UNICEF management response to the Office of Internal Audit and Investigations 2019 annual report to the Executive Board

Summary

This document presents the management response to the Office of Internal Audit and Investigations 2019 annual report to the Executive Board, as well as remarks on the advisories issued by the UNICEF Audit Advisory Committee in 2019. The report summarizes the various actions that UNICEF has taken to implement the recommendations related to risk areas at headquarters and field level. It also provides insights into cases of fraud and misconduct investigated by the Office of Internal Audit and Investigations and the actions taken, including on recovery of funds lost due to fraud. The document highlights the collective efforts taken by UNICEF divisions and offices to implement recommendations, including the achievement of zero long outstanding agreed actions (i.e., those recommendations that have been outstanding for more than 18 months) two years in advance of targeted timeline.

Elements of a decision for consideration by the Executive Board are included in section VIII of this document.

* E/ICEF/2020/17.
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I. Overview

1. This report has been prepared by the management of UNICEF in response to the principal findings and conclusions contained in the UNICEF Office of Internal Audit and Investigations (OIAI) 2019 annual report to the Executive Board (E/ICEF/2020/AB/L.3) and its addendum (E/ICEF/2020/AB/L.3/Add.1). Pursuant to UNICEF Executive Board decisions 2018/3 and 2019/6, the report also provides an analysis of the potential for increasing the recovery of losses related to reported cases of fraud or presumptive fraud.

2. This response includes management comments and updates on actions taken or planned to address the main recommendations identified in the audits and investigations undertaken by OIAI in 2019. The report should be read in conjunction with the UNICEF Office of Internal Audit and Investigations 2019 annual report to the Executive Board and its addendum.

3. Management is pleased to note that the OIAI assurance opinion for 2019 regarding the UNICEF framework of governance, risk management and controls was found, based on the scope of work undertaken, to be generally adequate and effective. Satisfactory assurance opinions were also issued in 2016, 2017 and 2018. Management continues to recognize that there is scope for further improvement, and is committed to further enhancing policies, procedures, systems and other mechanisms to assure appropriate governance, risk management and control practices throughout UNICEF.

4. UNICEF is committed to having an effective internal audit and investigations function that carries out its activities in accordance with the OIAI Charter and in conformity with the International Standards for the Professional Practice of Internal Auditing (of the Institute of Internal Auditors).

5. UNICEF continues to appreciate the quarterly reporting provided by OIAI to executive management and to the UNICEF Audit Advisory Committee (AAC). This reporting helps management to systematically monitor the implementation of the agreed audit actions. The Division of Financial and Administrative Management is tasked with follow-up and reporting on the internal audit recommendations across UNICEF. This focused effort resulted in no agreed action remaining open for more than 18 months. Further improvements are expected in 2020 to sustain this achievement.

6. UNICEF welcomes the valuable contribution of the AAC in reviewing and providing general guidance on OIAI workplans and reports, and in reviewing the independent oversight functions at UNICEF.

7. Management notes that a total of 28 internal audit reports of UNICEF activities were issued in 2019, with a total of 353 actions agreed between OIAI and UNICEF management, plus one joint audit report and two advisory reports. It is worth noting that 89 per cent of the internal audit reports issued in 2019 presented generally satisfactory conclusions (i.e., “unqualified”, or “moderately qualified”).

8. Management is pleased to note that the external quality assessment of the internal audit function done in 2019 awarded OIAI 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.

9. Management recognizes the challenges in recovering fraud loss concerning implementing partners, especially those in emergency countries, given the lack of timely prosecutions in those countries. UNICEF has acted on these cases by blocking
the partners from further partnership with UNICEF in addition to strengthening internal control measures.

II. Public disclosure of internal audit reports

10. Management values the Office’s continued public disclosure of internal audit reports, pursuant to Executive Board decision 2012/13. The same decision provides for the Executive Director and the Member States to request the Director of OIAI to redact or withhold reports under certain conditions. Management continues to support the disclosure effort through timely clearance of reports for publication, thus facilitating continued accountability and transparency to stakeholders.

11. Management affirms that, by 31 December 2019, 13 internal audit reports had been published, 1 report withheld in conformance with criteria defined by the Executive Board, and another 15 reports were not yet due for publication. Except for the one withheld report, all internal reports due for disclosure had been published in 2019. Disclosed audit reports are accessible through the UNICEF Transparency Portal,¹ where UNICEF publishes a wide range of information on how and where the organization uses its resources.

III. Management actions and plans to address the overall internal audit results

12. Executive Board decision 2017/10 expressed concern about the areas of risk consistently identified in the audit reports, and urged UNICEF to prioritize the implementation of actions that address them. Management is committed to prioritizing the implementation of actions that address the recurring risk areas that are cited in the audit reports.

13. Management values the insight from OIAI and notes the following top four areas with the most agreed actions, which constitute 84 per cent of all agreed actions for the country office audits: (i) programme management; (ii) human resources and ethics; (iii) supply and logistics; and (iv) governance and accountability.

14. Management notes that only 16 per cent of the agreed actions from the 2019 audits were rated as high priority (compared with 21 per cent of the agreed actions rated high priority in both 2018 and 2017). Although these high-priority actions reduce the exposure to higher risks, OIAI was of the view that they did not adversely impact the UNICEF overall framework of governance, risk management and controls.

15. Management notes that, in the opinion of OIAI, based on the scope of work undertaken, the UNICEF framework of governance, risk management and controls was generally adequate and effective in 2019. In its annual report, OIAI notes that unqualified or moderately qualified ratings are considered satisfactory and that these ratings signal to management that relevant controls and processes are generally established and functioning as intended, with only relatively minor modifications needed.

16. Of the internal audit reports issued in 2019, 89 per cent resulted in generally satisfactory conclusions (“unqualified”, or “moderately qualified”), while 11 per cent (three reports) were strongly qualified² and there were no adverse conclusions. This

¹ See: <https://open.unicef.org>.
² The non-satisfactory conclusions relate to the audits of the country offices of in the Democratic Republic of the Congo and Madagascar, and the Information and Communication Technology and Cybersecurity Audit in the Argentina Country Office.
is an improvement from 2018, when 82 per cent of reports were rated “satisfactory”, 12 per cent “qualified strong” and 6 per cent “adverse”.

17. Management is pleased to report that, as at 31 December 2019, there were no audit recommendations outstanding for more than 18 months. This success is due to the continuous efforts and oversight of management to expedite actions towards the closure of outstanding recommendations. Management plans to maintain the momentum to ensure that this achievement is sustained.

18. Management reviewed the key themes and recurring matters emerging from the audits undertaken in 2019 that may prevent UNICEF from achieving its current and future objectives and subsequently to take prompt remedial measures.

IV. Significant results from thematic audits and audits of headquarters divisions

A. Information and communications technology and cybersecurity

19. Management notes that, in 2019, OIAI completed five audits of information and communications technology (ICT) functions in the area of cybersecurity practices at New York headquarters, the Private Fundraising and Partnerships Division in Geneva, the Global Shared Services Centre in Budapest, and two country offices, Argentina and Romania. All the audits were rated generally satisfactory (qualified moderate) except for one (ICT and cybersecurity in the Argentina Country Office) which had a qualified strong conclusion.

20. As reported in the OIAI annual report for 2019, the key actions agreed on 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 UNICEF collection, storage, processing and security of personally identifiable information and data in databases and websites, to better mitigate persistent global threats. Considering that the reports were issued in the last quarter of 2019, the implementation of agreed actions is in progress.

B. Travel management

21. Management notes that the audit of travel management had two high-priority agreed actions: 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; and 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.

22. Management has established a travel task team to lead the travel strategy, which will result in greater efficiencies and cost savings across UNICEF. As part of the travel simplification in 2020, management will document all travel processes and update relevant standard operating procedures that provide details of the process workflow and responsible parties.

23. Further, UNICEF plays an active role in United Nations reform related to travel and collaborates effectively with other United Nations entities for valued inputs, experience-sharing and suggestions in finalizing the travel strategy. Some of the initiatives include a global online booking system, centralized ticketing of international travel and use of an alternative online booking tool. One of the main initiatives of the UNICEF travel strategy involves working closely with other United Nations entities to receive airline discounts and reduce overall costs. UNICEF, the United Nations Development Programme and the United Nations Secretariat jointly
negotiate discounted airfares with 51 international air carriers, and have in place agreements that are available for use by all United Nations organizations worldwide. Due to the combined global footprint of all United Nations entities and the sheer volume of air travel, significant cost efficiencies and savings are achieved in each participating United Nations organization.

C. **Private fundraising and partnerships**

24. Management notes that the key agreed actions, as included in the OIAI 2019 annual report are:

   (a) Consulting with the National Committees for UNICEF on the information and processes required to facilitate satisfactory, independent assurances to UNICEF with respect to the adequacy and effectiveness of the governance of the National Committees.

   (b) Engaging with the National Committees to seek a joint review and, as necessary, amendment of the cooperation agreements between UNICEF and the National Committees, particularly with respect to the advocacy and programming responsibilities of the Committees, and to sharing information with the Private Fundraising and Partnerships Division on their governance and risk management control processes.

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

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

25. Management is aware that these agreed actions are currently in progress, with an agreed timeline for implementation in 2020.

D. **Results monitoring and reporting**

26. Management takes note of the four recommendations from OIAI to strengthen the completeness, consistency, comparability and accuracy of the country office annual reports and donor reports.

27. Management has commenced implementation of the agreed actions. For instance, starting with the 2019 reporting process, management has put in place measures to streamline requirements and strengthen capacities at all levels, in order to increase process efficiency, reduce the reporting burden for country offices and improve the availability of evidence for results reported. These measures will incrementally address the audit recommendation and inform further improvements to be introduced in the 2020 reporting cycle.

V. **Management actions and plans to address the recommendations from internal audits of country offices**

28. Management highlights that 4 of the 20 country office audits in 2019 were done for UNICEF operations in complex humanitarian programming environments, and were among the largest offices based on 2019 throughput. These offices are Afghanistan, the Democratic Republic of the Congo, the Syrian Arab Republic and Yemen, which are all Level 2 or Level 3 emergency environments.
29. Management is pleased to note that, within such complex and challenging environments, controls and processes are generally well established and functioning as designed, except for one office (the Democratic Republic of the Congo).

30. Management further notes that half (10) of the country office audit reports were issued in the last quarter of 2019, and those make up 74 per cent of the high-priority agreed actions and 58 per cent of the total agreed actions for 2019. Implementation plans for these recommendations have already been made. However, considering that the reports were issued in the last quarter, the implementation of the agreed actions is in progress.

31. Management notes that implementation is ongoing for the agreed actions relating to the reports issued in the first nine months of 2019. The following provides a summary of the actions being taken.

A. Programme management

32. Management notes that the key actions related to programme management represented about 52 per cent of the 263 agreed actions by the country offices audited in 2019.

33. Management appreciates the continued attention given to the adequacy and effectiveness of governance, risk management and controls with respect to critical aspects of programme management, as incorporated in all 20 audits of country offices during 2019.

34. Actions to improve programme management are being taken at the country-office level. In addition, at the global level, UNICEF is reviewing its business model to strengthen its decentralized structure and adapt to the evolution of public and private partnerships, financial resource streams, work modalities, technologies and other contextual factors. The review addresses the increasing extent to which UNICEF programmes are funded through earmarked resources that require fiduciary duties on internal controls, risk management and fraud mitigation, and in some cases, donor assessments, verifications and audit. It will also review programme management models with a view to addressing systematic challenges, and setting related guidance with consideration for differences in the country context.

B. Planning

35. Management notes the comments from OIAI that effective programme planning and management includes ensuring that the results structure aligns with specific, verifiable key indicators; periodically reassessing planning assumptions and processes so that lessons learned, bottlenecks and implications are effectively incorporated into revised programme strategies; supporting capacity-building of implementing partners to improve data collection, analysis and dissemination, as well as to address key data and information gaps; and strengthening the advocacy strategy and plans along with the clarification of responsibilities.

36. The Zimbabwe Country Office has continued to assess the rate of implementation of UNICEF-supported activities through the various forums (including the midyear review, annual review and the steering committee meetings for the development funds). These discussions involve an assessment of the critical planning assumptions with a view to improving the efficient and effective delivery of programmes.
C. Partnership

37. Management appreciates the recommendations relating to developing risk-informed partnership strategies, identifying and mapping potential partners and their capabilities, and selecting the best qualified partners to assist with implementation.

38. Management has, in 2019, updated its procedure covering country and regional office civil society implementing partnerships. The procedure establishes requirements for UNICEF country and regional offices implementing programme interventions through partnerships with civil society organizations. These requirements include, among others, the need for risk-informed partnerships and a transparent selection process to identify those civil society organizations with the best comparative advantage, which can provide value for money to achieve specific results.

39. In Nepal, the country office reinforced its partnership selection strategy, amending its procedure and increasing transparency by including open selection through calls for expressions of interest, and adding at least five criteria in any selection process that includes the cost effectiveness as a mandatory criteria.

40. In accordance with an OIAI recommendation, the Uzbekistan Country Office now identifies and maps its potential partners using a donor-funded booklet that maps 100 civil society organizations in the country.

D. Monitoring

41. Management notes the recommendation on the need to 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 and corruption and are used only for the purposes intended. The UNICEF electronic platform eTools strengthens monitoring activities and provides a repository for partnership documents. Most offices have availed themselves of this tool to facilitate the planning and execution of assurance activities. The platform will enhance the effectiveness of the monitoring of assurance and programme implementation activities that will mitigate some of the fraud and corruption-related risks.

E. Evaluation

42. Management noted the recommendations to strengthen country-level evaluation planning and prioritization and the implementation of evaluation recommendations, and is taking steps to address them. At the global level, the evaluation pooled fund has provided additional capacity through multi-country evaluation specialist positions, which bring greater oversight of the evaluation function at country level. The fund has been instrumental in facilitating the increase in evaluation expenditure and related evaluation coverage. Further, UNICEF has continued to improve the tools used for the management of the decentralized evaluation function. For instance, in 2019, UNICEF launched EISI (Evidence Information Systems Integration), a platform that integrates UNICEF systems for planning, analysing, reporting and archiving evidence-generation activities for the evaluation and research function. The platform combines the functions of other tools like the Planning, Research, Impact Monitoring and Evaluation System (PRIME), the Evaluation and Research Database and the Evaluation Management Response Tracking System to improve country offices' capacities to plan, prioritize and implement evaluation recommendations.

43. In Côte d’Ivoire, where a recommendation to strengthen the evaluation function was made by OIAI in 2019, the country office, in accordance with the agreed action plan, has strengthened its evaluation function. For instance, a planned evaluation of a
community-based preschool project was completed, and the report uploaded to the EISI platform. Evaluation findings were disseminated through a national validation workshop with education partners and a management response developed for the implementation of its recommendations.

F. Donor reporting

44. Management acknowledges the importance of improving the timeliness and quality of narrative reports to donors. The concerned offices, including Nepal, in collaboration with the Regional Office for South Asia, have recently conducted results-based management training for all key staff involved in the preparation of the narrative donor reports to ensure enhanced quality in donor reporting.

G. Human resources

45. Management takes note of the recommendations and is taking steps at both the corporate and country office levels to address them. The specific recommendations include: to develop workplans with agreed activities relating to the prevention of sexual exploitation and abuse; designate focal points to establish internal processes for the prevention of sexual exploitation and abuse; increase awareness of prevention of sexual exploitation and abuse issues by training staff, implementing partners and contractors; and expand background checks for potential issues related to sexual exploitation and abuse among locally recruited contractors and implementing partners.

46. OIAI also recommended that country offices improve 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 the performance of key management staff functions for extended periods.

47. Management acknowledges the seriousness of these matters and is addressing them as a corporate priority. In a bid to increase awareness of issues related to the prevention of sexual exploitation and abuse, and as recommended by OIAI, the Zimbabwe Country Office has formally established a working group with terms of reference that clearly delineate the membership, responsibilities and frequency of reporting to the country management team. Activities to prevent sexual exploitation and abuse have also been integrated into section workplans in that office. For instance, the child protection section integrated prevention of sexual exploitation and abuse into the Cyclone Idai response. The response included, among other things, working with civil society organization partners to raise awareness of prevention of sexual exploitation and abuse among children using child- and adolescent-friendly safe spaces. Materials on prevention of sexual exploitation and abuse were distributed and a child-friendly booklet was developed as part of a range of measures aimed at increasing awareness of the issue among beneficiary communities.

48. In Côte d’Ivoire, the country office has strengthened its efforts on prevention of sexual exploitation and abuse, as recommended by OIAI. The office appointed and trained a UNICEF focal point to coordinate the internal processes, developed a community awareness plan and organized training for implementing partners.

49. Regarding improving the recruitment process to ensure timely hiring and onboarding of new staff, UNICEF updated its staff selection policy and undertook recruitment reform to enable a faster, simpler and more streamlined approach to placing the right people in the right place at the right time. This framework gives hiring managers, in partnership with the human resources function, greater flexibility to shape the recruitment process, ensuring that the approach is meaningful to the position for which they are recruiting, and that candidates are matched to positions in
which they can deliver the greatest results for children. Globally, notable progress has been made in this regard, and as more country offices apply the framework, the timelines for recruitments and onboarding will be further reduced, which will address the specific audit recommendation.

50. Regarding ensuring that institutional contracts are not issued for the performance of key management staff functions for extended periods, the Division of Human Resources continues to update and strengthen the guidance to offices, and provide additional clarifications on policy and procedures on the use of consultants. The management of consultants continues to be a decentralized function, which means each head of office (as approving authority) is responsible for the implementation of the policy. At Human Resource Network meetings and other meetings, offices are regularly reminded of the policy on consultants, including the stipulations that they may not serve in a managerial capacity (e.g. as officer in charge) nor can they supervise staff. The concerned offices have taken appropriate measures as recommended by OIAI by updating the relevant job descriptions, and have largely discontinued the recruitment of consultants for the performance of staff functions.

H. Supply and logistics management

51. Management notes the OIAI recommendation to strengthen procurement planning and monitoring in terms of timeliness and the focus on programme needs (not restricted to funds availability), and avoid the risk of rushed procurement close to the expiry dates of grants.

52. In response to the OIAI recommendation to the Zimbabwe Country Office, action was taken to overhaul the office’s supply planning system to incorporate monitoring the implementation of the procurement plan, as well as regular reviews and adjustments to the plan, in consultation with programme colleagues. These actions will facilitate and improve supply planning, implementation and monitoring of supplies.

I. Governance and accountability

53. Management welcomes the OIAI recommendation to strengthen country management teams to further increase their monitoring of progress towards the achievement of established priorities; and to 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 on the mitigation actions. The risk assessment included a detailed review of fraud schemes that country offices may be exposed to, and a rating based on the likelihood and impact of their occurrence. This information has helped offices to develop their anti-fraud strategies. An example is in the West and Central Africa Region, where UNICEF recognized the necessity of translating an anti-fraud awareness poster into the major local languages used in the areas of programme implementation. The translated posters were printed and displayed in all relevant offices and implementing partner locations. Fraud risk assessment is now required for every office as part of the annual risk assessment. Although the recommendation was meant for specific offices audited, in 2019, all country offices conducted annual risk assessments that included a specific fraud risk assessment. These actions fully address the recommendation to include a fraud risk assessment, and also address the Joint Inspection Unit recommendation on the same subject, improving the anti-fraud systems of United Nations entities by conducting fraud risk assessments.
J. Audit recommendations that remained unresolved for more than 18 months as at 31 December 2019

54. In the final results framework of its Strategic Plan, 2018–2021, under the enabler on responsive, transparent and accountable internal governance, UNICEF tracks the number of internal audit recommendations outstanding for more than 18 months. UNICEF had a baseline of five recommendations as an indicator of the number of unresolved recommendations for more than 18 months at the beginning of the Strategic Plan, 2018–2021. Targets were set that, by end of 2018, the long outstanding recommendations would be three, by the end of 2019, two, by the end of 2020, one, and by the end of 2021, zero. The target for the end of the Strategic Plan period, of zero recommendations remaining unresolved for more than 18 months, has been achieved at the end of 2019, two years in advance of the set timeline. This achievement was due to the collective and focused efforts of OIAI, several divisions and offices, follow-up work by the Office of the Comptroller, Division of Financial and Administrative Management, and monitoring by the Office of the Executive Director.

55. The sustained effort to ensure timely implementation of recommendations by oversight offices will continue. This, for the first time, resulted in UNICEF having no recommendations that were more than 18 months old as of 31 December 2019. In its report on the Board of Auditors’ recommendations for 2018, which was presented to the Executive Board during its first regular session of 2020, the Advisory Committee on Administrative and Budgetary Questions acknowledged UNICEF as one of the few United Nations system entities whose rate of implementation of Board of Auditors’ recommendation had significantly increased. The achievements on both OIAI and Board of Auditors’ recommendations indicates management’s commitment and efforts to implement the recommendations from the oversight bodies, and to achieve the Strategic Plan, 2018–2021 enablers on the implementation of audit recommendations.

K. Strategic road map and key shifts in operating strategy for OIAI

56. Management welcomes the consideration by OIAI to implement key shifts in its operating strategy. Management is encouraged by the consultations done by OIAI in formulating the strategic road map and looks forward to the outcome of the deliberations.

VI. Anti-fraud strategy, financial loss and recovery

57. During the first half of 2019, anti-fraud awareness activities and training were reinforced with the introduction of a mandatory online course on fraud awareness for all UNICEF staff. In an effort to reach the largest audience possible, the course was launched in English, French and Spanish. As at 31 March 2020, the completion rate was 84 per cent. UNICEF also worked with other United Nations agencies to develop fraud awareness training for implementing partners, which is expected to be available later in 2020.

58. In 2019, a more detailed fraud risk assessment was included as part of the annual risk assessment exercise. Offices conducted a fraud risk assessment, and applied the likelihood and impact matrix specific to fraud risks. The various fraud schemes were categorized into six major groups: corruption; conflict of interest; misappropriation of resources – by third parties (including implementing partners); misappropriation of resources – by staff; fraudulent reporting by third parties (including implementing partners); and fraudulent reporting by staff. The fraud risk assessments provided
information that is comparable among countries, offices and divisions, and is being used in the implementation of the anti-fraud strategy and mitigation measures. In the West and Central Africa Region, an anti-fraud strategy aligned to the corporate strategy was developed to also cover region-specific issues, such as the need to improve awareness among beneficiaries that they can report any suspected fraud that they have observed. The region has since printed and translated the anti-fraud awareness posters that were part of the corporate anti-fraud strategy. The posters are displayed on the premises of both country offices and implementing partners.

59. The total financial loss on cases substantiated by OIAI during 2019 amounted to $679,441, of which $26,827 was recovered (4 per cent). Through investigations conducted by an independent organization for project-specific cases in the Yemen Emergency Cash Transfer project, the loss substantiated on fraudulent transactions amounted to the equivalent of $70,262, of which $65,825 was recovered (94 per cent). The total loss, gross of recoveries, for cases closed by OIAI and cases investigated by the independent organization was $749,703, of which $92,652 was recovered.

60. The country office project management unit’s mitigation measures and response to fraud cases during the implementation of the Yemen Emergency Cash Transfer Project has shown encouraging results in terms of recoveries over the past two years. In 2019, the project demonstrated best practice in fraud risk management, prevention of aid diversion and zero tolerance towards fraud and corruption, in line with UNICEF policies. The success of this project and the lessons learned around fraud risk assessments, fraud prevention, detection and response have been incorporated in the implementation of the anti-fraud strategy at the field level.

61. Management notes that the recovery rate of fraud involving staff members is much higher than those involving non-staff. UNICEF has much more latitude to take disciplinary action and ensure funds are recovered from the entitlements of the concerned staff members. However, as reported previously, less progress has been made on cases of fraud by implementing partners, as such cases have been referred to national prosecution authorities. The implementing partners from whom UNICEF is experiencing challenges with recovery are based in Level 2 and Level 3 emergency countries, hence the difficulty of recouping funds, particularly given the lack of timely prosecutions. UNICEF has acted on these cases by blocking these partners from implementing any further programmes and has flagged these partners to other United Nations entities via the UN Partner Portal.

62. Management is aware of the challenges for the recovery of losses once fraud has occurred. The organization has strengthened the ongoing monitoring of transactions through the development of a prototype transaction-level monitoring tool aimed at deterring, preventing and detecting fraud. Similarly, as noted above, UNICEF has successfully implemented a comprehensive fraud risk mitigation process for cash transfers managed and implemented by a specialized project management unit, and lessons learned will inform the design of risk management strategies for future cash-based transfer modalities in programme implementation.

**Disciplinary measures and other actions taken by UNICEF**

63. As indicated in the OIAI annual report, the Office of Internal Audit and Investigations is responsible for conducting necessary investigations, while the Division of Human Resources or other relevant units are responsible for taking any appropriate action based on the OIAI findings.

64. Management notes that 81 matters were referred to the Division of Human Resources for consideration of disciplinary or other action in 2019. These were acted
upon and reported in the UNICEF annual report on disciplinary measures and other actions in response to misconduct. The specific actions taken in 2019 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 on expiration of appointment while under investigation/during the disciplinary process;
(g) A further four staff members were reprimanded after it was determined that their conduct was inappropriate but did not rise to the level of misconduct;
(h) Thirty-four cases were not substantiated.

VII. Management actions to address the concluding observations in the UNICEF Audit Advisory Committee annual report for 2019

65. UNICEF management welcomes the UNICEF Audit Advisory Committee 2019 annual report to the Executive Board, and appreciates the advisories provided to the Executive Director.

66. The three regular Audit Advisory Committee meetings held in 2019, and the resulting reports and issue-specific strategic memorandums, are valuable contributions to UNICEF oversight and management practices, and management appreciates the acknowledgement of the consideration by UNICEF of the Committee’s suggestions as noted in its 2019 annual report.

67. UNICEF management appreciates the active engagement of the Audit Advisory Committee in providing advice to address major organizational issues.

68. The Committee provided an advisory to ensure clear communication to staff on the distinct roles and responsibilities of the different actors in addressing matters relating to workplace gender discrimination, sexual harassment, harassment and abuse of authority (i.e. the Senior Coordinator, Protection from Sexual Exploitation and Abuse and Workplace Abuse; the Principal Adviser, Organizational Culture; the Ethics Office; OIAI; and the Ombudsman for United Nations Funds and Programmes) and to avoid overlaps, duplication or inefficiencies.

69. UNICEF is actively working to implement the recommendations of the Independent Task Force on Workplace Gender-Discrimination, Sexual Harassment, Harassment and Abuse of Authority, including strengthening communications with staff and enhancing the understanding of respective roles and responsibilities of offices involved, including that of the offices and functions listed in paragraph 68 above. In April 2019, the Ethics Office, in consultation with the Office of the Executive Director, launched a useful reference tool entitled “Addressing workplace issues in UNICEF: A roadmap on where to go and when”, to guide UNICEF personnel on obtaining advice and guidance, reporting suspected misconduct and seeking protection against retaliation, and appealing an administrative decision or filing a claim.
70. UNICEF is focused on transforming the organizational culture and has outlined five priority areas that will drive change in order to achieve the desired workplace culture: meaningful work, supportive management, a positive work environment, growth opportunities and trust in leadership. To measure UNICEF progress, clear indicators have been outlined that will assist the organization in monitoring achievements towards its goals.

71. In 2019, with UNICEF support, the Office of the Ombudsman for United Nations Funds and Programmes began boosting its capacity to provide mediation services. These expanded services will help to ensure that staff members are heard, can get the professional support they need, and have their concerns addressed by their managers.

72. Management notes and appreciates the Audit Advisory Committee’s feedback on strengthening the UNICEF enterprise risk management framework and second line of defence. The Committee advised that UNICEF should take actions to review the organizational accountability framework for enterprise risk management.

73. UNICEF has an enterprise risk management programme that supports the leadership and management in identifying, analysing and monitoring risks that may impact the achievement of the organization’s strategic objectives, as outlined in the Strategic Plan, 2018–2021. Priority strategic risks for UNICEF in future years are assessed and updated annually and, where needed, risk-mitigation strategies are developed and monitored.

74. The organization’s robust internal control framework integrates risk management to provide reasonable assurance that the Strategic Plan results for children are achieved. Senior management, through the Office of the Comptroller, is accountable for comprehensive enterprise risk management and the effectiveness of the internal control framework. The enterprise risk management and internal control frameworks are integral to provide assurance as to the accuracy and reliability of financial reporting, governance, risk and control, as well as the prevention and detection of fraudulent activities. UNICEF management is responsible for ensuring compliance with all applicable regulatory requirements, internal control frameworks and risk management practices. UNICEF maintains and enhances a strong and experienced operations function at the country and regional office and headquarters levels. The operations function, in partnership with the programme function, continues to implement management controls and risk management practices to optimize the use of resources. A robust operations function is at the forefront of risk mitigation as the first and second lines of defence, especially at the country office level. To ensure management control, the Comptroller provides functional leadership of the critical first and second lines of defence. UNICEF develops detailed mitigation action plans that are monitored at the enterprise level and help the organization to maintain an acceptable level of risk.

75. The Committee advised that UNICEF should issue a revised enterprise risk management policy that, among other matters, explains the enterprise risk management framework, roles and responsibilities, and also clarifies the principles of organizational risk appetite and risk tolerance.

76. UNICEF is committed to follow the guidance on system-wide harmonization of risk management practices, including information-sharing on fraudulent behaviours by implementing partners; conducting assessments of risk appetite and risk tolerance; incorporating acceptance of residual risk in organizational policies; implementing smarter upstream controls; examining the costs of controls as compared to the value of the potential loss they are intended to mitigate; and developing common definitions of risk categories, to enable a common approach to reporting risks issued by the High-
Level Committee on Management’s task force on enterprise risk management. A revised enterprise risk management policy and procedure that takes into account the task force’s guidance is currently under consultation with UNICEF policy focal points, and will be issued in the second quarter of 2020.

77. In October 2019, the Business Continuity Unit in the Division of Financial and Administrative Management developed two courses (business continuity management and personnel emergency preparedness) to strengthen organizational awareness and preparedness; both are available to all staff from the AGORA learning and development platform. In 2019, a total of 178 staff enrolled in the courses and 47 staff members completed them.

78. UNICEF has taken several steps to strengthen the regional evaluation system. UNICEF notes the Audit Advisory Committee’s feedback and advice on efforts to address the gaps in evaluation planning and decentralized evaluation coverage, recruitment of regional evaluation advisors, strengthening corporate support to regional advisors, clarification of roles and responsibilities, strengthening monitoring indicators for evaluation quality and budget utilization vis-a-vis the performance scorecard system, a more user-friendly Evidence Information Systems Integration system, and promotion of uniformity in good practices. The evaluation function is on track to implementing the revised evaluation policy of UNICEF (E/ICEF/2018/14), and the plan for global evaluations, 2018–2021 (E/ICEF/2018/3), with noticeable results in 2019. There is a rising trend in the amount of financial resources allocated to the evaluation function, with expenditure increasing to 0.86 per cent in 2019 (versus 0.80 per cent in 2018) of total programme expenditure spent on evaluations, including the decentralized evaluation function. Independent quality assessment of evaluations rated 99 per cent of evaluations as either highly satisfactory or satisfactory. The planning capacity of the evaluation function, leveraged by the resources of the evaluation pooled fund, resulted in an 8 per cent increase in submitted evaluations, from 107 in 2018 to 116 in 2019, plus a six-percentage point improvement in geographical coverage, from 89 per cent in the period 2016–2018 to 95 per cent for 2017–2019.

79. In 2019, management carried out a “repositioning and realignment” exercise with a view to consolidating and simplifying responsibilities across headquarters for strategy development, planning, results monitoring and reporting. As a result of this exercise, two new divisions were established effective 1 August 2019: the Division of Data, Analytics, Planning and Monitoring; and the Office of Global Insight and Policy. Along with these organizational changes, the role of the Deputy Executive Director for Field Results was reconfigured and refocused around innovation for results. A new Deputy Executive Director commenced his role in October 2019. The function oversees the Supply Division, the Information and Communication Technology Division, a reconfigured Office of Innovation, and the Office of Global Insight and Policy. Effective 1 January 2020, the Deputy Executive Director also began overseeing the UNICEF Office of Research-Innocenti.

80. UNICEF is finalizing the revised Charter of the Audit Advisory Committee. UNICEF takes this opportunity to thank the Committee for all of the work and its contributions to the revisions of the Charter. In 2020, UNICEF will sign off on the updated Charter, which will best suit the organization’s needs as well as embrace the recommendations made in the Joint Inspection Unit’s review of the audit and oversight committees in the United Nations system.

81. Management appreciates the Committee’s consideration of the wide range of the organization’s assurance functions, including the Ethics Office, the Evaluation Office and OIAI. Management also appreciates the review of the implementation status of the recommendations made by the United Nations Board of Auditors to UNICEF.
Management also appreciates the Audit Advisory Committee’s review of the UNICEF 2018 draft financial statements and management letters, and has incorporated much of the Committee’s advice into the final statements.

VIII. Draft decision

*The Executive Board*

*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 management response (E/ICEF/2020/AB/L.4) and the UNICEF Audit Advisory Committee 2019 annual report to the Executive Board, and welcomes the overall opinion of the adequacy and effectiveness of the organization’s framework of governance, risk management and control.