

Report on an  
External Quality Assessment of  
the Investigations function in  
UNICEF

December 2013

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**To: Ms. Fatoumata Ndiaye**

Director, Office of Internal Audit and Investigations (OIAI)

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**Subject: External Quality Assessment of the Investigations function in UNICEF**

Dear Fatoumata,

I am pleased to share with you the report on the External Quality Assessment (EQA) of the investigations function for the Office of the Internal Audit and Investigations (OIAI) in UNICEF, conducted between September 2013 and December 2013. A separate report is issued for the internal audit function of OIAI.

Unlike professional internal auditing, the investigations profession does not yet enjoy a well-developed set of standards and a methodology that is compulsory. Nor does it mandate the assessment of quality as a routine. Nonetheless, as required, we used the IIA's Quality Assessment Methodology as guideline for the purposes of this assignment to assess mandate, structure, methods, output, and resources of the Investigations Office. As required, we compared the Investigations Office with other United Nations Funds and Programmes investigation functions and good practices gathered from other engagements.

We conclude that the investigations function *generally conforms* to Uniform Guidelines for Investigations, 2nd Edition, as endorsed by the 10th Conference of International Investigators (*Uniform Guidelines*) and the generally acknowledged standards of good practice in administrative investigations. Our view is that the Investigations Office is well placed to continue to serve UNICEF in its assigned role.

However, the EQA did identify specific areas for improvement and made recommendations in such cases. We confirm that your office management's action plans appropriately respond to each recommendation - and are achievable within the timelines indicated.

**J Graham Joscelyne CA(SA) CIA CRMA**

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## REPORT ON AN EXTERNAL QUALITY ASSESSMENT OF THE INVESTIGATIONS FUNCTION AND MANAGEMENT ACTION PLAN

### A. Context and Objectives

The Office of Internal Audit and Investigations Division (OIAI) had four leaders in as many years with the current Director yet to serve her first full year. Each leader has made procedural and administrative changes that impact OIAI staff and stakeholder perceptions of OIAI as to its professionalism and impact. With this in mind, the Director decided that an External Quality Assessment (EQA) of the Investigations Office would help her to assess its professionalism and provide her with the rationale to position the Office best to meet UNICEF's needs.

This is the first EQA for the Investigations Office that has been led from inception by its present Chief Investigator, a seasoned investigator with a small team of professionals.

### B. Key Findings, Conclusions, and OIAI Agreement to Recommendations

We report on each of the Investigations EQA objectives together with key conclusions and our key recommendations – all of which were accepted by OIAI leadership:

#### 1. Compliance with generally acknowledged standards of best practice in administrative investigations, and Uniform Guidelines for Investigations, 2nd Edition, as endorsed by the 10th Conference of International Investigators (*Uniform Guidelines*)

**Conclusion:** We conclude that the investigations function *generally conforms* to the *Uniform Guidelines* and the generally acknowledged standards of good practice in administrative investigations. We note that the Office, most notably, through the use of remote investigations very effectively counters the practical difficulties arising from the size of the Office and the wide geographical distribution of cases it is mandated to investigate.

#### **Key Recommendation:**

Compared to comparator organizations, the Investigations Office is small, it operates with a minimum amount of Standard Operating Procedures, compensated by continuous communication within the team and with OIAI senior management. The Investigation Manual guiding the activities of the Office reflects this and does not provide detailed guidance. By comparison, another somewhat larger UN organization investigations function has more than 100 Standard Operating Procedures to guide its investigative work.

While the Investigations Office less formal approach might fit its current scope of work and practices, it is insufficient for a team that could be handling a more complex case portfolio. Also, a more detailed Investigations Manual would be useful to assure the Director that investigations business continues as usual – and consistently – should key investigative senior staff not be available for team consultations. Put differently, it promotes sustainability and consistency in the Office. On the other hand, writing – and more importantly continuously updating – a more detailed Investigations Manual is time consuming. (At the time of the EQA the Investigations Section was in the process of updating the Investigations Manual and all recommendations regarding Standard Operating Procedures will be taken into consideration when finalized).

*We recommend that the Director, OIAI and the Chief Investigator should periodically re-evaluate the need for more detailed guidance based on the expected workload and staff numbers.*

**OIAI comments and agreed actions:**

OIAI agrees that a more detailed Investigations Manual would be useful to assure the Director that investigations business continues as usual should key investigative senior staff not be available for team consultations. At the time of the EQA, OIAI was in the process of updating the Investigations Manual and will ensure all recommendations regarding Standard Operating Procedures will be taken into consideration in finalizing the Manual.

OIAI will periodically evaluate its investigative guidance/ procedures based on its expected workload and staff complements and update the Investigation manual as is necessary.

**Target date for completion/initiation of ongoing action:** With immediate effect. The first evaluation will be completed by 31 January 2014.

## 2. Investigation mandate and charter including internal independence

**Conclusion:** We conclude that the investigation mandate and the OIAI charter provides for a limited scope investigations function. Unlike comparator organizations, UNICEF undertakes internal investigations only. In interviews, UNICEF managers and staff specifically noted that UNICEF does not investigate allegations of fraud and funds abuse involving a recipient government. While this is not contrary to the *Uniform Guidelines*, we note that donors hold UNICEF accountable for the effective use of all funds and don't distinguish between internal and external misuse of funds. Also, UNICEF widely promotes a zero

tolerance policy to fraud that leads to a perception that its investigative function covers the movement and use of funds from receipt to recipient.

The investigative scope may therefore be seen as selective enforcement of the zero tolerance policy and may also result in a situation where UNICEF is held accountable for instances of funds misuse that its own Investigations Office is precluded from acting on. This is beyond the control of OIAI alone, but if not addressed, leaves UNICEF exposed reputationally should it suffer fraud and corruption in the use of its funds that involve external individuals or parties.

We conclude that the Investigations Office conducts its work independent of management. This is enhanced because it is a key function within OIAI, thereby benefiting from OIAI's functional independence.

**Key Recommendation:**

Donors and other stakeholders will hold UNICEF accountable for the misuse of funds and point to its zero tolerance policy. However, OIAI's internal-only investigative focus leaves UNICEF exposed to fraud, theft and corruption when externally perpetrated where the risk is greatest.

*We recommend that OIAI – together with senior UNICEF leadership - review the scope of investigative work to consider expanding it to cover external risk of fraud, corruption and abuse – in line with comparator organizations – and to ensure that UNICEF's zero tolerance policy is backed by investigative authority, scope and capacity, as the needs arise.*

**OIAI comments and agreed actions:**

As the EQA team highlighted, OIAI's focus on internal investigations is not contrary to the Uniform Guidelines, however, it agrees that that donors hold UNICEF accountable for the effective use of all funds and don't distinguish between internal and external misuse of funds. As such, OIAI agrees that more emphasis and resources will be placed on conducting investigations of third parties.

OIAI, in consultation with UNICEF senior management, will clarify the scope and role of investigations in investigating third party fraud.

**Target date for completion/initiation of ongoing action:** 31 January 2014

### 3. UNICEF legal framework, and policies and procedures conformity

**Conclusion:** We conclude that the Charter and the Investigation Manual are supported by - and in line with - the general UNICEF legal framework, policies and procedures.

That said, it is not in line with the *Uniform Guidelines* on handling anonymous sexual harassment complaints. According to the relevant policy<sup>1</sup> (Section 5.10), sexual harassment complaints may not be made anonymously and so, by extension, will not be investigated. The *Uniform Guidelines* however, require investigative units to investigate all complaints - anonymous complaints included. The *Uniform Guidelines* and UNICEF's Executive Directive – on this subject – seem to be at odds with each other. The Director of OIAI, nonetheless, does have the authority (Section 6.2) to launch an investigation into such cases - even though a formal complaint has not been lodged.

**Key Recommendation:**

Although the Executive Directive in question is outside OIAI's control to amend, it may wish to bring to the attention of the Executive Director the fact of the somewhat ambiguous Directive wording that may inhibit staff who wish to remain anonymous, from lodging legitimate allegations.

*We recommend that (1) the Director, OIAI draws the Executive Director's attention to the ambiguity in the Directive and (2) clarify appropriate boundaries for the Investigations Office that are both in line with a revised Directive and the Uniform Guidelines.*

**OIAI comments and agreed actions:**  
 The OIAI Director will (a) meet with the Executive Director and the legal office to discuss the perceived ambiguity of the Directive, and then (b) clarify the boundaries for the Investigations Office to ensure they are in line with a revised Executive Directive and the Uniform Guidelines

**Target date for completion/initiation of ongoing action:** March 2014

### 4. Legislation and regulations conformity

**Conclusion:** We conclude that so far as we could ascertain, the Investigations Office generally conforms to the legislative and regulatory frameworks under

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<sup>1</sup> CF/EXD/2012-007 Executive Directive - Prohibition of discrimination, harassment, sexual harassment and abuse of authority

which it operates. Evidence of this was the views expressed by the UN Tribunal on cases brought before it.

## 5. Management expectations and working relationship with stakeholders

**Conclusion:** We conclude that stakeholders highly value the investigative work done by OIAI. Management think that the Office and its investigators are very visible within the organization, its work is seen of high quality and it is perceived as approachable. Some noted that the Office seemed “overstretched” at times - evidence of increased workload.

There was nonetheless a view by key stakeholders that staff misconduct cases far exceeded cases involving financial wrongdoing.

We note the following in support of this view:

- **Procurement-related issues:** Total procurement by UNICEF is approaching USD 2 billion annually. A significant portion of this is used to procure drugs and other health care commodities. These commodities are in high demand and have a significant value on the secondary market. Comparator organizations have significant problems with similar product procurement and yet, according to UNICEF’s case records for 2011 and 2012, only 7 cases investigated - out of 135 cases evaluated - were procurement-related. Based on experience elsewhere, we believe that the low procurement-related caseload likely underrepresents the reality.
- **Referrals from the Internal Audit Office:** Of the 135 cases, the Internal Audit Office referred only 11. Of these 7 were staff misconduct and 4 wrongdoing of a financial nature. A recent survey by the Association of Certified Fraud Examiners<sup>2</sup> shows that internal auditors detect an average of 14% of fraud cases investigated. We note that the Internal Audit Office should focus more of its attention on exposure to fraud – as required by the IIA Standards – that will likely increase the number of referral to the Investigations Office.

### Key Recommendations

#### ***We recommend that:***

- a.) *The Internal Audit Office assess whether it has the necessary expertise to detect the risk of fraud in high-risk activities such as procurement. This could be done in-house or with specialist audit consultants.*
- b.) *The Investigations Office actively assist in enhancing Internal Audit Office’s fraud detection efforts through training and participating on audits in high-risk areas such as procurement.*

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<sup>2</sup> Report to the Nations on Occupational Fraud and Abuse, 2012 –

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**OIAI comments and agreed actions:**

- a.) OIAI agrees that an assessment of OIAI’s internal expertise in this area would be beneficial. OIAI will partner with an expert external investigation consultant to perform an internal assessment to determine whether OIAI has the necessary expertise to detect the risk of fraud in high-risk activities and develop an appropriate strategy to address the gaps as needed.
- b.) OIAI will enhance Internal Audit’s fraud detection by utilizing a combination of both internal and external expertise in this area. OIAI will partner with expert external fraud consultants, as necessary, to provide training input on forensic auditing. This will begin with a daylong workshop on 14 January 2014.

**Target date for completion/initiation of ongoing action:**

- a.) June 2014
- b.) End January 2014 and thereafter ongoing as needed.

**6. Integration into the governance process**

**Conclusion:** We conclude that the Investigations Office is integral to UNICEF’s overall governance and accountability framework through its linkage with OIAI. The Investigations Office is widely seen to be an independent and reliable ‘partner’ in UNICEF’s overall accountability efforts.

**7. Supporting tools and internal policies, procedures and guidelines employed**

**Conclusion:** We conclude that the Investigations Office should change the following key activities to ensure that there is proper guidance and that the standards of performance are consistent and sustained over time.

**Key Recommendations:**

- a. **Security of investigations evidence:** The Uniform Guidelines require that confidential investigative evidence and documents are stored securely. We noted that the Investigations Office is co-located with other non-OIAI organizations. Further, we noted that within the Investigations Office itself, investigations evidence might not be as well secured, as is a requirement in other investigations functions. The Chief Investigator is duty-bound to protect and preserve evidence should it required for UN Dispute Tribunal and the UN Appeals Tribunal purposes.

***We recommend** that the Chief Investigator review evidence security procedures and practice to ensure that OIAI meets minimum standards.*

**OIAI comments and agreed actions:**

OIAI understands that the Uniform Guidelines require that confidential investigative evidence and documents are stored securely. As OIAI will be moving from its current facilities between February and June 2014, any change to the existing facilities for this short duration is not practical. Further, it is unlikely OIAI will be co-located with another non-OIAI organization in the new space. Further, OIAI will ensure investigations evidence is well secured as is required for an investigation function.

OIAI will work with the UNICEF facilities management team to ensure its new space in 2014 has adequate security including restricted access, a secure room to store evidence etc. In addition, the Chief of investigations will perform an internal review of its current security procedures and practice to ensure OIAI meets minimum standards. As appropriate, it will develop new Standard operating procedures to address any gaps.

**Target date for completion/initiation of ongoing action:** June 2014, or two months after OIAI moves to its new office space in UNICEF House.

**Planning of investigations:** The Uniform Guidelines require that investigative steps and critical decisions should be committed to writing. Unusually, the Investigation Manual, however, only requires planning in writing when there is travel involved. We acknowledge that certain investigations appear straightforward and there is significant communication within the team and between the Director of OIAI and the Chief Investigator. However, recorded planning is a basic discipline that is missing. Should the team increase over time – and the nature of cases become more complex – it will be hard to introduce basic discipline and consistency across all investigative work.

***We recommend** that the Director of OIAI and Chief Investigator re-evaluate planning practice to conform to the Uniform Guidelines.*

**OIAI comments and agreed actions:**

OIAI will revise its Investigation manual to require a planning memorandum be completed for each case for which the Investigation Unit decides to undertake a full investigation.

**Target date for completion/initiation of ongoing action:** With immediate effect OIAI now requires a planning memorandum. The OIAI Investigation Manual will be revised by the end March 2014

- b. Prioritization of work:** The Uniform Guidelines require that investigations be prioritized. The Investigation Manual does not guide this process meaning that prioritization is done informally.

*We recommend that the Director of OIAI and Chief Investigator re-evaluate its case prioritization method and include this in the Investigations Manual to ensure consistency over time.*

**OIAI comments and agreed actions:**  
With immediate effect, OIAI will develop and implement a prioritization method. OIAI will revise its Investigation Manual to include a defined process for prioritizing investigations.

**Target date for completion/initiation of ongoing action:** With immediate effect, OIAI will develop and implement a method to prioritize investigations by 01 January 2014. The Investigation Manual will be updated to reflect this by the end of March 2014.

- c. Use of Information Technology:** UNICEF's ERP system processes and stores significant data, some of which is useful in fraud detection. In other organizations such data is routinely monitored analyzed by the Internal Audit Office to identify fraud 'red flags' that require further investigation.

*We recommend that the Director, OIAI consider introducing analytical software to interrogate the system and identify unusual transactions for scrutiny either by the Internal Audit Office (1) before auditing a high-risk function or (2) more routinely (continuous monitoring) to identify trends and instances that might provide evidence of wrongdoing for Investigations Office follow-up.*

**OIAI comments and agreed actions:**  
OIAI will assess the feasibility and practicality of obtaining analytical software such as ACL to analyze data in UNICEF's ERP system to identify fraud red flags that may require further investigation.

**Target date for completion/initiation of ongoing action:** June 2014

**8. Function management including budget, staffing mix, resources, outputs and caseload, etc.**

**Conclusion:** We conclude that UNICEF has a relatively small investigative function and the cost effective operation of such a small function justifies a certain level of informality. Our review found no significant weakness in the function’s management although we make recommendations on certain key areas as listed below:

**Key Recommendations**

**a. Key person risk:** The Chief Investigator is by far the most experienced investigator and it appears that the whole investigative process is reliant on his input and direction. Without him, it is not clear how the Office would function.

*We recommend that the Director OIAI plan for Chief Investigator succession and a case recovery plan in the event that the Chief Investigator is no longer available.*

**OIAI comments and agreed actions:**  
 As the current Deputy Director has a sufficient experience in conducting and leading an investigation function, OIAI does not believe this is a significant factor.

OIAI will develop a more formal plan for the succession of the Chief Investigator.

**Target date for completion/initiation of ongoing action:** March 2014

**b. Training:** The investigators do not have planned training that, in the fast-changing environment in which UNICEF operates, puts its investigators at a technical disadvantage.

*We recommend that (1) overall Office technical training requirements be identified as part of OIAI’s strategic planning exercise and (2) individual development requirements be identified as part of the annual performance evaluation process and then carried out.*

**OIAI comments and agreed actions:**  
 The Chief Investigator will assess the collective technical training requirement needs of the unit and its individual staff based on the needs and

requirements of the 2014 OIAI Work Plan. As part of this process, the Chief of Investigations will identify suitable courses hosted jointly by UN, World Bank, etc.

**Target date for completion/initiation of ongoing action:** June 2014

- c. **Time recording:** Investigators do not record time against cases making it impossible for OIAI leadership – or an external evaluator - to assess the cost effectiveness of Investigations Office – or its value-add.

*We recommend that – as with the Internal Audit Office – all of the Investigative Office introduce the basic discipline to recording its time against its activities – specifically cases – to better assess and track performance of individuals and the Office as a whole.*

**OIAI comments and agreed actions:**

OIAI will explore practical ways for investigators to record time against its activities. Possible solution may include new software such as Teammate, creating a custom Excel application to track time.

**Target date for completion/initiation of ongoing action:** January 2014

## 9. Quality of investigations, and the timeliness of conducting investigations and issuing Reports

**Conclusion:** We conclude that the quality of those investigations reviewed, the timeliness of concluding investigations, and the issuance of reports was satisfactory. In addition we reviewed the judgments of all cases that went to either the UN Dispute Tribunal or the UN Appeals Tribunal and found no references to poor investigative quality. Nonetheless, there are areas for improvement as follows.

### Key Recommendations:

- a. The Chief Investigator conducts a full case quality review before a final report is issued. This review covers all investigative steps and all documents on file to assure that the report is complete and accurate. However, when the Chief Investigator is the lead investigator on a case, no similarly detailed quality review takes place. Considering that the Chief Investigator acts as lead investigator on more complex cases, a quality check should be a basic requirement.

*We recommend that the Director of OIAI identify/appoint an external professional (e.g. consultant or senior investigator from within the United Nations system) with requisite seniority and expertise to review the work of the Chief Investigator as a routine step.*

**OIAI comments and agreed actions:**

OIAI will explore ways to ensure a full case quality review is performed before a final report is issued in cases where the chief Investigator is the lead investigator on the case. Possible solutions that will be considered include using the Deputy Director of OIAI or external professional e.g. consultant or senior investigator within the UN system.

**Target date for completion/initiation of ongoing action:** January 2014

- b. This is the first EQA for the Investigations Office. Good practice would require it on the same cycle as the Internal Audit Office at a minimum so that the Director OIAI obtains the assurance that this important function operates along good practice lines and can be relied upon to handle the expected increased workload professionally.

*We recommend that the Director OIAI formalize an EQA cycle sufficient for Investigative Office purposes.*

**OIAI comments and agreed actions:**

With immediate effect the Director of OIAI will require the EQA cycle for the investigation function be at the same frequency as the internal audit function. The investigation guidelines will be revised to update this new requirement.

**Target date for completion/initiation of ongoing action:** Completed

## 10. Value and impact of investigation recommendations, including UNICEF responses

**Conclusion:** We conclude that our interviews with management covering headquarters, regions and country offices confirmed that the Investigations Office is active on all fronts. For example, regional management was appreciative of the fraud risk awareness course in Africa provided by this Office. In addition, the heads of both Human Resources and Legal – who take over where the Investigations Office leaves off for internal staff investigations, were also

complimentary about the quality of the work they ‘inherit’ from the Investigations Office.

## 11. Use of good/best investigations practice

**Conclusion:** We conclude that the introduction and use of investigations, controlled remotely by the Investigations Office, is a good practice as it allows the Office to conduct work over many countries using local resources.

**Key Recommendation:**

Remotely controlled investigations have benefits, but the downside is that investigators are not ‘visible’ in country. Also, it is suitable for the type of investigations that are currently the focus. As the focus and volume change over time, this strategy will need to shift.

*We recommend that the Chief Investigator develop and implement a communications strategy for the following purposes:*

- *To keep ‘in touch’ with country and regional management on trends and issues resulting from investigations work as well as providing useful ‘intelligence’ that will alert the audience to fraud and corruption risks, trends, etc. thereby enhancing fraud prevention across UNICEF; and*
- *To ensure that country and regional management are kept updated on the progress of cases including expected conclusion dates.*

**OIAI comments and agreed actions:**

OIAI will develop and implement a more structured communications strategy to: (a) keep ‘in touch’ with country and regional management on trends and issues resulting from investigations work as well as providing useful ‘intelligence’ that will alert the audience to fraud and corruption risks, trends, etc. to enhance fraud prevention across UNICEF; and (b) Ensure that country and regional management are kept updated on the progress of cases including expected conclusion dates.

**Target date for completion/initiation of ongoing action:** June 2014

## C. Approach and Methodology

Unlike professional internal auditing, the investigations profession does not yet enjoy a well-developed set of standards and a methodology that is compulsory. Nor does it mandate the assessment of quality as a routine. Nonetheless, as required, we used the IIA’s Quality Assessment Methodology

as guideline for the purposes of this assignment to assess mandate, structure, methods, output, and resources of the Investigations Office. As part of this methodology, we interviewed OIAI management and staff, headquarters senior management, regional and country management, and the Chair of the Audit Committee. We also interviewed those heads of Legal, Ethics, and Human Resources Divisions with which the Investigations Office has routine interaction. This comprehensive set of stakeholders provided us with a good view of the Office and complemented our more detailed review of cases and supporting evidence.

As required, we compared the Investigations Office with other United Nations Funds and Programmes investigation functions and good practice gathered from other engagements.

The investigative function is not 'stand alone'. While necessarily independent, it is integral to UNICEF's overall success. Of necessity it must interact with other functions to have proper impact on the ground and to enhance organizational and personal accountability. To do this, it must be professionally objective, credible, trustworthy, and consistent if it to be taken seriously. Our view is that the Investigations Office has achieved this status and therefore is well placed to continue to serve UNICEF in its assigned role.

#### **D. Management Action Plan**

The Director, OIAI provided us with a response to the EQA Report and an Action Plan (Attachment 1) that was reviewed in terms of substance and timelines for each recommendation. *We confirm that management's action plans appropriately respond to each recommendation - and are achievable within the timelines indicated.*

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