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UNICEF management response to the annual report of the Office of Internal Audit for 2010

Summary

This report is submitted in response to Executive Board decisions 2006/18, 2007/17 and 2008/23, and presents the management response of UNICEF to the annual report to the Executive Board on internal audit activities in 2010 (E/ICEF/2011/AB/L.9).

A status update on implementation of recommendations from the one internal audit that has remained unresolved for 18 months or more is provided in Annex 1.

Contents

	<i>Page</i>
I. Management actions and plans to address country office audit observations.	2
II. Management actions and plans to address headquarters, thematic and systems audits	9
III. Management actions taken to address the findings of investigations	12
IV. Management actions to address observations in the annual report of the UNICEF Audit Advisory Committee.	12
 Annex	
Progress update on observations that remain unresolved for more than 18 months as of 31 December 2010.	14

* E/ICEF/2011/13.



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

1. Management appreciates the continued attention to governance, programme management, and operations support in the audits of country offices. UNICEF acknowledges the findings reported by the Office of Internal Audit (OIA) and is committed to improving performance in these areas.

2. UNICEF has undertaken a number of actions to address the problems reported by OIA in 2010 and in recent audits of country offices. Management particularly seeks to eliminate weaknesses that result in partially satisfactory or unsatisfactory ratings,¹ and notes with concern that, overall, the percentage of offices rated as fully satisfactory has declined, from 41 per cent in 2009 to 30 per cent 2010.

3. Management continues to address the risks identified in the audits of country offices in a timely manner.² By end-June 2011, some 96 per cent of the recommendations issued to country offices in 2009 had been closed. Among the audits completed in 2010, country offices have already taken actions leading to the closure of 63 per cent of the audit recommendations.

4. OIA reports two immediate causes for 80 per cent of the observations in country offices audited in 2010: (a) inadequate monitoring of the actual functioning of established controls or (b) weaknesses in planning or analysis. Since 2010, UNICEF has taken system-wide actions to improve monitoring capacity, planning, and analysis, and is introducing further global-scale changes on 1 January 2012:

(a) **Strengthen monitoring of controls.** The recently established skills and methodologies for Enterprise Risk Management (ERM) — and their application in all offices — are strengthening management capacity to identify and manage accountability risks and to monitor the functioning of internal controls in country offices. The new UNICEF Enterprise Resource Planning (ERP) system — known as the Virtual Integrated System of Information (VISION) — and the application of the International Public Sector Accounting Standards (IPSAS) will further support these efforts. VISION, which will be fully IPSAS compliant, will also strengthen regional office and headquarters capacity to monitor country office fulfilment of their accountability for performance.

(b) **Strengthen planning and analysis.** The organization-wide application of ERM and the revised programme structure — established in all country offices at the start of 2011 — is strengthening planning and analysis capacity. The training course on the Programme Planning Process (PPP) was revised in 2010.³ Preparations for the launch of VISION and the adoption of IPSAS on 1 January 2012 continue to strengthen guidance, systems and staff skills for financial and supply management in all country offices.

¹ In 2010, OIA rated audited 20 field offices and rated two offices as unsatisfactory: the Guinea Country Office and the Peshawar Zone Office in Pakistan. While this marks an improvement over 2009 — when five of 26 country offices audited were rated unsatisfactory — it is still unacceptable. Please see paragraph 28.

² All recommendations to country offices older than 18 months at 31 December 2010 have been closed.

³ Some 450 staff members will have participated in the eight-day training by the end of 2011.

Governance

5. In 2010, OIA audited 20 field offices and identified 100 medium risks to governance,⁴ and identified six high risks in four offices.⁵ The most common risks included, besides unrealistic planned results and inadequate indicators, weaknesses in the following areas: (a) management structures; (b) functioning of oversight committees; (c) staff recruitment; and (d) competencies. OIA noted that the immediate causes for these weaknesses were poor planning and inadequate monitoring by managers.

6. UNICEF is currently revising its regulatory framework of policies and guidance as part the development of VISION and the transition to IPSAS. In applying the ERM principles of analysis and application of risk-informed procedures, the revised guidance will clarify accountabilities and provide new instructions on the functioning of the contract review committees. The revised Programme Policy and Procedure Manual, scheduled for the third quarter of 2011, will clarify guidance on the proper and efficient functioning of the country management teams.

7. UNICEF is committed to strengthening staff competencies at all levels. Accordingly, the global learning programme addresses competencies in planning, leadership and management, as well as individual performance:

(a) In September 2010, the programme planning process was revised to advance the UNICEF equity focus and programming capacity in all contexts, including middle-income countries. To date, 150 staff members participated in the training, and another 300 will be trained by the end of the year;

(b) In March 2011, a United Nations inter-agency e-learning package on gender programming was launched; to date, 200 UNICEF staff members have accessed the training;

(c) Since 2010, 155 staff members from all regions have completed the Supervisory Skills Programme and 102 staff members graduated from the Leadership Development Initiative Programme, while 34 senior staff members have been participating in the Senior Leaders Development Programme;

(d) Since March 2011, 1,200 staff members have trained in performance management skills and 1,811 staff members have been certified in competency-based interviewing, to strengthen the selection of appropriate personnel to staff positions.

8. To improve the quality of planning for results and reporting of performance, UNICEF introduced a revised programme structure in all country offices at the start of 2011. This new structure significantly streamlines programme planning and reporting, with focus on the most significant results to be achieved through the UNICEF programmes of cooperation. The simplified results structure is in full accord with the most recent developments in United Nations coherence. Performance dashboards in VISION will provide easy and transparent access to planned programme and management results, indicators and performance reports

⁴ Among the 20 offices audited, one had 1-2 risks, 11 had 3-5 risks, and four had more than 5 risks.

⁵ Two offices rated as unsatisfactory overall accounted for four of the six high risks found. Please see footnote 1.

from all country programmes.⁶ This feature will significantly strengthen regional office capacity to monitor the fulfilment of country office accountability for planned results and indicators in country programmes.

9. Since 2010, UNICEF has made considerable advances in establishing ERM techniques in all UNICEF offices:

(a) Approximately 5,000 staff members have been trained through workshops and webinar sessions;

(b) Some 124 country offices, all seven regional offices and 13 of 16 headquarters divisions/offices have completed a risk and control self-assessment exercise to establish a clear understanding of the principal risks to programme and operational performance and to develop action plans to address priority risks;

(c) A number of offices, including those in the Philippines, Timor-Leste and Viet Nam, have updated their risk profiles as they take actions to control the risks they had identified.⁷

10. UNICEF continues to strengthen staff recruitment. Improved procedures for recruitment and staffing in emergencies, introduced in December 2010, and increased capacity in the Division of Human Resources have been notably successful.⁸ To strengthen the organization's response to the most severe emergencies, the Executive Director in March 2011 established the UNICEF Corporate Emergency Activation Procedure, which clarifies accountabilities in emergencies at all levels. This procedure includes the deployment of an Immediate Response Team to support the country-level response. So far, three teams have been formed and trained; these multidisciplinary teams, which include experts in emergency operations management and logistics, are ready for deployment from their current duty stations.

11. In 2010, the Division of Policy and Practice issued a guidance note for the development and review of programme results and strategies in middle-income countries. The Division is currently revising the guidance note and preparing to create an intranet page for the development and use of country-office annual management plans. These efforts aim to strengthen UNICEF work in middle-income countries.

12. The performance dashboards (for country, regional and global levels) that will be released with the launch of VISION include detailed information on the recruitment status of each vacant post, whether regular or emergency. This information will strengthen managers' awareness of staff recruitment actions and improve their capacity to quickly identify and address any bottlenecks to timely recruitment.

⁶ These performance dashboards will be operational in all UNICEF offices starting 1 January 2012.

⁷ After one year of application, the ERM methodology is still new. However, in a 2010 country office report, OIA noted the positive effect of the ERM approach for the identification and management of risks.

⁸ UNICEF performance for timely recruitment of emergency staff exceeded the key performance indicator benchmark by 10 per cent over the period 1 January to 31 December 2010.

Programme management

13. In 2010, OIA identified 122 medium risks to programme management⁹ and found 16 high risks in 12 offices.¹⁰ The most common risks (68 per cent) were in programme planning, funding, implementation and monitoring. There were also risks in the evaluation of programme results, knowledge of the situation of children in the country and management of the advocacy function. OIA noted that the immediate causes for most of these risks were weaknesses in the following areas: (a) planning and analysis; and (b) management's awareness of how well controls were actually functioning in their offices.

14. The revised programme structure was introduced in all offices at the beginning of 2011.¹¹ Key components of the new structure include a clear definition of results to be achieved and regular performance reporting on the status of achievements toward planned results.¹² Following the launch of VISION, it will be a sustained feature of the UNICEF performance management system.

15. VISION will strengthen the capacity of managers to fulfil their accountability for efficient programme implementation by providing real-time information on:

(a) Key performance indicators, including the status of programme funds utilization within each result work plan;

(b) Value and aging of all programme supplies held by UNICEF before delivery to partners;

(c) Balances on all grants provided by donors.¹³

16. UNICEF receives funding throughout the year, and is therefore not fully predictable; there is always the potential for funding gaps for programme activities in some countries. To strengthen programme planning in this uncertain funding environment, VISION will introduce a new approach to defining the annual planning amounts required to achieve approved programme results. Combined with the monitoring views in the VISION performance management system, this new feature will help managers to set more accurately annual planning levels and to identify gaps between planned results and the results achievable with available funding.

17. Detailed knowledge of the situation of children and women is a hallmark of the UNICEF programme approach; the Executive Director has underlined the critical importance of this to the successful advancement of the equity agenda. Revised guidelines for situation analyses will be issued in the third quarter of 2011, in order to improve data collection and analysis in different programming contexts, including middle-income countries and emergencies. The revised PPP learning programme will give greater emphasis on the development and use of situation

⁹ Among the 20 offices audited, one had 1-2 risks, six had 3-5 risks, and 13 had more than 5 risks.

¹⁰ Four of the 16 high risks were found in the two offices rated as unsatisfactory overall. See footnote 1.

¹¹ The deputy representatives in all country offices were trained in the revised programme structure during the latter half of 2010.

¹² The first performance reports will be generated towards the end of 2011.

¹³ An alerts feature will highlight key performance issues that require immediate attention, including balances on grants that are soon to expire.

analyses and include sessions on the assessment of potential partners' programme management.¹⁴

18. The effectiveness of the revised guidance on Partner Cooperation Agreements was assessed in 2010; the findings led UNICEF to conduct in May 2011 online conference sessions with country offices, in order to strengthen the application of certain processes, including the assessment of partners. An assessment of applying the inter-agency harmonized approach to cash transfers (HACT) will be undertaken in the latter half of 2011.¹⁵

19. An advocacy toolkit to provide practical guidance and tools to country offices and national committees was developed in 2010. Training courses in advocacy management have been conducted with National Committees and country offices in 2011. The key elements of advocacy management have been introduced into the PPP learning programme and the social policy training course; they will also be included in the revised Programme Policy and Process Manual.

Operations support

20. In 2010, OIA reported 82 medium risks to operations support,¹⁶ and identified 17 high risks, found in 10 offices.¹⁷ The most common risks (74 per cent) were in financial management (processing financial transactions and application of financial controls); procurement, inventory and asset management; and in access to UNICEF computer systems. OIA reported that the immediate causes for most of these risks were (a) limitations in resources and staff capacities; (b) human error; and (c) weaknesses in management's awareness of how well controls were actually functioning in their offices.

21. Management efforts since 2010, particularly the development of the regulatory framework, the establishment of ERM practices, the design of VISION and preparations for the adoption of IPSAS, will contribute to improvements in financial controls in country offices.¹⁸

22. The preparations for IPSAS include strengthening the management of programme supply inventories in the countries where UNICEF maintains warehouses and controls stocks or manages them on behalf of government authorities.¹⁹ At the end of 2010, field offices were required to do a stock count,

¹⁴ This follows the revisions to the UNICEF guidance on Partner Cooperation Agreements issued in December 2009.

¹⁵ The guidance includes checklists for assessing the programmatic capacity of non-governmental organizations, while the guidance for applying the inter-agency harmonized approach to cash transfers (HACT) includes instructions for assessing partners' financial management capacity.

¹⁶ Among the 20 offices audited, two had 1-2 risks, 12 had 3-5 risks and five had more than 5 risks.

¹⁷ Six of the 17 high risks were found in the two offices rated as unsatisfactory overall. See footnote 1.

¹⁸ VISION workflow and automation features will reduce the potential for error and strengthen the financial control regime in all country offices for processing and recording payments. The adoption of IPSAS will eliminate the use of outstanding budgetary obligations. The development of risk management skills is strengthening staff capacity to identify risky practices and calibrate procedures and practices to the appropriate level of control. These efforts will be guided by the revised regulatory framework, scheduled for release by the end of 2011.

¹⁹ The Supply Division continues to train field staff in warehousing and logistics with support from a logistics and transport institute.

update their records and report their inventory holdings to the Division of Financial and Administrative Management. Online conferences and other guidance and support have since been provided to all country offices to strengthen inventory management. Country offices were required to report all programme supplies held at 31 May 2011, and are currently performing practice inventory counts.²⁰ All offices will perform a formal inventory count as part of the transition to IPSAS on 1 January 2012.

23. The Supply Division notes that the 2010 audit observation on UniTrack functionality in one country office was due to out-of-date software. All country offices using UniTrack are now running the latest version. To ensure that supply management is integrated within VISION, country offices that maintain warehouses and control programme supply stocks will migrate from UniTrack to VISION at the end of 2011. The supply-management functionality of VISION will help to improve managers' monitoring of stock values and storage times, and will promote appropriate turnover and stock levels.

24. UNICEF has been strengthening the management of office inventory and assets through a number of actions:

(a) All offices were required in 2010 to take computer-based IPSAS training, which included a module that highlighted the importance of asset management;

(b) The Division of Finance and Administration conducted internet-based training for field staff in the year-end closing process, including office inventory;

(c) A revised asset management policy that strengthens roles, accountabilities and the segregation of duties will be issued before the launch of VISION.²¹ Staff in all country offices will be trained in asset management as a component of the VISION training, to be conducted in the latter half of 2011.

25. UNICEF continues to strengthen staff skills in procurement. In 2011, the Supply Division revised the sections of the UNICEF Supply Manual on market surveys, supplier pre-qualification, and local procurement authorization, and has introduced online guidance in each of these areas. The Supply Division provides considerable advisory support to country offices; over the past two years, it has addressed more than 300 queries from the 20 offices audited in 2010.²²

26. Regional offices have an important role in oversight and support for operations, including financial administration and procurement; this function is defined in the management plan of each regional office. The ERM has established a common framework for reviewing and addressing risks among regional and country offices. Risk and control self-assessments and action plans developed in each country office have strengthened the review of country office programmes and budgets and improved the quality of support provided by regional offices. Since

²⁰ The 11 country offices with the largest inventories and most challenging environments will complete their practice counts with external support from qualified UNICEF staff or contracted firms; other countries will perform practice counts depending on the value of their inventories and operating environment.

²¹ VISION includes an asset management module that will automate the recording of assets at the time of purchase and receipt.

²² In 2010, the Supply Division conducted four workshops on public procurement, attended by 112 staff members, including a workshop in Dakar held in French for six country offices in the West and Central Africa region.

2010, regional offices have strengthened operations support through country visits, teleconferences and intranet conference sessions on operations management, as well as training for operations officers and other staff.²³

27. OIA findings on information technology security in country offices addressed the organization's current ERP system — the Programme Management System application (ProMS), which will soon be replaced by VISION. UNICEF is establishing new security procedures to control access to VISION;²⁴ these controls will eliminate the security challenges in ProMS, which has relied on locally controlled administration of passwords and had a more limited granularity for assignment of user privileges.

Actions to strengthen controls in country offices rated as unsatisfactory in 2010

28. Two offices audited in 2010 — the Guinea Country Office and the Peshawar Zone Office in Pakistan — were rated unsatisfactory overall. These two offices accounted for more than one third (14 of 39) of the high risks identified. Since then, OIA has informed management that 12 of the 23 audit recommendations in the audit report on the Guinea office have been closed; a second implementation report is currently being reviewed. Since the audit report for the Peshawar office was issued in January 2011, OIA has informed management that four of the 14 recommendations from the Peshawar audit have been closed; a second implementation report has been received and is being reviewed.

29. The West and Central Africa Regional Office supported the Guinea office in developing an action plan in response to the audit recommendations. Several missions during 2010-2011 helped to improve focus and clarity of the country programme and to strengthen operations in the country and zone offices — enhancing capacity through changes in personnel and creating new positions for supply management, staff recruitment and construction management.

30. The South Asia Regional Office, with advisory guidance from OIA, has supported the Pakistan country office in Islamabad, to address the recommendations of the audit report on the Peshawar zone office. Actions include implementing personnel changes to support the significant expansion of programme activities; strengthening programme planning, monitoring and evaluation through training and frequent monitoring missions from Islamabad; clarifying staff roles and accountabilities; tightening control over access to ProMS; building staff skills in enterprise risk management; and defining risk-response scenarios to strengthen performance in high-risk situations. In Peshawar, work modalities with partners have been revised; a local branch of an international accounting firm has been engaged to verify the status of school construction activities. The actions to strengthen controls in the Peshawar zone office have led to management improvements in other zone offices as well as the country office in Islamabad. UNICEF Pakistan has established national positions for five assurance specialists responsible for strengthening processes and assuring the application of proper

²³ In some regions, the Regional Management Team includes committees on operations that support peer monitoring and the exchange of good practices; in other regions, the meetings of the Regional Management Team include sessions on common audit findings and operations management.

²⁴ User identification and password management will be centrally controlled and access to specific components of VISION will be compartmentalized, based on defined user roles.

controls. One assurance specialist was assigned to the Peshawar office for six weeks.

31. UNICEF management welcomes the new OIA practice, introduced by at the end of 2010, to implement follow-up missions to selected offices that were rated as unsatisfactory in recent audits. OIA conducted the first of its 2011 follow-up missions to the Zimbabwe country office (rated unsatisfactory in 2009), but it has not yet issued the report to management. The follow-up missions are expected to strengthen confidence that effective controls have been established.

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

A. Audits undertaken during 2007-2009

32. Implementation of global-level recommendations has strengthened management practices and controls to improve the fulfilment of accountabilities throughout the organization. The OIA annual report notes that 93 per cent of all recommendations made in the 2009 reports of headquarters and systems audits were closed at the end of 2010.

33. The OIA annual report notes that, at 31 December 2010, there were one or more outstanding recommendations from six headquarters and thematic audits that had remained open for more than 18 months. In the first six months of 2011, UNICEF management addressed the recommended actions for five audits; OIA has reported to the Executive Director that all recommendations for the following audits are now closed:

- (a) Management of non-thematic other resources contributions (2007);
- (b) SAP baseline security controls (2008);
- (c) Oversight and operations support to country offices and the management of internal operations in the Americas and the Caribbean Regional Office (2008);
- (d) Management of evaluations in country offices (2009);
- (e) Processes for promoting ethics and UNICEF values in country offices (2009).

34. Two recommendations remain open for one headquarters audit issued before June 2009. The recommendations and progress updates are presented in Annex 1.

B. Audits undertaken in 2010

35. OIA conducted four audits of headquarters functions in 2010 and issued recommendations in relation to these audits. OIA also issued a risk assessment report on the IPSAS implementation that does not include recommendations. Two joint audits of HACT were conducted by the audit offices of UNICEF, the United Nations Development Programme (UNDP), and the United Nations Population Fund (UNFPA). The recommendations in these audits were issued by UNDP to the United Nations coordinators and to the United Nations Development Operations Coordination Office.

Management of contracts in the Division of Communication

36. The audit report on the management of contracts in the Division of Communication was issued in February 2011. The Division developed an action plan of 22 key tasks to address the audit recommendations.²⁵ The Division has submitted its actions to OIA for review and closure of recommendations, as warranted. The completed actions include the development and use of standard operating procedures and quality assurance mechanisms for contract management — with guidance on the development of terms of reference, selection processes and evaluation of consultants' performance. The Division also completed a risk-control and self-assessment exercise and established a divisional risk profile that covers financial and human resources management. To strengthen internal controls, the Division revised its table of authorities, which defines specific accountabilities and responsibilities for the commitment and release of funds. To strengthen contract management practices, the Division of Communication is reviewing and streamlining its consultant rosters and establishing a monitoring database for contracts. Key staff will participate in procurement training in 2011.

Safety and security of UNICEF staff, premises and assets in field offices

37. The audit report, issued in February 2011, has informed UNICEF actions to strengthen security management. In June 2011, the security section of the UNICEF intranet was updated to reflect the latest United Nations policies on staff safety and security. The updated elements include (a) guidelines for determining acceptable risk; (b) revised Minimum Operating Security Standards; and (c) adaptations to the revised United Nations security management system, which came into effect on 1 January 2011. UNICEF will issue an updated security manual towards the end of 2011. It will clarify the roles of headquarters and the regional offices, and strengthen accountability at all levels for monitoring and reporting on security management and security incidents.²⁶ The revised manual will clarify UNICEF accountabilities for security support, with recognition that security-risk assessments and plans are completed by United Nations country teams under the direction of the United Nations Department of Safety and Security.

Information and communication technology governance, strategic planning and project management

38. Since the audit report was issued in March 2011, the Information Technology Solutions and Services Division has completed a number of actions in response to the recommendations; these are currently being reviewed by OIA. Actions include the establishment of a global information and communication technology (ICT) board in 2011, complemented by ICT oversight bodies in Copenhagen and Geneva as well as the seven regional offices and a number of the largest country offices. UNICEF has established guidelines and a methodology for monitoring the expenses in ICT projects, which are being used for the management of ICT projects in headquarters. As recommended, UNICEF will establish a financial framework for ICT expenditures and identify ICT capital expenditure in line with IPSAS guidelines

²⁵ As of end-June 2011, 17 actions had been completed.

²⁶ In early 2011, the UNICEF Office of Emergency Programmes engaged with regional and country offices to strengthen security-incidence reporting, and noted improvements in the timeliness of reporting.

for useful life and depreciation. During the next two years, UNICEF will apply the guidelines and methodology for project management and oversight to all projects with significant ICT components. UNICEF will also complete a post-project implementation review of VISION.

Management of the UNICEF ICT function in Geneva

39. UNICEF has taken a number of important actions to address the audit recommendations; OIA notes that 11 of the 18 recommendations were closed by end-June 2011. Actions include the establishment of an ICT committee for the Geneva office;²⁷ improved ICT procurement processes; and updated training plans on ICT issues for Geneva staff.²⁸ Considerable progress has been made in documenting the information security procedures for the Geneva Data Centre and testing the ICT disaster recovery plans as part of the business continuity regime for the Geneva Office. The UNICEF global ICT competency alignment and sourcing adjustment initiative will revise ICT staffing levels, profiles and geographic distribution, including in the CEE/CIS region.

Risk assessment of the implementation of IPSAS

40. The risk assessment on the implementation of IPSAS by UNICEF addressed plans and activities that were conducted prior to the deferral the IPSAS adoption date to January 2012. The issues identified in the risk assessment report — which is not an audit and does not include recommendations — have been addressed in the revised project charter and plan for achieving IPSAS compliance in 2012. All of the planned IPSAS policy positions were completed according to the revised plan and approved by February 2010; these policy positions have been translated into detailed procedure documentation for business processes to enable VISION to be configured for IPSAS compliance. The IPSAS project is monitored by the IPSAS/VISION joint Steering Committee, chaired by the Deputy Executive Director for management and attended by the Comptroller, who is the IPSAS project lead.

Joint and coordinated audits of the harmonized approach to cash transfers in Malawi and Viet Nam

41. The two audits on HACT were undertaken jointly by UNDP, UNFPA and UNICEF; the recommendations are directed to the Resident Coordinators in Malawi and Viet Nam and to the United Nations Development Operations Coordination Office. UNICEF is addressing the in-country recommendations as a member of each United Nations country team. Following the audit in Malawi, the United Nations country team strengthened the composition of the HACT working group, added specialized agencies and recruited a full-time coordinator. The HACT working group has established an annual work plan to implement partner assessments, assurance audits and spot checks and, where indicated by the assessments, to support capacity development in financial management with partners. In Viet Nam, an inter-agency working group for programme support was established — with responsibilities for HACT management, including assessment and assurance activities, development of project management guidelines and alignment of rates

²⁷ This is part of the UNICEF-wide ICT oversight structure introduced in 2011.

²⁸ UNICEF is also introducing a comprehensive service-level management practice for ICT services.

provided to partners by the United Nations agencies. The UNICEF offices in both countries have strengthened their HACT management practices through the application of the jointly developed procedures and tools. At the global level, the two audit reports were reviewed by the inter-agency HACT Advisory Committee; these have led to a series of draft recommendations, which will be more fully analysed in the context of a global assessment of HACT, to be completed in 2011.

III. Management actions taken to address the findings of investigations

42. UNICEF continues to strengthen the organization's commitment to ethical practices, promote reporting of misconduct and to protect staff from harassment, including sexual harassment, and reprisals for whistleblowing. UNICEF has issued a guide to help staff understand their rights and availability of recourse, and to further promote prevention.²⁹ The established channels are being used to bring concerns and allegations of wrongdoing to OIA's attention. Approximately 450 complaints were screened by OIA's investigation team in 2010, leading to 69 cases that warranted an investigation.

(a) OIA indicates in its annual report that 21 investigation reports were submitted to the Policy and Administrative Law Section of the Division of Human Resources. The status of actions at the end of June 2011 is as follows: (a) seven dismissals; (b) two resignations; (c) four various combinations of censure, sanction, loss of step, suspension or fine; (d) four cases where no further action taken, based on review of the investigation findings; (e) two cases pending staff members' replies to charge letters; (f) one case pending a new OIA report because additional evidence was found; and (g) one case where a staff member was suspended on annual leave without pay pending finalization.

43. 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. The latest memo was issued on 13 September 2010.

44. UNICEF pursues all identified financial losses and seeks recoveries. Five of the completed investigation cases reported to the Division of Human Resources in 2010 included financial losses to UNICEF. The total value of the losses was \$16,432, of which UNICEF has recovered \$13,946 (85 per cent).

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

45. UNICEF management acknowledges the important contribution of the Audit Advisory Committee (AAC) to the effective and independent oversight of the organization. As noted in the 2010 annual report of the AAC to the Executive Director and the UNICEF Executive Board, the Committee members regularly interacted with the Deputy Executive Director for management and other senior managers, and met with the Executive Director during the year.

²⁹ *Dealing with Harassment: A Complainant's Guide.*

46. While the 2010 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.

47. The AAC notes in its annual report the importance of an effective ERM. In June 2011, the UNICEF global management team reviewed the organization's first ERM report, which synthesized the findings of the risk and control self-assessments completed by over 95 per cent of all offices, at headquarters and in the field. The ERM secretariat is located within the Change Management Office, which reports to the Deputy Executive Director for management.

48. As requested by the AAC, UNICEF now provides the Committee with all management letters issued to UNICEF by the Board of Auditors during the current biennium and a status report on all audit recommendations issued to UNICEF during the previous biennium. In late June 2011, the Office of Internal Audit started an assessment of the readiness of the VISION system for a 1 January 2012 launch date.

49. OIA has informed UNICEF management that a draft of the investigation manual was developed in late 2010 and that the manual would be completed before the end of 2011.

Annex 1

Progress update on observations that remain unresolved for more than 18 months as of 31 December 2010

Audit: Management of procurement services (report issued in 2009)

<i>Recommendations</i>	<i>Progress update</i>
<p>Given the relatively recent and dramatic rise in procurement services throughput, 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>So far, 16 of the 18 audit recommendations in the Management of Procurement Services audit have been closed by OIA. To address the two remaining open recommendations, UNICEF will update the Executive Directive on Procurement Services Policies and Procedures (CF/EXD/2007-004) by the first quarter of 2012. The revised directive will address the improvements suggested in the two audit recommendations. It will follow completion of the revisions to the UNICEF regulatory framework – these include refinements to the operational aspects of Procurement Services – and the preparations for IPSAS.</p>
<p>UNICEF should ensure that the planned revision to the Executive Directive on Procurement Services is expedited, such that:</p> <ul style="list-style-type: none"> (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. 	