

**UNICEF AUDIT COMMITTEE**  
**2008 ANNUAL REPORT TO THE EXECUTIVE DIRECTOR**  
**(17 June 2009)**

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## **INTRODUCTION**

This second annual report of UNICEF's Audit Committee (the Committee) provides a discussion of the discharge of mandate, key issues, and advice that emerged from the Committee's deliberations during the period January to December 2008.

### **Mandate**

The Committee assists the UNICEF Executive Director and, as needed, the Executive Board, in discharging their governance and oversight responsibilities. Its Charter (attached) was approved by the Executive Director on 13 April 2006.

### **Membership**

During the course of the year, the membership of the Committee changed from a mix of internal and external members to only external members, in accordance with the best practice in this field. Also, the membership of the Committee was reduced from six to five. After this change, the Committee consisted of Mr. David Kanja (Chair), Mr. Adnan Khan, Ms. Angela Palacio, Ms. Jocelyn Davis and Mr. Daniel Nelson. Secretariat services are provided to the Committee by the OIA.

### **Work programme**

In 2008, the Committee met four times (11 February, 25 April, 14 July and 24 November) at UNICEF headquarters in New York.

The Committee kept the Executive Director informed of its deliberations through the minutes of each meeting and met with her once during the year. The Committee interacted frequently with Mr. Omar Abdi, Deputy Executive Director, and kept him informed of key issues arising from the Committee's work.

### **Acknowledgements**

The Committee wishes to put on record its appreciation of the contributions made during 2008 by the former internal members Mr. Saad Houry, Mr. Peter Mason, and Mr. Jean Quesnel. It also appreciates the participation of senior managers of UNICEF, in particular Mr. Omar Abdi, in Committee meetings. Finally, it thanks the Director of the OIA and his staff for their regular engagement with the Committee and for rendering secretariat services to it.

## **KEY ISSUES AND ADVICE**

Key issues and advice that emerged from the Committee's discussions are summarised next.

### **Progress on issues from the Committee's 2007 Annual Report**

In 2008, significant progress was made on the completion of the External Quality Assessment of the OIA, interaction with the Executive Director, and participation of senior managers as well as the External Auditor in the deliberations of the Committee. There has been some progress on the implementation of Enterprise Risk Management. The Audit Committee's Charter is yet to be updated.

During 2008, there was no new case of scope limitation for Internal Audit brought to the attention of the Committee.

### **Risk management**

The Committee received regular updates on the work done by the firm engaged to research and design an enterprise risk management framework and policy for UNICEF. It appreciated the effort made by the OIA to help finalize the work. The Committee is of the view that senior management's buy-in and ownership of enterprise risk management is a key success factor without which the initiative is at risk of delay and ultimately failure. The Committee *continues to emphasise the need for UNICEF Management to take full ownership of the initiative and attach high priority to its implementation.*

### **Internal control**

The Committee discussed matters of internal control with the Deputy Executive Director for Operations, the Comptroller, the Officer in Charge of Change Management, the Director of Information Technology Solutions and Services and the OIA Director. *The Committee favours UNICEF's consideration of an internal controls framework in tandem with the implementation of an enterprise risk management framework. UNICEF should examine the pros and cons of adopting an internal controls framework.*

### **Financial reporting**

The Committee noted UNICEF's progress towards adopting International Public Sector Accounting Standards (IPSAS). It also noted that by 2010, UNICEF plans to have one single ERP (SAP) in place in 20 large country offices and that SAP will be IPSAS-compliant. The Committee was informed that in UNICEF, the Controller signed off on the financial statements, while the Executive Director signed the transmittal letter, and this practice was acceptable to the external auditors. It was also informed that the financial statements had not been transmitted on time in 2008. *The Committee emphasized the need for timely submission of financial statements, as well as the need for close monitoring of IPSAS adoption and ERP development for a smooth and timely implementation.*

## **Ethics and compliance**

In 2008, the Committee was briefed on UNICEF's ethics and associated practices and the Fraud Prevention and Awareness circular. The enhanced role of the OIA in investigations was also noted, and the Committee provided guidance on reporting and on lessons learned from individual investigations. The Committee also received a briefing from the newly appointed Ethics Officer. The Committee was satisfied that UNICEF has all elements in place to ensure an ethical work environment, and it *recommended that UNICEF disseminates the results of the work of the investigations and the ethics functions for enhancing organisation-wide awareness.*

## **Internal Audit**

The Committee was pleased to note that the quality assessment conducted by the Institute of Internal Auditors (IIA) found the OIA to generally conform to the IIA 'Standards' and to the IIA 'Code of Ethics'. This provided the Committee a strong assurance on the high quality of the office's work.

At one of its 2008 meetings, the Audit Committee discussed the new oversight product developed jointly by Internal Audit and Evaluation, called Programme Performance Assessment (PPA). *The Committee encouraged UNICEF to implement the quality assessment's recommendations pertaining to alignment of the reporting lines of the OIA Director according to best practices and on the integration of the Evaluation Office with OIA. At the same time, the Committee cautioned that provision of advisory services by OIA should not be at the expense of audit assurance activity, and emphasised that funding for advisory services should be additional and it should ensure that there is no conflict of interest with audit assurance activity. The Committee hopes to gain better understanding of the PPAs and their utility, noting that these were neither audits nor evaluations.*

## **External audit**

The Committee was pleased to interact with the United Nations Board of Auditors and the Chinese National Audit Office (CNAO), the external auditors of UNICEF. It received a briefing from CNAO on their audit plans for the biennium and appreciated the CNAO assurance to work closely with OIA, relying as appropriate on their work to avoid duplication. *The Committee welcomed this approach and it looks forward to a continued engagement with CNAO.*

## **Audit Committee Charter**

The Charter of the Audit Committee, approved on 13 April 2006, so far has not been amended to take into account the change in membership. There is also need to align the Charter with good practices emerging recently elsewhere in the United Nations system. *The Audit Committee has decided to review the Charter at its first meeting in 2009, with a view to recommending amendments as appropriate. The Committee has also agreed to undertake a self evaluation of its functioning and review the outcome during 2009.*