



# Economic and Social Council

Distr.: Limited  
15 May 2020

Original: English

**For decision**

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## United Nations Children's Fund

Executive Board

**Second regular session 2020**

8–11 September 2020

Item 11 of the provisional agenda\*

### **UNICEF Office of Internal Audit and Investigations 2019 annual report to the Executive Board**

#### *Summary*

This report reviews the activities of the Office of Internal Audit and Investigations and its key results. It contains the Office's opinion of the organization's framework of governance, risk management and control, with supporting criteria and analysis, work summaries and rationale.

A summary of each closed investigation is provided in the addendum to this report ([E/ICEF/2020/AB/L.3/Add.1](#)).

Section XII of this document presents a draft decision for consideration by the Executive Board. The management response to the report is presented separately in document ([E/ICEF/2020/AB/L.4](#)).

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\* [E/ICEF/2020/17](#).



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## I. Overview

1. In accordance with Executive Board decision 2015/11, the Office of Internal Audit and Investigations (OIAI, or “the Office”) is pleased to report that based on the scope of work undertaken in 2019, the UNICEF framework of governance, risk management and controls was generally adequate and effective.
2. The Office confirms that during 2019 it was free from management interference in determining the scope of its internal audits and investigations, performing its work and communicating its results.
3. Mr. Stephen Zimmermann started his appointment as Director, OIAI, in July 2019. Previously Senior Adviser to the Governance Global Practice at the World Bank Group, he has more than 25 years of managerial and technical leadership experience in leading organizations.
4. The internal audit function of OIAI issued 31 reports in 2019 (28 internal audit reports, 1 joint audit report and 2 advisory reports). An additional eight internal audit reports were at various stages of completion at year end. The number of reports issued represents a significant increase compared to 2018. Overall, the Office achieved 83 per cent of the 2019 risk-based workplan.
5. Notably, 89 per cent of the internal audit reports issued in 2019 presented conclusions that were generally satisfactory (i.e., either “unqualified” or “moderately qualified”<sup>1</sup>), and as at 31 December 2019 there were no agreed actions open for more than 18 months.
6. By 31 December 2019, 13 internal audit reports had been published, 1 report was withheld, in conformance with criteria defined by the Executive Board, and another 15 reports were not yet due for publication.
7. An external quality assessment of the internal audit function in November 2019 awarded the top rating of “general conformance” with the International Standards for the Professional Practice of Internal Auditing and with the Institute of Internal Auditors’ Code of Ethics.
8. In 2019, the Investigations section handled 498 cases, a 120 per cent increase over 2018, and closed 287 cases, a 209 per cent increase in closures over 2018. Nonetheless, the number of matters reported to the Investigations section continues to rise. Resources for the section were increased in 2019, and additional posts are being added in 2020, including decentralizing some investigative positions to the UNICEF office in Budapest.
9. In December 2019, OIAI engaged external consultants to conduct a strategic review of its audit work with the aim of maximizing the value and impact. The review was completed in February 2020. Based on the review’s findings with regard to satisfying increasing assurance and advisory services needs and stakeholder expectations, the Office will update its Charter, increase decentralization of its operations, starting with moving some internal audit staff to Budapest in late 2020 and seeking additional internal audit resources and staffing.

## II. Internal audit assurance opinion for 2019

10. **Overall opinion:** The UNICEF management is responsible for establishing and maintaining effective internal controls, governance and risk management processes to ensure organizational objectives are achieved, and OIAI is responsible for independently assessing the adequacy and effectiveness of such a framework. In the

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<sup>1</sup> The definitions of the four audit conclusions are explained in annex I.

opinion of OIAI, based on the scope of work undertaken, in 2019 the UNICEF framework of governance, risk management and controls was generally adequate and effective.

11. ***Basis of opinion:*** The overall audit opinion for 2019 is based on the following factors (which are further explained in the sections that follow):

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

12. ***Implementation of the risk-based workplan***

(a) The Office used a risk-based methodology to identify, select and prioritize its assurance activities to ensure that audit resources are directed towards the areas of greatest significance to UNICEF. Combining this methodology with the breadth of audit coverage during the year helped the Office to draw an overall conclusion.

(b) As in previous years, the Office employed a range of activities to understand the UNICEF risk profile and assurance needs and thus select specific assurance activities based on available resources. This included completing desk reviews of key documents and extensive bilateral discussions with senior management across UNICEF and relying on the advice and counsel of the UNICEF Audit Advisory Committee and contributions from the United Nations Board of Auditors and the Representatives of the Internal Audit Services of the United Nations system organizations.

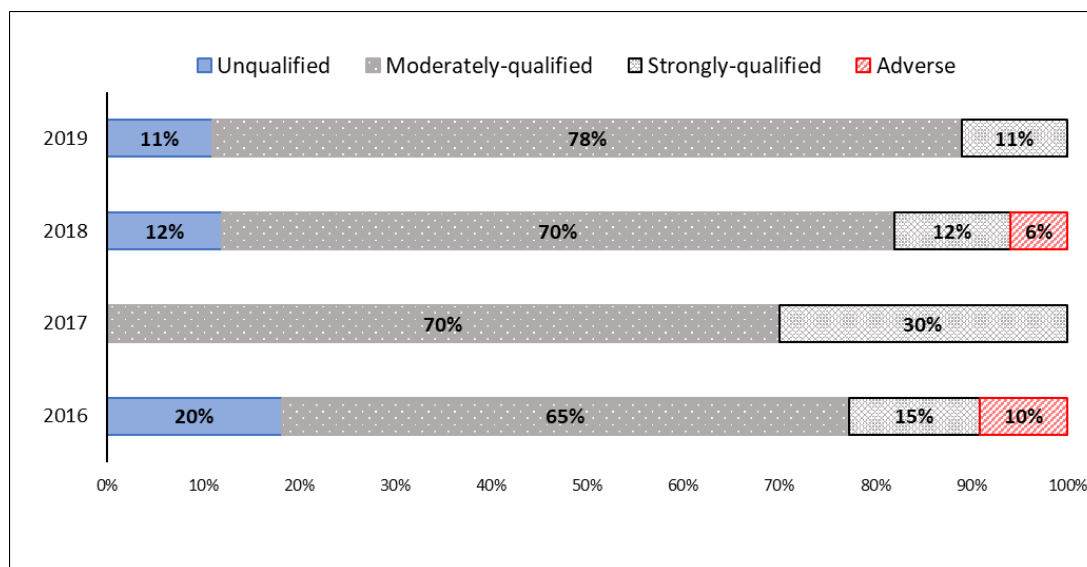
(c) In 2019, the Office issued 31 internal audit reports, with an additional 8 reports at various stages of completion at year end. The 31 reports issued spanned 20 country offices, 8 thematic areas, 1 joint audit and 2 advisory engagements. Annex I lists these reports by region, theme, priority of agreed actions and overall audit conclusions. The 2019 workplan continued to have a greater proportion of audits of country offices, reflecting the fact that the key risks to UNICEF in delivering results for children reside in those offices, where programmes are largely developed and implemented. The 20 country offices audited accounted for 36 per cent of allotted annual programme expenditure. The present overall assurance opinion is based on these reports.

13. ***Conclusions of internal audit engagements completed***

(a) The Office uses a four-tier scale for deriving the conclusions in its internal audit reports – unqualified, moderately qualified, strongly qualified and adverse. The first two represent a generally satisfactory conclusion, while the latter two signify a greater need to improve the controls and processes over the audited office or theme in order for it to be adequately established and functioning.

(b) As figure I shows, in 2019, 89 per cent of assurance activities resulted in generally satisfactory conclusions.<sup>2</sup> 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 confidence in these results due to the breadth of coverage of the audits and the complexity and significance of risks involved in the audited operations. (See table I for the distribution of the regional and thematic audit conclusions.)

Figure I  
**Audit report conclusions, 2016–2019**



#### 14. *Implementation rate of agreed actions*

(a) The Office continuously assesses progress in the implementation of actions agreed by management and seeks to establish whether the actions taken are appropriate and adequate to mitigate the risks identified by the audits.

(b) The Office's assessment of actions taken by management indicated that, overall, commendable efforts have been made to enhance the timely implementation of agreed actions. While it is still too early for the actions agreed in the audit reports issued in 2019 to be fully implemented, OIAI derives confidence from the historically high implementation rate of agreed actions. As of 31 December 2019, 83 per cent of the total agreed actions from the audit reports issued in 2018 had been implemented. For 2019, considering that the majority of the reports were issued in the last quarter of the year, 11 per cent of agreed actions were implemented.

(c) There are currently no agreed actions pending implementation for more than 18 months from the dates of the respective final reports. The Executive Director continues to exercise significant oversight in this area through communications to relevant senior managers to expedite actions towards the closure of outstanding recommendations.

<sup>2</sup> The unsatisfactory conclusions relate to the audits of the country offices in the Democratic Republic of the Congo and Madagascar; and the Information and Communication Technology and Cybersecurity Audit in the Argentina Country Office (see annex 1).

### 15. *Material deficiencies*

(a) Internal audit reporting by OIAI involves extensive consultations and collaboration with the management of an audited office or activity, to identify and secure agreement on appropriate, cost-effective actions to mitigate the risks identified. The actions are then rated as high, medium or low priority, depending on the potential impact on the operations of the audited entity or UNICEF operations globally, should the risks materialize. In practice, only high- and medium-priority actions are included in an audit report; low-priority actions are informally communicated to the management of the audited entity.

(b) Only 16 per cent of all agreed actions from 2019 audits were rated as high priority. While these actions were imperative to reduce the exposure to higher risks, in the view of OIAI, they did not adversely impact the organization's overall framework of governance, risk management and controls.

## III. Mandate

16. The purpose, authority and responsibilities of OIAI are defined in its Charter, which was last updated in May 2012 and approved by the Executive Director. The OIAI mission is to provide independent and objective assurance, advisory and investigative services that are designed to improve the effectiveness and efficiency of the operations of UNICEF. Internal audits accomplish this by using a systematic, disciplined approach to assess whether the organization's governance, risk management and control processes provide reasonable assurance that:

- (a) Programmes, plans and business objectives have been achieved;
- (b) Resources have been acquired economically and used efficiently;
- (c) Assets have been safeguarded;
- (d) Activities have complied with significant regulations, rules, policies, procedures, directives, instructions and contracts; and
- (e) Financial, managerial, and operating information have been accurate, reliable and timely.

17. Investigations help UNICEF to maintain a culture of integrity and foster accountability by examining and determining the veracity of allegations of misconduct, including sexual exploitation and abuse and sexual harassment and abuse, as well as fraudulent and corrupt practices involving UNICEF staff and third parties.

18. The Office considers the above, together with the objectives under the UNICEF Strategic Plan, 2018–2021, to effectively and efficiently discharge its responsibilities, bolster the adequacy and effectiveness of the system of internal controls, and make recommendations that strengthen the organization's risk management.

## IV. Independence

19. In accordance with its 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 OIAI.

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

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

20. The Office confirms that during 2019 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

21. 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 system organizations in June 2002.

22. The Office maintains an internal quality assurance and improvement programme, which includes ongoing self-assessments of work done. An external quality assessment of the internal audit function was completed in 2019, and the Office received the top rating of “general conformance” with the International Standards for the Professional Practice of Internal Auditing and with the Institute of Internal Auditors’ Code of Ethics. The external quality assessment also identified some opportunities for improvement to enhance the efficiency and effectiveness of internal audit processes and infrastructure. These included recommendations for OIAI to update its Charter to make sure it is aligned with relevant professional standards; obtain approval of the Charter from the Executive Board (currently it is approved only by the Executive Director); and obtain the Executive Director’s approval of its annual workplans (currently deemed approved on a no-objection basis).<sup>3</sup>

23. 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 stipulated in chapter X of the United Nations Staff Regulations and Rules. The Office anticipates conducting the external quality assessment for the Investigations section in 2021, once recent staffing and structural changes have been fully implemented.

24. Pursuant to Executive Board decision 2018/12, the Office is pleased to report in annex II on its performance against key indicators.

## VI. Professional network

25. The Office remained an active member of Representatives of the Internal Audit Services of the United Nations system organizations and the United Nations Representatives of Investigation Services. In 2019, OIAI participated in the annual conferences and other periodic meetings of each group to discuss matters of shared interest and further strengthen internal oversight services in the United Nations system.

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<sup>3</sup> The external quality assessment is published on the UNICEF website: [www.unicef.org/auditandinvestigation/files/2019\\_EQA\\_Report\\_on\\_UNICEF\\_OIAI\\_Internal\\_Audit\\_Function.pdf](http://www.unicef.org/auditandinvestigation/files/2019_EQA_Report_on_UNICEF_OIAI_Internal_Audit_Function.pdf).

26. The Office also participated in the 20th Conference of International Investigators in November 2019. The annual conference is a knowledge-exchange forum on the conduct of investigations work as an integral part of international organizations' strengthened efforts to tackle issues related to integrity. Participants include representatives from the United Nations as well as multilateral development banks.

27. In 2019, the Office met with representatives of the United Nations Board of Auditors to coordinate work planning and high-level results to avoid gaps or overlaps in assurance coverage.

28. To promote cooperation and collaboration, the Office engaged in formal and informal discussions with other internal oversight functions within UNICEF and with donor oversight bodies.

## **VII. Resources**

29. In 2019, OIAI had a budget of \$10.8 million, of which 97 per cent had been spent by year end. As in previous years, the largest expenditure categories were staff salaries (80 per cent), travel (8 per cent), consultants (4 per cent) and other costs (8 per cent). The Office retained expert consultants to conduct five information and communications technology (ICT) and cybersecurity audits and an advisory on data privacy and to manage the investigations caseload, which cumulatively cost \$470,665. Travel costs incurred by OIAI amounted to \$809,786, which also included the costs (\$80,198) relating to the travel of the six members of the Audit Advisory Committee to attend their meetings in New York.

30. At the end of 2019, the Office had 49 authorized posts. These included the posts of Director, Deputy Director, Chief of Investigations, 20 Auditors, 1 Editor, 19 Investigators and 6 General Service staff. In October 2019, the Executive Director approved the upgrade of the position of Chief of Investigations (P-5) to Deputy Director (D-1) for the Investigations section, effective 1 April 2020. An additional 11 investigative staff positions have been created and are or will shortly be under recruitment. Of the new investigative positions, five will be located in Budapest.

31. Over the past 18 years, UNICEF expenditure has grown more than five times (from \$1.1 billion in 2000 to nearly \$6.0 billion in 2018), while staff almost tripled (from 5,554 employees in 2000 to almost 14,400 in 2018). This period also saw growth in the size, breadth and complexity of UNICEF operations. Meanwhile, during the same period, the OIAI Internal Audit section has grown by only 50 per cent, from 14 to 21 staff. This effective decrease in capacity has limited the Office's ability to maintain the depth and breadth of assurance coverage, restricting its focus to only the most critical audit subjects and hampering its ability to flexibly respond to new and emerging risks. During its 2020 annual work planning, the Office identified an assurance gap wherein audits in 18 of the country offices and 9 thematic areas that warrant execution in 2020 will not be undertaken due to resource constraints. Recognizing this challenge and based on the results of the strategic review of internal audit services commissioned by the Office, OIAI is evaluating opportunities for strategic shifts in audit work and the resources that will be necessary to implement and achieve this critical evolution.

## **VIII. Internal audit results**

32. In 2019, the Office issued 31 engagement reports, with an additional 8 audits at various stages of completion at year end.



## A. Distribution of audit conclusions

33. The Office assigns an overall audit conclusion based on the results of an audit, as explained in section II above. Eighty-nine per cent of the internal audit reports issued in 2019 were found to be satisfactory (i.e., they were rated either unqualified or moderately qualified). The distribution across the UNICEF regions was as follows.

Table 1

### Distribution of audit conclusions, by UNICEF region and thematic area, 2019<sup>a</sup>

<i>UNICEF region/ 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>
<b>A) Country office audits</b>	<b>20</b>	<b>2</b>	<b>16</b>	<b>2</b>	<b>0</b>
Eastern and Southern Africa	3	0	2	1	0
East Asia and the Pacific	2	0	2	0	0
Middle East and North Africa	3	1	2	0	0
West and Central Africa	4	0	3	1	0
Europe and Central Asia	1	1	0	0	0
South Asia	3	0	3	0	0
Latin America and Caribbean	4	0	4	0	0
<b>B) Thematic/ headquarters audits</b>	<b>8</b>	<b>0</b>	<b>7</b>	<b>1</b>	<b>0</b>
<b>Total (A+B)</b>	<b>28</b>	<b>2</b>	<b>23</b>	<b>3</b>	<b>0</b>

<sup>a</sup> Three reports are not included in the table: Two advisory reports do not have the standard conclusions; and the one United Nations joint audit of the Delivering as One programme in Papua New Guinea used a different rating scale. A complete list of 2019 audit reports and conclusions is presented in annex I.

## B. Significant results from internal audits of country offices

34. In 2019, OIAI audited 20 country offices across all seven UNICEF regions, focusing on key risk areas identified during a robust engagement planning process that involved deliberations with key management.

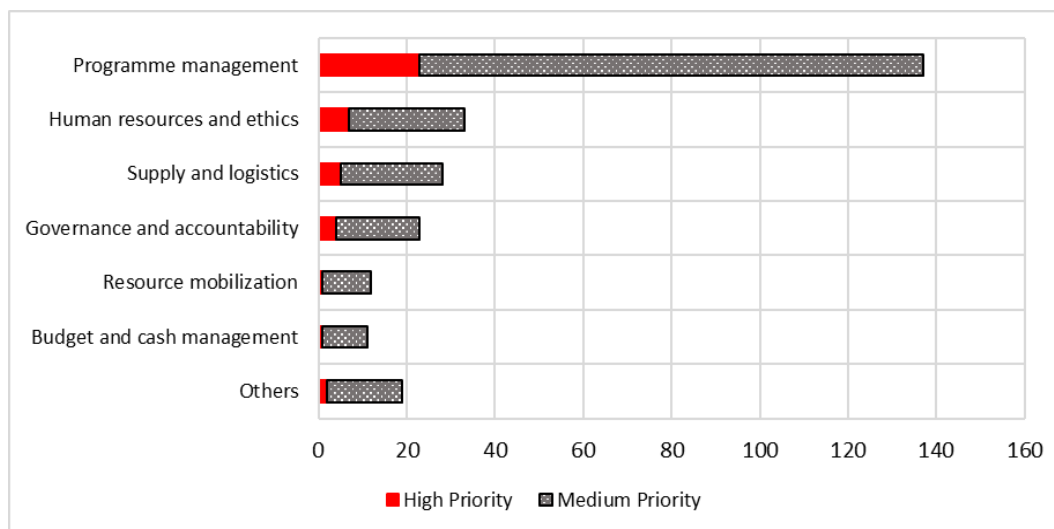
35. To fulfil its programmatic objectives, UNICEF utilizes results-based management that involves collaboration with Governments, civil society organizations and other partners. The key aspects span development, implementation, management, monitoring, reporting and evaluation of its programmes.

36. The audits of country offices sought assurance as to whether there were adequate and effective governance, risk management and controls implemented to ensure the achievement of organizational objectives. In the process, the audits identified both good practices and areas for improvement and agreed with management on needed

actions to accelerate the achievement of organizational objectives. A summary of the agreed actions, by area and rating, is presented in figure II. The subsequent paragraphs describe the top four areas with the most agreed actions, constituting 84 per cent of all agreed actions for the country office audits.

Figure II

**Country office audit actions, 2019, by area and high- and medium-priority level of agreed actions**



37. **Programme management:** The key actions related to programme management represented 52 per cent of the 263 actions agreed by country offices audited in 2019. The key actions are summarized below:

(a) *Planning:* Strengthen programme planning through improved alignment of the results structure with more specific, verifiable key indicators; periodically reassess planning assumptions and processes so that lessons learned, bottlenecks and implications are effectively incorporated into revised programme strategies; support capacity-building of implementing partners to improve data collection, analysis and dissemination, as well as address key data and information gaps; and strengthen the advocacy strategy and plans along with clarification of responsibilities.

(b) *Partnerships:* Develop risk-informed partnership strategies, identifying and mapping potential partners and their capabilities and selecting the best qualified partners to assist with implementation. This will help to forge trusted partnerships to support implementation, significantly improving the capacity and effectiveness of programmes and the results achieved.

(c) *Monitoring:* Properly plan and execute assurance activities with respect to the harmonized approach to cash transfers to further ensure that funds provided to implementing partners are not lost to fraud or corruption and are used only for the purposes intended.

(d) *Evaluation:* Strengthen country-level evaluation planning and prioritization and the implementation of evaluation recommendations.

(e) *Donor reporting:* Improving the timeliness and quality of reports shared with donors.

38. **Human resources:** UNICEF is in the process of a global cultural change initiative to align staff behaviours with the organization's core values and ensure adequate accountability for unacceptable behaviours and misconduct. The initiative is a concerted and coordinated response across the organization to behavioural challenges, including failure to uphold UNICEF values and possible violations of the Standards of Conduct for the International Civil Service. Improvements in staffing structures, as well as relevant policies, procedures and guidance, have been identified as critical to support and accelerate the necessary cultural changes. The key actions agreed by relevant country offices in connection with audits in this area (13 per cent of all agreed actions) were to:

(a) Develop workplans with agreed activities relating to the prevention of sexual exploitation and abuse; designate focal points to establish internal processes; increase awareness of issues related to prevention of sexual exploitation and abuse by training staff, implementing partners and contractors; and expand background checks for potential sexual exploitation and abuse issues among locally recruited contractors and implementing partners.

(b) Make improvements to the recruitment process to ensure timely hiring and onboarding, reduce management workloads, accelerate the integration of new staff, and ensure that institutional contracts are not issued for performance of key management staff functions for extended periods.

39. **Supply and logistics management:** UNICEF maintains a complex supply chain and logistics management function, which engages a wide range of partners to develop, procure and deliver supplies and services for the health, safety and well-being of children and their families. The Office audited the UNICEF supply and logistics management, procurement and contracting functions in country offices, noting several good practices as well as areas for improvement. The key actions country offices agreed to in this area (11 per cent of all agreed actions) were to:

(a) Strengthen procurement planning and monitoring in terms of timeliness of and focus on programme needs (not restricted to funds availability); and

(b) Avoid the risk of rushed procurement close to the expiry dates of grants.

40. **Governance and accountability:** The importance of effective governance arrangements and risk management processes in a decentralized organization across 128 country offices (and additional zone offices) with myriad operating contexts cannot be overemphasized. Acknowledging that the current systems and processes were generally well established but that room for improvement remained, the key actions agreed to by relevant country offices in this area (9 per cent of all agreed actions) were to:

(a) Strengthen country management teams to further increase their monitoring of progress towards the achievement of established priorities; and

(b) Ensure stronger fraud risk mitigation by clarifying linkages between the root causes of fraud risks and actions to mitigate these risks and report on progress.

### **C. Significant results from thematic audits and audits of headquarters divisions**

41. **Information and communications technology (ICT) and cybersecurity:** Among the most critical strategic enablers and mission-critical service providers for UNICEF people and programmes is the array of ICT systems, structures and processes through which UNICEF interacts and coordinates its work to produce results for children. UNICEF makes significant investment in ICT to improve management

effectiveness and efficiency, support innovative approaches to service delivery, while also concurrently mitigating the dynamic and ever evolving ICT risk landscape.

(a) In 2019, OIAI performed five audits of ICT functions, including in the area of cybersecurity practices at UNICEF New York headquarters, the Private Fundraising and Partnerships Division in Geneva, the Global Shared Services Centre in Budapest, and the two country offices in Argentina and Romania.

(b) The key actions agreed from these audits were to update, develop and issue formal guidance for staff and third parties to ensure good practices and reinforce information security controls over the organization's collection, storage, processing and security of personally identifiable information in databases and websites to avert and better mitigate persistent global threats.

42. **Travel management:** As UNICEF maintains a physical presence in 128 countries and territories, travel is an essential part of its work. The total travel expenditure in 2018 (including entitlement travel) was \$214.6 million (about 3.6 per cent of 2018 revenue). UNICEF has taken a number of steps in recent years to improve operational efficiencies and reduce travel costs. In 2019, management instructed offices to reduce their 2019 travel expenditure for conferences and events by 30 per cent; replaced the travel management company used by UNICEF through a competitive process to address staff complaints about poor quality service; and introduced a travel monitoring dashboard to help offices to measure compliance with travel policies and track travel expenditure. The audit of travel management activities resulted in two key agreed actions:

(a) Review the existing travel procedure to ensure there are clear criteria for rejecting the lowest quoted fares and analyse the reasons the lowest fares are not selected.

(b) Conduct a cost-benefit and feasibility assessment on the potential expansion of the use of the current online travel self-booking tool and similar technologies to improve efficiencies and cost savings across the organization.

43. **Private Fundraising and Partnerships:** The Division coordinates all UNICEF private fundraising activities and provides strategic and operational guidance and support to 21 UNICEF country offices engaged in private-sector fundraising. It also provides strategic and operational guidance and support to 33 National Committees for UNICEF in various areas, including risk management, oversight and governance, planning and investments for private sector fundraising and engagement. The country offices engaged in private sector fundraising are responsible for raising funds from individuals, key influencers and businesses on a larger scale than other offices, to support their respective programmes and UNICEF operations globally. National Committees are independent, non-governmental organizations created for the purpose of advancing children's rights and well-being globally through fundraising, advocacy and other activities to promote the unique mission of UNICEF in their respective territories. The cooperation agreements between UNICEF and each National Committee defines a special partnership, which outlines a shared responsibility to safeguard the UNICEF brand and reputation.

44. With the support of the Private Fundraising and Partnerships Division, the National Committees and the country offices engaged in private sector fundraising continued to make commendable contributions towards efforts by UNICEF to advance children's rights and well-being globally. In 2018, National Committees and country offices engaged in private sector fundraising contributed \$1.4 billion (respectively \$1.2 billion and \$184 million) to UNICEF operations globally. Each National Committee has a joint strategic plan with UNICEF, which is reviewed each year and sets out the priorities and revenue, advocacy and communication targets.

Each country office engaged in private sector fundraising has an annually reviewed private sector plan. Progress against established targets in both plans was monitored. The Private Fundraising and Partnerships Division had a commendable risk management culture, with a focus both on managing risks to its own operations and on helping National Committees and country offices engaged in private sector fundraising to manage their risks. In general, both the National Committees and country offices were pleased with the strategic and operational guidance provided by the Division.

45. The audit did identify a few areas where further action was needed to better manage potential risks to fundraising performance. While UNICEF has an oversight system that covers the Division's activities and those of the country offices engaged in private sector fundraising, the National Committees control the frameworks for their own governance and oversight. The information received from the National Committees, and the resultant processes implemented by the Division, were insufficient for UNICEF to obtain satisfactory independent assurances that these frameworks were adequate and effective. For this purpose, the Division agreed to:

(a) Consult with the National Committees on the information and processes required to facilitate satisfactory assurances to UNICEF with respect to National Committees' governance, risk management and control processes.

(b) With contributions from the appropriate offices, engage with the National Committees to seek a joint review and, as necessary, amendment of the cooperation agreements between UNICEF and the National Committees, including, but not limited to, the following areas: National Committees' advocacy and programming responsibilities and the Division's data and information needs as to the National Committees' governance, risk management and control processes.

(c) Develop and implement an action plan, within the framework of the cooperation agreement, for UNICEF to regularly attend key meetings of National Committee governing bodies.

(d) Periodically confirm the amount of investments and reinvestments made by National Committees in private sector fundraising activities.

46. **Results monitoring and reporting:** The audit of results reporting by 12 country offices covered two distinct reporting mediums: country office annual reports and donor reports based on bilateral agreements. The country office annual reports analyse and describe how contributions have been used and the related results achieved and have two parts: (1) a narrative component that highlights major results achieved, and (2) responses to more than 500 strategic monitoring questions that gather data on progress towards the achievement of the Goal Areas and implementation of the change strategies in the UNICEF Strategic Plan, 2018–2021. A total of 16,474 reports were due to donors over the period from January 2017 to December 2019. The audit made a range of recommendations to strengthen the completeness, consistency, comparability and accuracy of these reports.

## **D. Significant results from advisory engagements**

47. As part of its internal audit practice, OIAI also provides independent, objective advisory services that involve advice and analyses to promote improvements in governance, risk management and control processes. In 2019, two advisory engagements were conducted, on data privacy and child safeguarding practices.

48. **Data privacy:** UNICEF collects and stores a variety of personally identifiable data of donors, beneficiaries, staff and other stakeholders. The Office appreciates that UNICEF is developing a data privacy policy that will set global standards, pre-empt

threats and strengthen risk mitigation and responsibility for privacy and data protection, and that the responsibility for development of the policy had been assigned at the appropriate level. The advisory report provided the following key advice for the organization's consideration:

(a) Develop and maintain a complete inventory of the information collected, in order to effectively manage security and data privacy risks, including those related to child safeguarding and the organization's reputation.

(b) Increase awareness of the importance of data privacy and assign responsibilities to all offices to complete data inventories and confirm what personally identifiable data is held and why it is held.

(c) Ensure adherence to the global privacy policy under development by establishing an appropriate governance and management structure and setting aside support resources.

49. **Child safeguarding:** In its decision 2018/12, the Executive Board requested OIAI to make specific recommendations for improvements to UNICEF child protection and safeguarding policies to ensure that they are successfully mainstreamed across the organization. The organization established the Child Safeguarding Unit in May 2018 to coordinate the operationalization of the policy; complete the procedure on the child safeguarding framework; and operationalize a global data protection framework. A year later, UNICEF issued procedures for the creation of a decentralized regulatory system to establish relevant safeguarding processes, standards and guidance. Against this backdrop, OIAI conducted an advisory engagement in 2019 and provided the following advice:

(a) Establish a structured project management approach for the establishment of a child safeguarding framework, with an organization-wide workplan for the Child Safeguarding Unit and a road map for the operationalization of the policy and framework.

(b) Review assumptions on the extent of UNICEF influence of Governments regarding their adoption of child safeguarding standards and other relevant approaches.

## **E. Significant results from a joint audit of the United Nations Delivering as One programme**

50. The internal audit services of six United Nations entities (the Food and Agriculture Organization of the United Nations, the International Organization for Migration, the United Nations Development Programme, the United Nations Population Fund, the World Health Organization and UNICEF) conducted a joint audit of the Delivering as One programme in Papua New Guinea. Led by OIAI, UNICEF, the audit took place just prior to the repositioning of the resident coordinator function and the transition of responsibilities of related offices, effective 1 January 2019.

51. The joint audit team made 27 recommendations of which they rated 7 as high priority. Despite disagreement that five of the recommendations warranted a high priority rating, the resident coordinator, United Nations country team and the United Nations Sustainable Development Group agreed to take the following actions to address risks and issues identified:

(a) Ensure that the joint programme steering committee fulfils its responsibilities, particularly with respect to monitoring implementation of the United

Nations Development Assistance Framework<sup>4</sup> and reviewing joint annual workplans and progress reports.

(b) Strengthen quality assurance by the inter-agency monitoring and evaluation working group of the annual progress report.

(c) Increase oversight of the operations management team and improve its functioning.

(d) Review progress reports and take corrective measures as necessary to ensure timely implementation of significant workplan activities.

## **IX. Disclosure of internal audit reports**

52. As at 31 December 2019, 13 internal audit reports due for disclosure had been published. One report relating to ICT and cybersecurity was withheld from public disclosure pursuant to Executive Board decision 2012/13. The other 15 internal audit reports issued in late 2019 are expected to be published in early 2020. All internal audit reports disclosed to date may be accessed from the OIAI website: <[www.unicef.org/auditandinvestigation](http://www.unicef.org/auditandinvestigation)>.

## **X. Investigations results**

53. The OIAI Investigations section assesses and investigates reports of possible fraudulent practices and wrongdoing that involve UNICEF resources, staff, consultants, non-staff personnel and institutional contractors. The results of these fact-finding activities are transmitted to the appropriate divisions, together with supporting evidence to guide UNICEF management in deciding on administrative, disciplinary or other actions to be taken.

54. In 2019, following increasing demands for its services, the Investigations section obtained approval for additional resources and a new structure to be put in place in 2020, including placing an investigative team in Budapest. In July 2019, a digital forensic investigator was onboarded. It is anticipated that most of the remaining vacancies, including for a new Deputy Director for Investigations, will be filled by the end of the second quarter of 2020.

55. The Investigations section also reviewed its internal procedures to adopt a more victim-centred approach in how reports of prohibited conduct (sexual harassment, harassment and abuse of authority) are addressed. This included establishing the role of case coordinator, who acts as focal point for staff who wish to have confidential discussions about available options for reporting and addressing sexual abuse, harassment, or abuse of authority and can be approached at any time. This function will be further expanded once additional staff are on board.

56. In 2019, alongside other investigatory bodies, the Investigations section participated in the Inter-Agency Standing Committee and United Nations Chief Executives Board for Coordination task force on improving the quality of investigations into sexual exploitation and abuse and sexual harassment. Further, in 2019 two investigators completed training in investigation of sexual and gender-based violence hosted by the Institute for International Criminal Investigations, and three investigators completed a training programme on sexual exploitation and abuse investigations, hosted by the United Nations Educational, Scientific and Cultural Organization and the National Academy for Judicial Police of the French National Gendarmerie. Another three investigators attended training at the National Children's

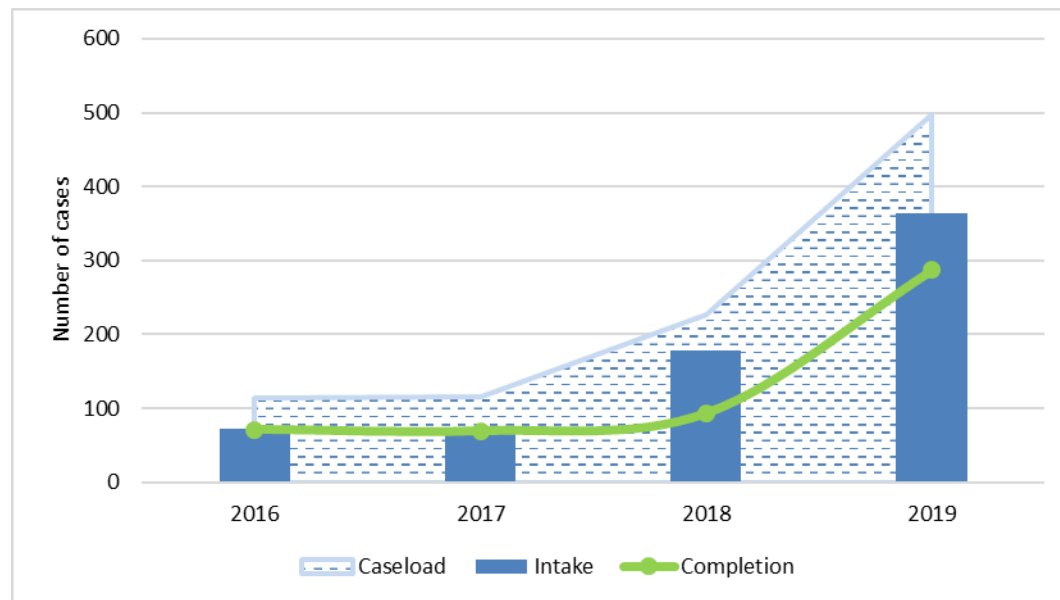
<sup>4</sup> The framework is now called the United Nations Sustainable Development Cooperation Framework.

Advocacy Center on the child forensic interview structure. Training included forensic interviewing structure and planning, child interview practicum, developmental perspectives of children, memory and suggestibility issues, effective engagement and questioning strategies. The programmes were specifically designed to strengthen critical skills for international investigators regarding sexual offenses and offenses against vulnerable persons, giving proper consideration to a victim-centred approach.

## A. Case management

Figure III

### Intake, completion and caseload comparison, 2016–2019



57. In 2018 and 2019, following the Executive Director’s reaffirmed commitment to zero-tolerance towards sexual exploitation and abuse and sexual harassment, the Investigations section saw a rapid increase in reporting as compared to prior years.

58. The section managed 498 cases during 2019 (see table 2), comprising 133 carried over from the previous year and 364 new allegations received in 2019. One case was reopened.

59. The 364 cases received represented a 104 per cent increase in yearly intake compared with 2018, and continued the trend started in 2018 of doubling intake. By contrast, in the prior two years intake was basically level, averaging 73 cases per year (2016:72 and 2017:74; see figure III).

60. The 498 cases managed during 2019 represented a 120 per cent increase over 2018 (226 cases). By the end of 2019, 287 cases had been closed (versus 93 in 2018), a 209 per cent increase in the Investigations section’s output.



Table 2  
**Investigations cases handled in 2019**

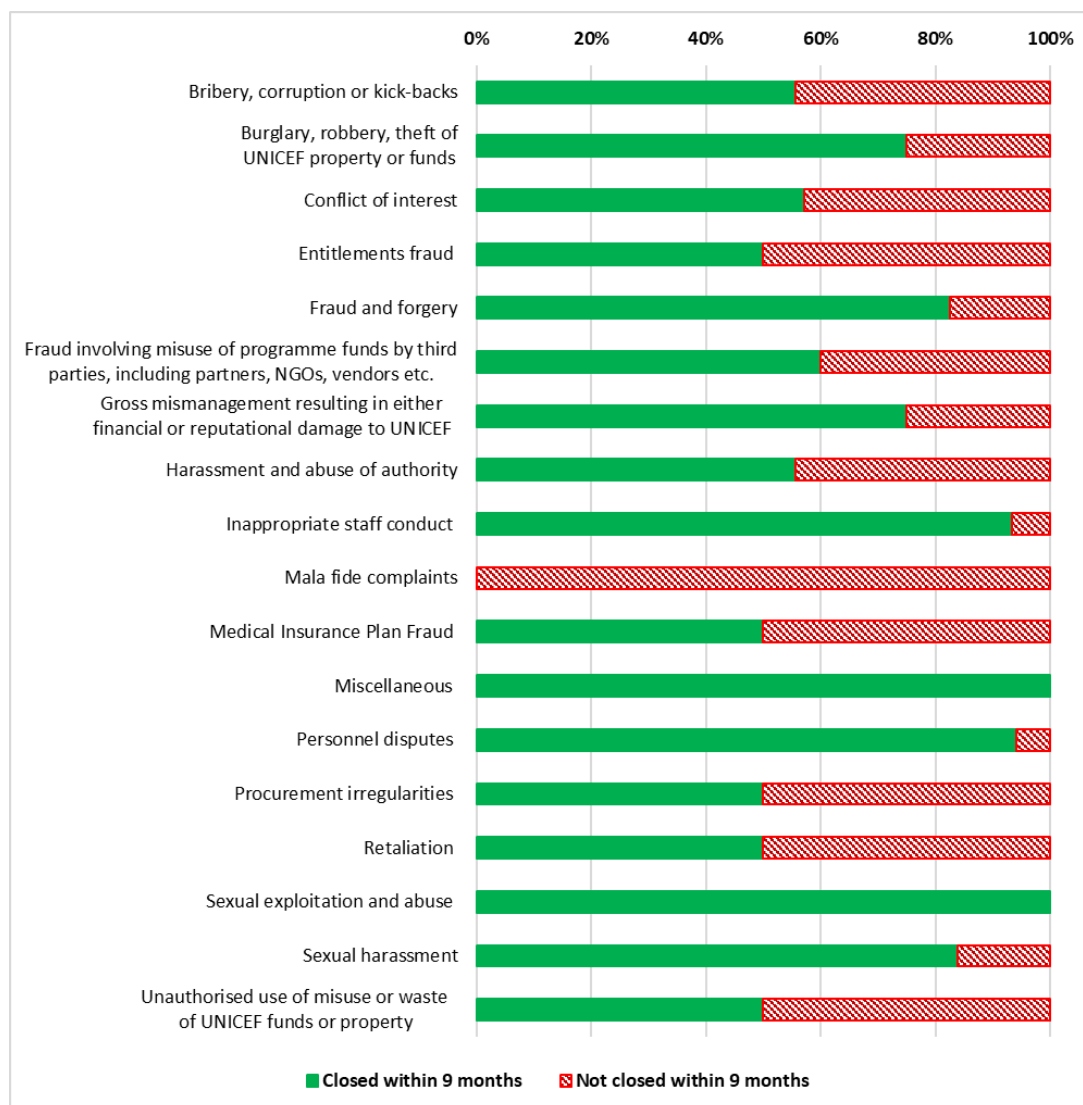
<i>Status of cases</i>	<i>Number of cases</i>
Carry-over as of 1 January 2019	133
Intake during the year	364
Reopened from previous year	1
<b>Total caseload</b>	<b>498</b>
Closed during year	(287)
Cases ongoing as of 31 December 2018	211

61. The Office monitors the progress of investigations to track the timeliness of closure and internally flagged cases if they remain open after nine months. This time frame serves as a guide rather than a target, as having a metric that penalizes keeping cases open for valid reasons may incentivize inadequate investigations, minimization of due process and premature closing of investigations. At the same time, OIAI remains focused on improvements in selecting and prioritizing the most critical cases and improving efficiency and effectiveness.

62. In 2019, OIAI closed 214 of 287 cases (75 per cent) within nine months. The average time spent by OIAI on each case closed during 2019 was 6.2 months.

63. Figure IV shows the percentage of cases closed within nine months, by type. The speed of closure is impacted by a number of factors, including the nature of the case, prioritization (for instance, all cases of sexual harassment and sexual exploitation are given the highest priority and are closed within nine months) and complexity (cases of fraud involving external parties generally take longer to resolve).

Figure IV  
Percentage of cases closed within nine months in 2019, by case type



## B. Analysis of allegations received

64. The Office received 364 new allegations during 2019. These are analysed by type in table 3. As in 2018, the largest category was harassment and abuse of authority with 58 (2018:62), followed by inappropriate staff conduct with 47, an increase from the previous year (2018:13). The number of cases of alleged fraud involving misuse of programme funds by third parties (implementing partners, vendors, etc.) increased, with 44 cases (2018:12).

Table 3  
Case intake, by category, 2018 and 2019

	<i>Number of cases in 2019</i>	<i>Number of cases in 2018</i>
Bribery, corruption or kickbacks	13	3
Burglary, robbery or theft of UNICEF property or funds	10	11
Conflict of interest	13	8
Entitlements fraud	9	3
Fraud and forgery	30	10
Fraud involving misuse of programme funds by third parties	44	12
Gross mismanagement	4	2
Harassment and abuse of authority	58	62
Inappropriate staff conduct	47	13
Medical Insurance Plan fraud	5	4
Personnel disputes	19	5
Procurement irregularities	6	5
Retaliation	3	2
Sexual exploitation and abuse	29	6
Sexual harassment	36	29
Unauthorized use, misuse or waste of UNICEF property or funds	2	2
Miscellaneous*	36	1
<b>Total</b>	<b>364</b>	<b>178</b>

\* Note: The category titled miscellaneous comprises matters that are prima facie not related to misconduct, e.g., performance management issues.

65. Table 4 compares the breakdown of allegations received by location in 2019 and 2018.

Table 4  
Case intake, by UNICEF region, 2018 and 2019

<i>UNICEF region</i>	<i>2019</i>		<i>2018</i>	
	<i>Number of cases</i>	<i>Percentage of the total</i>	<i>Number of cases</i>	<i>Percentage of the total</i>
Headquarters	35	10%	25	14%
East Asia and the Pacific	20	5%	12	7%
Eastern and Southern Africa	65	18%	48	27%
Middle East and North Africa	79	22%	21	12%
South Asia	55	15%	23	13%
West and Central Africa	57	16%	29	16%
Europe and Central Asia	13	4%	8	4%
Latin America and the Caribbean	29	8%	12	7%
Other <sup>a</sup>	11	3%	-	-
<b>Total</b>	<b>364</b>	<b>100%</b>	<b>178</b>	<b>100%</b>

<sup>a</sup> "Other" comprises matters that were referred to non-UNICEF entities.

### C. Disposition of completed cases

66. The Office issued 83 investigation reports in 2019, a 186 per cent increase from 2018 (29). Forty two of the 287 completed cases in 2019 were closed because the investigation did not substantiate the allegation. The disposition of cases completed in 2019 is summarized in table 5, and details of each closed case are described in the addendum to this report ([E/ICEF/2020/AB/L.3/Add.1](#)).

Table 5

#### Disposition of investigations cases completed in 2019

<i>Type of closure</i>	<i>Number of cases</i>
<b>Investigation report</b>	<b>83</b>
(a) Submitted to the Division of Human Resources (staff misconduct)	75
(b) Submitted to the Ethics Office (whistle blower retaliation)	2
(c) Submitted to other UNICEF offices (non-staff contractual matters)	6
<b>Closure memorandum</b>	<b>43</b>
(a) Allegation not substantiated	42
(b) Allegation in which no perpetrator was identified	1
<b>Advisory memorandum</b>	<b>2</b>
<b>Other</b> (Lack of actionable information sufficient to commence an investigation)	<b>50</b>
<b>Referral</b> made to another UNICEF office	<b>109</b>
<b>Total cases closed in 2019</b>	<b>287</b>

67. The largest number of closed cases related to prohibited conduct: harassment and abuse of authority (63 cases) and sexual harassment (31 cases). The Office established financial losses to UNICEF from 17 cases (2018: 10 cases) amounting to \$679,441 (2018: \$437,754).

### D. Disciplinary measures and other actions taken by UNICEF

68. While OIAI is responsible for conducting necessary investigations, the Division of Human Resources or other relevant units are responsible for taking any appropriate action based on the OIAI findings. The Office submitted 124 matters to the Division of Human Resources, inclusive of investigation reports, closure memorandums and referrals, for consideration of disciplinary or other action. Disciplinary actions taken as a result of OIAI findings are reported on internally by the Deputy Executive Director, Management, in the UNICEF annual report on disciplinary measures and other actions in response to misconduct. In 2019, those actions are summarized as follows:

- (a) Nineteen dismissals/separations;
- (b) One demotion;
- (c) Five losses of steps;
- (d) Seven written censures;
- (e) Seven staff members resigned, either while under investigation or before initiation of a disciplinary process;
- (f) Four staff members separated upon expiration of their appointments while under investigation/during the disciplinary process;

- (g) A further four staff members were reprimanded after it was determined that their conduct had been inappropriate but did not rise to the level of misconduct;
- (h) Thirty-four cases were not substantiated.

## **XI. Strategic road map**

69. The Office is currently considering implementation of key shifts in its operating strategy that will necessitate changes to the OIAI management plan, structure and staffing. These shifts are informed by important external reviews and deliberations with principal stakeholders. They also serve as the foundational framework for the office's plans for 2022 to 2025 to inform the next UNICEF quadrennial Strategic Plan, which is to be submitted for approval by the Executive Board in 2021.

70. The principal shifts proposed include:

- (a) Scale up assurance and advisory services in line with the evolving risk profile of the organization and expectations of stakeholders, with an emphasis on rapid risk identification and mitigation and reducing any assurance gaps.

- (b) Expand the use of technology and data analytics to improve risk identification and trends and increase efficiencies in both audit and investigations.

- (c) Reorganize the Internal Audit section and increase the staffing complement in a phased manner with an increase of five staff in each of the three years, 2020, 2021 and 2022, to support the objectives outlined above.

- (d) Increase operational efficiencies and improve proximity to clients through a decentralized model, starting with the move of one audit unit to UNICEF office in Budapest.

- (e) Complete the restructuring of the Investigations section, to include an investigative unit based in Budapest, an investigative unit based in New York and a unit focused on strategy, policy, intake and reporting, also based in New York.

71. Concurrently, OIAI looks forward, in the coming years, to supporting an increased maturity of risk identification and management across UNICEF, including with respect to enterprise risk management systems that will strengthen the second line of defence and risk planning and mitigation more broadly. This, together with more effective collaboration with other assurance providers, will enable achievement of a higher quality of assurance at optimum costs, both through a wider coverage of organizational risks and more agile risk analysis.

## **XII. Draft decision**

### *The Executive Board*

1. *Takes note* of the UNICEF Office of Internal Audit and Investigations 2019 annual report to the Executive Board ([E/ICEF/2020/AB/L.3](#)) and its addendum ([E/ICEF/2020/AB/L.3/Add.1](#)), and welcomes the overall opinion of the adequacy and effectiveness of the organization's framework of governance, risk management and control;

2. *Welcomes* the conclusion of the external quality assessment of the internal audit function by the Institute of Internal Auditors, which issued its report in November 2019. UNICEF received the top rating of general conformance with the International Standards for the Professional Practice of Internal Auditing and with the Institute of Internal Auditors' Code of Ethics.

## Annex I

Audit and advisory reports issued in 2019<sup>a</sup>

No.	Reference number	Region <sup>b</sup>	UNICEF audits	Number of agreed actions <sup>c</sup>		Report conclusion <sup>d</sup>
				Total	High priority	
<b>Field offices</b>						
1.	2019/01	WCAR	Cameroon Country Office	9	2	Q-M
2.	2019/02	ESAR	Zimbabwe Country Office	10	0	Q-M
3.	2019/03	SAR	Bangladesh Country Office	19	1	Q-M
4.	2019/06	WCAR	Côte d'Ivoire Country Office	9	1	Q-M
5.	2019/07	SAR	Nepal Country Office	14	1	Q-M
6.	2019/08	MENAR	Jordan Country Office	7	0	U
7.	2019/09	ESAR	Malawi Country Office	14	1	Q-M
8.	2019/11	ECAR	Madagascar Country Office	9	4	Q-S
9.	2019/12	ECAR	Uzbekistan Country Office	7	0	U
10.	2019/13	LACR	Mexico Country Office	12	1	Q-M
11.	2019/14	MENAR	Yemen Country Office	24	10	Q-M
12.	2019/15	SAR	Afghanistan Country Office	18	6	Q-M
13.	2019/16	MENAR	Syrian Arabic Republic Country Office	20	4	Q-M
14.	2019/17	EAPR	Malaysia Country Office	11	0	Q-M
15.	2019/19	WCAR	Democratic Republic of the Congo Country Office	14	6	Q-S
16.	2019/20	EAPR	Philippines Country Office	19	1	Q-M
17.	2019/24	LACR	Ecuador Country Office	10	2	Q-M
18.	2019/25	LACR	Brazil Country Office	12	2	Q-M
19.	2019/26	LACR	Argentina Country Office	16	0	Q-M
20.	2019/29	WCAR	Equatorial Guinea Country Office	9	1	Q-M
<b>Total</b>				263	43	
<b>Thematic areas</b>						
21.	2019/4	N/A	Information and Communication Technology and Cybersecurity (New York Headquarters)	13	0	Q-M
22.	2019/10	N/A	Private Fundraising and Partnerships Division	11	3	Q-M
23.	2019/18	N/A	Information and Communication Technology and Cybersecurity in the Private Fundraising and Partnerships Division	15	1	Q-M
24.	2019/21	N/A	Information and Communication Technology and Cybersecurity in the Romania Country Office	12	1	Q-M

No.	Reference number	Region <sup>b</sup>	UNICEF audits	Number of agreed actions <sup>c</sup>		Report conclusion <sup>d</sup>
				Total	High priority	
25.	2019/22	N/A	Information and Communication Technology and Cybersecurity in the Global Shared Services Centre	15	1	Q-M
26.	2019/23	N/A	Travel management (New York headquarters)	8	2	Q-M
27.	2019/28	N/A	Information and Communication Technology and Cybersecurity in the Argentina Country Office	12	4	Q-S
28.	2019/30	N/A	Results reporting	4	2	Q-M
<b>Total</b>				<b>90</b>	<b>14</b>	
<b>Joint audit</b>						
29.	2019/05	N/A	Delivering as One in Papua New Guinea	27	7	U
<b>Total</b>				<b>27</b>	<b>7</b>	
<b>Grand total</b>				<b>380</b>	<b>64</b>	
<b>Advisory reports</b>						
30.	2019/27	N/A	Data privacy	-	-	-
31.	2019/31	N/A	Child safeguarding	-	-	-

<sup>a</sup> Audit reports are listed by category and report reference number.

<sup>b</sup> The UNICEF regions listed are as follows: EAPR: East Asia and the Pacific; ECAR: Europe and Central Asia; ESAR: Eastern and Southern Africa; MENAR: Middle East and North Africa; SAR: South Asia; and WCAR: West and Central Africa. "N/A" = not applicable.

<sup>c</sup> Some medium- or high-risk agreed action plans were communicated to the Executive Director confidentially to prevent organizational exposure to the related risks.

<sup>d</sup> Report conclusions may be classified as follows: 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 control 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.

## Annex II

## Key performance indicators for the Office of Internal Audit and Investigations, 2019

<i>No.</i>	<i>Key performance indicator<sup>a</sup></i>	<i>Target (2021)</i>	<i>Achievement (2019)</i>
1.	Delivery of a risk-based workplan (as approved by the Executive Director and adjusted during the year) <sup>b</sup>	90%	83%
2.	Compliance with Executive Board decision 2012/13 on public disclosure	100%	100%
3.	Engagements in which feedback from clients has been “generally satisfactory” <sup>c</sup>	100%	96%
4.	General conformity with IIA [Institute of Internal Auditors] standards, including external assessments (once every five years)	Yes	Yes
5.	Compliance with timeliness indicators for internal audit reporting	90%	79%
6.	Compliance with timeliness indicators for investigations	75%	75%

<sup>a</sup> OIAI periodically reports on selected key performance indicators on a quarterly basis to the Executive Director and the UNICEF Audit Advisory Committee, and reports on other indicators annually or at other applicable intervals.

<sup>b</sup> Adjustments made to the workplan are communicated to the Executive Director and the Audit Advisory Committee.

<sup>c</sup> All the audit clients either agreed or strongly agreed that, overall, the individual audits added value and resulted in meaningful agreed actions and results.