

Remarks on the 2012 Office of Internal Audit and Investigations (OIAI) Annual Report

Informal Executive Board Session - 23 May 2013

Introduction

- Mr. President and distinguished Members of the Executive Board, I am pleased to introduce myself as the Director of OIAI, having taken up the position in early January 2013. It is a pleasure to work with UNICEF in this oversight capacity, to help UNICEF fulfil its fiduciary responsibilities in achieving its programme goals for children. Since starting, the OIAI strategy has been re-defined to pursue a two-pronged approach: i) to provide strategic support to stakeholders in ensuring the sustainability and effectiveness of UNICEF; and, ii) to continually enhance internal audit and investigations to achieve higher quality and timely assurance services at lower cost. The 2012 OIAI annual report provides information on internal audit and investigation activities in 2012.

OIAI Framework

- The OIAI AR outlines the mandate and structure of the office in 2012. OIAI's mission is to provide sufficient high quality internal audit and investigation services to UNICEF. OIAI has a clear governance arrangement to guide its work, with the Audit and Advisory Committee (AAC) responsible for the independent review of the functioning of UNICEF's oversight system, including arrangements for internal audits and investigations. The AAC has a separate 2012 annual report which is referenced in the OIAI AR.
- OIAI was free from interference in determining its audit scope, performing its work and communicating its results, and as such enjoyed organizational independence during 2012.
- OIAI maintained a high complement of skilled internal audit and investigations staff in 2012, and made good progress towards achieving the overall planned results for 2012. However, the two most senior positions were vacant for much of the second half, creating some challenges in meeting internal timelines for the issuance of reports as well as delays in the conduct of certain audits.
- The office continued to be classified as generally compliant with the Institute of Internal Auditors (IIA) standards for the professional practice of internal auditing, with the last external quality assessment remaining valid through 2012.

Work Planning

- OIAI continued to use a risk-based audit work planning methodology to ensure that its resources focused on the most important areas. This methodology was used to select audit subjects and also scope areas for review during particular audits. The planned work of UNBoA was taken into account as a means of minimising duplication of work and optimising audit coverage for UNICEF. The work planning considered total available resources for full utilisation.

Internal Audits

- OIAI completed 29 internal audit and advisory engagements during 2012. Of the total of 236 recommendations issued, 30% (71) audit recommendations were rated as high priority,

which means action is considered imperative. Of the 71 high priority recommendations, 33 were from CO audits and 38 from HQ/RO audits. UNICEF management response provides information on actions undertaken to address the specific recommendations.

- High priority recommendations in several HQ/RO audits (ERM implementation; Information-security governance; Framework for managing policies, procedures and guidance; Private sector fundraising activities in PFP; Budgeting process; and ESARO) indicated that UNICEF needed to continue prioritizing the development and formalization of its internal control framework. OIAI will continue to monitor management's actions in that regard and identify high residual and emerging risk areas for audit. OIAI has re-introduced in 2013 summary reports of key cross-cutting risk areas, with the first set of reports to be consolidated and issued in early 2014.
- Recurring high priority issues in CO audits are primarily related to weaknesses in UNICEF management of programmatic, financial and reputational risks of doing business with implementing partners. The main causes were: insufficient clarification of the HACT policy; lack of a strong monitoring and control system to detect and address implementation issues; and lack of sufficient financial control capacities in UNICEF COs and IPs. Further developments of ERM and HACT policy will address these causes.

Public Disclosure

- Further to Executive Board decision 2012/13 in June 2012, OIAI designed and implemented the procedure, process and tools for public disclosure of internal audit reports. The process allows for a 30 calendar day window from internal release of the report to Executive Director, to gather comments from the concerned Member State and Executive Director on whether information in the report is deemed to be particularly sensitive (relating inter alia to third parties or a country, government or administration); or as compromising to a pending action; or as being likely to endanger the safety or security of any individual, or violate his or her rights or invade his or her privacy. Based on this, OIAI will make a determination to either fully disclose, redact or withhold the report. This has continued to operate well to date in 2013, with the main challenge being the follow up of timely receipt of comments.

Investigations

- UNICEF has a long-standing zero tolerance for all forms of fraud and corruption, and staff are expected to conduct themselves at all times in a manner befitting their status as international civil servants. OIAI has exclusive responsibility for conducting investigations within UNICEF. With four professional investigation specialists, the investigations section managed a total of 87 cases in 2012. This included 25 cases carried over from the previous year and 62 new cases. 75 per cent of these cases were completed, i.e. closed during 2012, with various results as presented in the OIAI annual report. At the request of management and starting with this annual report, OIAI includes in its investigations results the quantified losses and recoveries known to OIAI.

This concludes my opening remarks. I am happy to receive any comments or questions.