in situations where UNICEF is not allowed to maintain a full-time presence due to insecurity.

13. OIA reports that the high-priority recommendations on long-term programme strategy, operational costs, and the institutional budget are closed. In 2012 UNICEF issued guidance on operating procedures in level 3 emergencies and is developing operating procedures for level 2 emergencies. Management is taking office-specific actions to address the high-priority recommendations for compliance with minimum operating security standards and the contracting-out of programme and support responsibilities.

### **Programme management**

14. In 2011, OIA issued 76 medium-priority recommendations and 19 high-priority recommendations in the area of programme management. Nine of the high-priority recommendations related to programme implementation (variously, the management of programme supplies and cash transfers), five recommendations to three offices addressed assurance activities for the harmonized approach to cash transfers, and two recommendations were issued to strengthen programme monitoring. The audits also issued one high-priority recommendation in 2011 in each of the following areas: programme fundraising, project cooperation agreements, and direct payments to staff members of partners.

15. The actions of UNICEF to strengthen the management of programme supplies and cash transfers in field offices are reported in paragraphs 21 to 23 below in the section "Operations support". The PPP training programme includes skill development for cash transfer management and UNICEF has conducted intranet-based training on cash transfers for all field offices to accompany the launch of VISION. The VISION system strengthens the capacity of country offices to monitor the management of cash transfers and the provision of programme supplies. The VISION Manager's Dashboard provides easy access to monitoring data on the timely release of cash transfers to partners and the procurement and delivery of programme supplies, as well as the timeliness of partners' reporting on fund use and the value and aging of programme supplies held by UNICEF before they are handed over to partners.

16. The five high-priority recommendations related to the assurance activities of the harmonized approach to cash transfers (HACT) were issued to 3 of the 18 field offices audited in 2011. OIA reports that as of the end of February two of the five recommendations are closed. Following an inter-agency assessment of HACT, revisions will be proposed in 2012 to policy, guidance and training to strengthen assurance activities.

17. The Monitoring Results for Equity System (MoRES) framework will provide country offices with a more systematic approach to programme monitoring, with performance data entered in the VISION Performance Management system. This

will strengthen the capacity of regional offices and headquarters to oversee country office actions.

18. OIA also issued high-priority recommendations in 2011 to address issues of programme fundraising, Programme Cooperation Agreements, and direct payments to staff members of partners. Management is taking office-specific actions for each of these high-priority recommendations.

### **Operations support**

19. In 2011, OIA issued 56 medium-priority recommendations and 34 high-priority recommendations in the area of operations support (85 per cent of these high-priority recommendations were issued to 5 of the 18 audited field offices). Nineteen of the high-priority recommendations were related to financial controls, and five were issued for inventory and asset management. Six high-priority recommendations were issued to strengthen supply procurement and warehouse management, and four were issued to strengthen the procurement of goods and services.

20. VISION is designed to systemically strengthen financial control in UNICEF offices. For example, VISION has automated workflows that allow only authorized users to give financial approvals for amounts up to specific financial thresholds.

21. The revisions to the Supply Manual in 2011 include expanded guidance on warehouse and inventory management, and Supply Division continues to provide warehouse management training to staff through workshops and web-based training. Supply management training also addresses supply planning. In 2011 more than 100 programme and supply staff attended workshops on this topic organized by Supply Division. VISION strengthens the access of staff to data on procurement lead times to improve timely supply planning. Improvements in programme supply inventory valuation will support offices with information to maintain adequate insurance coverage for programme supplies.

22. The regulatory framework issued in December 2011 includes a revised inventory accounting policy and guidance, and the Supply Manual revisions include strengthened guidance on inventory management. The new inventory accounting policy was introduced through intranet-based staff training and during the VISION roll-out training to all Deputy Representatives and Operations Officers in the last quarter of 2011. In preparation for the adoption of the International Public Sector Accounting Standards (IPSAS) and the launch of VISION, UNICEF conducted extensive organization-wide inventory count exercises through 2011, which involved all country offices, with the greatest effort concentrated on the offices having the highest-value inventories and operating in the most difficult programme environments. Eleven offices with large programme supply inventories were assisted by headquarters staff and consultants engaged by the Division of Financial and Administrative Management in the implementation of practice inventory counts and, as noted in paragraph 47, OIA provided advisory support to the inventory practice counts in Ethiopia, Haiti and Sudan. Detailed inventory reports were completed by all 74 offices that have programme supply inventories as part of the 2011 year-end accounts closure.

23. The inventory practice counts through 2011 strengthened the confidence of UNICEF in the accuracy of the 2011 inventory reports from field offices and strengthened inventory management practices in field offices. The supply inventory

module in VISION and the VISION Manager's Dashboard will improve the capacity of UNICEF to monitor the value and aging of programme supply inventories held by UNICEF in each programme country and globally.

24. With VISION, the procurement of services in field offices is now done with system-based financial controls and monitoring reports that were not available for this form of procurement in ProMS. The guidance for service procurement was revised in 2011, and during the first two months of 2012 more than 190 staff participated in intranet-based training on service procurement procedures.

25. The UNICEF regulatory framework also includes a revised property, plant, and equipment management policy and guidance to clarify accountability and strengthen practices for the management of UNICEF assets. The procurement process in VISION strengthens the identification of assets for UNICEF use, and the asset management module strengthens the tools to efficiently maintain accurate asset records.

#### **Actions to strengthen controls in field offices with significant numbers of high-risk recommendations**

26. Five of the 18 field offices audited in 2011 — Afghanistan, the Plurinational State of Bolivia, the South Sudan area office, Sudan and Zimbabwe — received 67 per cent of the 73 high-priority recommendations issued by OIA to field offices that year, and 32 per cent of all medium-priority recommendations. UNICEF has taken quick action to address the recommendations in these offices. OIA has informed management that at the end of February 2012, some 93 per cent of the 14 high-priority recommendations issued to the South Sudan area office were closed, as were 93 per cent of the 13 high-priority recommendations issued to the Zimbabwe office. At the same time, 44 per cent of the 9 high-priority recommendations in the Plurinational State of Bolivia office were closed, as were 27 per cent of the 11 high-priority recommendations issued to the Sudan office. The Afghanistan office received five high-priority recommendations in the audit report, which was issued in September 2011, and management is addressing those recommendations.

27. The regional offices regularly participate in audit exit meetings (in person or by teleconference) to assure a clear understanding of the audit findings and to support offices in the development of the management implementation plan included in each final audit report. The regional offices monitor the status of actions to address audit recommendations, and the VISION Regional Dashboard, which will be introduced in the fourth quarter of 2012, will provide data on the status of all internal and external audits reports with open recommendations within each region.

28. The Eastern and Southern Africa Regional Office conducted 27 support missions to South Sudan in 2011, and in Zimbabwe the regional office fielded a joint mission of operations, human resource, and programme staff, who supported actions to address the audit recommendations in the two offices. The regional office coordinates peer reviews among country offices. These included an operations review in Zambia, which was held to address issues identified in the 2011 audit of that office.

29. The support given by the Americas and Caribbean Regional Office to the office in the Plurinational State of Bolivia led to the closure of 8 of the 15 total audit recommendations by September 2011. The regional office continues to support the

country office to take actions that are expected to lead to the timely closure of the remaining recommendations. Regional office support has included a review of the country office's 2012-2013 budget submission to ensure that it included actions to sustainably address the audit recommendation associated with the management of zone offices.

30. The Middle East and North Africa Regional Office supported OIA in planning the audit of the Sudan office, which addressed a number of issues identified through the regional office's oversight actions. The regional office assisted the country office to address the audit recommendations — this had led to the closure of 5 of 20 total audit recommendations by the end of February 2012. Support has also been provided from headquarters through a coordinated "Sudan Compact" from headquarters, the regional office and the country office. Actions have led to a rationalization of the staff structure and strengthened recruitment to fill vacant posts, and provided support to programme and operations management — including supply procurement, logistics, and the management of cash transfers.

31. The audit report for the Afghanistan office was issued in September 2011. The Regional Office for South Asia is supporting the Afghanistan office to address the audit recommendations through actions that include advisory support and an allocation from the regional contingency fund. This has assisted the office to strengthen staff security toward achievement of the minimum operating security standards.

32. The East Asia and Pacific Regional Office and the Regional Office for Central and Eastern Europe and the Commonwealth of Independent States oversee the status of audit recommendations in the offices in their respective regions and provide technical assistance for the timely implementation of recommendations. The four audits conducted in the two regions in 2011 collectively accounted for less than 7 per cent of the high-priority audit recommendations issued to field offices last year.

33. The support given by the West and Central Africa Regional Office to country offices in the region includes participation in audit exit meetings, review of offices' draft audit action plans before they are finalized, and technical assistance to strengthen management practices. In 2011, the regional office expanded its oversight and support capacity for supply and logistics through recruitment of the Regional Chief of Supply. The actions taken by the regional office to address the recommendations in OIA's 2011 audit of the office (see paragraph 40 below) have further strengthened the regional office's oversight and support capacity. Management notes that all recommendations issued to the Guinea office — which was rated as unsatisfactory overall in 2010 — have been closed by OIA.

34. Following the unsatisfactory overall rating issued to the Peshawar zone office in Pakistan in 2010, OIA conducted a follow-up in 2011 and issued its report in September 2011. OIA conducted audits of the zone offices in Karachi and Lahore and the country office in Islamabad. The audit reports were issued in January 2012. OIA's conclusion from the 2011 audits was that overall, the governance, risk management, and processes of control over the Pakistan office (which includes Islamabad and the reviewed zone offices) were adequately established and functioning well. OIA did issue five high-priority recommendations to the Pakistan office in 2011, with two of the recommendations associated with issues that are addressed through the introduction of VISION and the capacity development actions in 2011 to strengthen management of programme supply inventory. With the support



of the Regional Office for South Asia, the Pakistan office management is taking actions to address the high-priority and medium-priority recommendations issued to the country and zone offices following the audits conducted in 2011.

## **II. Management actions and plans to address headquarters, thematic and systems audits**

### **A. Audits undertaken during 2009-2010**

35. The OIA annual report notes that 98 per cent of all recommendations made in 2009, and 78 per cent of the recommendations made in 2010, were closed at the end of 2011.

36. The OIA annual report also notes that, as of 31 December 2011, there were one or more outstanding recommendations from three headquarters and thematic audits that had remained open for more than 18 months. In the first two months of 2012, UNICEF management completed the recommended actions for two of these audits, and OIA has reported to management that all recommendations for the following audits are now closed:

(a) *UNICEF's guidance and support for efficient operation functions in Country Offices (2009)*;

(b) *Information Disclosure and Data Protection in UNICEF (2010)*.

37. Two recommendations remain open for one headquarters audit issued before June 2010. The recommendations and progress updates are presented in the annex.

### **B. Audits undertaken in 2011**

38. OIA conducted 10 thematic, headquarters, and systems audits in 2011. As of 28 February 2012, OIA had issued eight final audit reports, and one audit report was in draft. One joint audit of HACT was conducted by the audit offices of UNICEF and the United Nations Development Programme (UNDP); this audit report, which will be issued by UNDP, was in draft at end-February 2012. OIA also conducted an advisory engagement to assist management in the practice programme supply inventory counts to prepare for the adoption of IPSAS from January 2012.

#### **Management of zone offices**

39. The audit report, which was issued in May 2011, supports management's actions to strengthen guidance for the establishment, management, and performance monitoring of zone offices. The VISION Transaction Management system includes a capacity for streamlined results structures and budget management for offices with zone offices, which have been applied in a number of offices in 2012. UNICEF management is developing guidance for zone office management, which will incorporate the VISION functionality and will introduce approaches to assess the cost-effectiveness of zone offices. The new guidance will be issued in the second quarter of 2012.

**Common Humanitarian Fund for Sudan**

40. Five of the six audit recommendations, including all high-priority recommendations, were closed by OIA following the actions reported by the Sudan office in November 2011. Actions are under way to address the remaining recommendation.

**West and Central Africa Regional Office**

41. In December 2011, the regional office presented its first audit implementation report to OIA, which led to the closure of 20 of the 32 audit recommendations, including five of the seven high-priority recommendations. The regional office is continuing to implement actions to address the outstanding audit recommendations, which are strengthening management practices covering contract bidding and review processes, and travel planning. In December 2011, UNICEF issued a revised travel policy as a component of the UNICEF regulatory framework to strengthen travel management in all UNICEF offices. The VISION travel module and Manager's Dashboard include reports and views for monitoring outstanding travel claims. The regulatory framework also strengthens guidance and procedures for the operations processes identified by OIA in the audit of the regional office.

**Staff rotation**

42. In 2011, UNICEF completed pilot rotation exercises for Deputy Representatives and Chiefs of Operations and is now assessing the experience to contribute to future actions. These two rotation exercises complement the Senior Staff Rotation and Reassignment Exercise which has been conducted annually for the past seven years. The audit report, which was issued in June 2011, has contributed to improvements in the documentation that is completed for each rotation exercise.

**Efficiency and effectiveness of recruitment**

43. The audit report, which was issued in August 2011, has informed ongoing actions to strengthen the efficiency and effectiveness of recruitment. The medium-term strategic plan for 2006-2013 sets a recruitment target of 75 per cent of posts to be recruited within 90 days. In 2011, some 48 per cent of all international Professional recruitments met this target, which represents an improvement of 7 per cent over 2010. In February 2012, UNICEF launched a pilot "direct selection" exercise to fill vacant positions from groups of pre-assessed and qualified individuals; lessons from the pilot exercise will inform further actions. The VISION Manager's Dashboard provides up-to-date information on the recruitment status of all vacant international Professional posts. UNICEF is currently establishing performance benchmarks for the recruitment of national staff and is reviewing the potential to expand the global recruitment monitoring to national staff in country offices.

**Business continuity management (BCM)**

44. The audit report, which was issued in June 2011, has informed UNICEF efforts to further strengthen the management of business continuity. In 2011, a Business Impact Analysis study was completed for headquarters, which included a review of the BCM Policy Framework, leading to revised terms of reference for business

continuity functions at headquarters, regional, and country-level offices. In 2011, oversight and technical support responsibilities were clarified between the Crisis Management Team and Regional Directors, and key performance indicators for business continuity and disaster recovery plans have been formulated. UNICEF is working to strengthen the linkages and coordination of actions between business continuity and Enterprise Risk Management.

#### **Readiness assessment of the VISION project**

45. The recommendations in the assessment report, which was issued in September 2011, contributed to the successful launch of VISION at the beginning of January 2012, and the recommendations for post-launch support have informed management's actions over system access security and monitoring the performance of the user support structure and connectivity speeds between offices.

46. The audit report on the *Implementation of Enterprise Risk Management* was issued at the end of February 2012, and management is addressing the recommendations. The draft audit report on *Information Security Governance* is currently being reviewed by UNICEF management. The *Joint audit of the harmonized approach to cash transfers (HACT) in Indonesia* was undertaken by the audit offices of UNDP and UNICEF. The draft audit report is currently under review by the UNDP Office of Audit and Investigations, which will issue the report.

47. The *Advisory engagement related to inventory practice runs in Haiti, Ethiopia and North Sudan* — which is not an audit and does not include recommendations — informed the completion of inventory counts undertaken throughout UNICEF in 2011 to assure correct opening balances for the adoption of IPSAS from 1 January 2012. Lessons learned from the practice runs contributed to the guidance on inventory management, which was issued as part of the regulatory framework before the launch of VISION.

### **III. Management actions taken to address the findings of investigations**

48. UNICEF continues to strengthen its commitment to ethical practices, to promote reporting of misconduct and to protect staff from harassment, including sexual harassment, and reprisals for whistle-blowing. In 2008, UNICEF established a dedicated Investigation Unit within OIA. The Unit's staffing has recently been increased and now counts four investigation specialists. The established channels continue to be used to bring concerns and allegations of misconduct to OIA's attention.

49. Since 2005, the Executive Director has issued an annual memo to all staff reporting the disciplinary actions taken by UNICEF to address proven wrongdoing by staff.

50. Management notes the increase in new investigations, from 69 in 2010 to 73 in 2011, and believes this increase is a function of the more systematic reporting and recording since the establishment and strengthening of the Investigation Unit. Management also notes the improvement in the timely finalization of cases where investigation reports were referred to the Policy and Administrative Law Section of the Division of Human Resources (DHR). While the 2010 OIA annual report noted

that 33 per cent of cases remained open at the end of 2010, the 2011 report noted that only 25 per cent of referred cases remained open at the end of the year.

51. OIA reports that 74 cases comprising carry-overs and new cases were closed by OIA in 2011. Of these 74 cases, 28 cases (involving 30 staff members) were referred to the Policy and Administrative Law Section of DHR for possible disciplinary action. Forty-six cases were closed by OIA.

52. OIA noted that 7 of the 28 investigation cases referred to the Policy and Administrative Law Section remained open at the end of 2011. As of March 2012, six of these seven cases were closed, and relevant action was taken. In four cases, disciplinary measures were taken. One case was closed without the imposition of a disciplinary action; and in one case, the staff member resigned prior to the disciplinary review being concluded.

53. Management noted that out of the 74 cases reported by the OIA, 26 involved a loss to the organization amounting to an estimated \$5.2 million. UNICEF pursues all identified losses and seeks recoveries wherever possible. The details are as follows:

(a) Fourteen instances involving staff members amounted to an estimated \$0.3 million of the total loss. To date, \$29,835 has been recovered. UNICEF is pursuing available administrative processes to recover the remaining outstanding amounts where possible;

(b) In 12 instances, either no staff member was involved or staff members separated from the organization before the investigation was completed. These 12 instances amount to an estimated \$4.8 million.

54. Out of the 26 cases, 3 cases were forwarded to the Office of the Executive Director to consider further action at the level of the national authorities for possible criminal investigation and/or recovery. Out of these three cases, two involved former staff members. UNICEF has conveyed the three cases to the United Nations Office of the Legal Counsel for review and consideration, and UNICEF is working closely with that Office on these matters to facilitate possible action by national authorities. As a result, two cases have been referred to national authorities and one case is currently under review. The estimated loss associated with these three cases amounts to \$4.9 million.

#### **IV. Management actions to address observations in the annual report of the UNICEF Audit Advisory Committee**

55. UNICEF management acknowledges the important contribution of the Audit Advisory Committee to the effective and independent oversight of the organization. As noted in the 2011 annual report of the Audit Advisory Committee to the UNICEF Executive Board, the Committee members regularly interacted with the Deputy Executive Director for Management and other senior managers.

56. While the 2011 annual report does not include specific recommendations, the report documents the valuable guidance provided to the Office of Internal Audit and UNICEF management during the year and presents advice on several issues. Management actions to address key issues raised in the annual report of the Committee include the following:

(a) **Activities of the Peshawar Zone Office.** As noted in paragraph 34 above, OIA completed a follow-up of the 2010 audit of the Peshawar zone office in September 2011 and conducted audits of the Lahore and Karachi zone offices and the country office in Islamabad. These audits reviewed governance, risk management, and control processes;

(b) **External Audit.** To strengthen monitoring of recommendations from external audits, the VISION Global and Regional Dashboards, to be introduced in 2012, will include data on open recommendations from external audit reports;

(c) **Ethics.** The Ethics Office presents an annual report on its activities and plans to the Executive Board. The 2011 report is on the agenda of the 2012 annual session;

(d) **Evaluation.** UNICEF will review the evaluation function in 2012;

(e) **IPSAS/VISION and IT matters.** The Committee was provided with additional budget and expenditure information for VISION in its first meeting of 2012. OIA's audit plan for 2012 includes a post-implementation review of VISION, which is to include IPSAS. On IT matters, management notes that by December 2011 all recommendations in the *Audit Report on the Management of the Information and Communication Technology (ICT) function in Country Offices* were closed, as were all recommendations in the *Report on an Audit of the Management of the UNICEF Information and Communication Technology (ICT) function in Geneva*.

(f) **Enterprise Risk Management (ERM).** Risk and Control Self-Assessments (RCSAs) were completed by more than 97 per cent of UNICEF offices in 2010-2011. However, it is recognized that offices need to more fully incorporate risk management practices into their planning, programming, monitoring and reporting practices. In 2012, the ERM policy and guidance are being revised and will include practical tools to support offices to effectively apply risk management approaches. The revised policy will also strengthen accountability for risk management and will introduce approaches for monitoring the application of RCSAs for major initiatives involving more than one office.

## Annex

### Progress update on observations that remain unresolved for more than 18 months as of 31 December 2011

<b>Audit: Management of Procurement Services (report issued in 2009)</b>	
<i>Recommendations</i>	<i>Progress update</i>
<p>Given the relatively recent and dramatic rise in procurement services throughout, UNICEF should revisit and clarify the short and long-term plans, targets and objectives for procurement services. This review should include considering how these objectives can be clearly linked to core and programme objectives — and communicated through clear guidance documents to all levels of UNICEF, especially to those directly involved in procurement services activities.</p>	<p>To date, 16 of the 18 audit recommendations in the Management of Procurement Services audit have been closed by the Office of Internal Audit. To address the two remaining open recommendations, UNICEF is updating the Executive Directive on Procurement Services Policies and Procedures (CF/EXD/2007-004). The release of the update is now scheduled for the second quarter of 2012. The updated directive will incorporate the International Public Sector Accounting Standards policies and other relevant guidance issued through the regulatory framework of UNICEF in December 2011, and will include a revised model Memorandum of Understanding for Procurement Services.</p>
<p>UNICEF should ensure that the planned revision to the Executive Directive on Procurement Services is expedited, such that: (a) it reflects clarification on strategic policy and exit strategies, including links to the MTSP and the MDGs and issues raised in the evaluation of the supply function, organization review and business process review; (b) roles and responsibilities of Supply Division, Programme Division, regional offices, country offices, and the Procurement Services Review Committee (PROSERVE) are clearly explained; (c) redundancies are removed and provisions are kept up-to-date; (d) specific provisions related to local currency payments and waiver of advance payments are adequately explained; (e) it explains ways in which procurement services can be used in UNICEF programming and advocacy activities; and (f) issues raised by Supply Division in the September 2007 meeting of PROSERVE are considered.</p>	