



Economic and Social Council

Distr.: General
14 July 2022

Original: English

For decision

United Nations Children's Fund

Executive Board

Second regular session 2022

6–9 September 2022

Item 8 of the provisional agenda*

Review of the functions of the UNICEF Office of Internal Audit and Investigations

Summary

This document provides an overview of the functions of the Office of Internal Audit and Investigations and an assessment of its independence, as requested by the Executive Board in decision 2022/15.

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

* E/ICEF/2022/22

Note: The present document was processed in its entirety by UNICEF.



Contents

	<i>Page</i>
I. Overview	3
II. Objective	4
III. Mandate, organization and functions of the Office of Internal Audit and Investigations	4
IV. External assessments of the Office of Internal Audit and Investigations	7
V. Office of Internal Audit and Investigations' assessment of its independence.....	9
VI. Suggestions and pathways to further strengthen the independence of the Office.....	13
VII. Conclusion	14
VIII. Draft decision	14

I. Overview

1. This document responds to UNICEF Executive Board decision 2022/15 requesting an overview of the functions of the Office of Internal Audit and Investigations (OIAI, or the Office) and an assessment on its independence. The document also offers suggestions and pathways for further strengthening the Office's independence.

2. The Office is a key component of the UNICEF independent internal oversight system. Its mission is to provide UNICEF with independent and objective assurance, investigative and consulting services through internal audits and investigations. The Office evaluates and contributes to the improvement of the adequacy and effectiveness of governance, risk management and control processes and, through its activities, promotes accountability, integrity and ethical behaviour in achieving the UNICEF goals and objectives of promoting the rights and well-being of every child.¹

3. The independence of an oversight office is a cornerstone of its credibility, relevance and effectiveness. The functions and independence of OIAI are enshrined in its Charter and the UNICEF Financial Regulations and Rules, and demonstrated through its direct access and reporting to the Executive Director and the Executive Board.

4. While the Office was originally created with a mandate for internal audit only, the responsibility for investigations was added to its mandate more than 15 years ago. Today, OIAI has two similarly sized sections: audit and investigations, with a total of 58 approved posts for the current quadrennium.²

5. The breadth of the OIAI mandate and its workload have grown substantially. In the past decade (2011–2021), assurance needs have grown as UNICEF has experienced significant growth, both in its programme of work and its operating complexities. Resource mobilization grew by 130 per cent over the past decade³ as did the UNICEF response to humanitarian crises (in 2021, UNICEF responded to 483 new or ongoing humanitarian situations in 153 countries, compared to 292 humanitarian situations in 80 countries in 2011). Moreover, the OIAI investigative caseload has increased more than 450 per cent over the past five years; in 2017, OIAI managed 116 investigations cases, while it managed 647 investigations cases in 2021.

6. The growing scale of the complexities of the operating environment, the velocity of risk events and their impacts, and the pressures and incentives driving the organizational culture and behaviours have resulted in understandable demands for higher organizational governance maturity. Donors are increasingly seeking more information on institutional accountability by UNICEF for the use of funds for intended purposes. Together, these necessitate a robust independent oversight function that is appropriately resourced.

7. The Office is committed to both protecting its independence and ensuring its work is always of the highest quality. To this end, OIAI commissioned two external reviews of its audit work over the past three years⁴ and a separate external review of

¹ UNICEF, Charter of the UNICEF Office of Internal Audit and Investigations, E/ICEF/2021/AB/L.5, New York, 8 April 2021.

² Two posts will be added in 2023 and three posts in 2024.

³ UNICEF, *Annual Report 2011*, New York, June 2012; and UNICEF, Annual report of the Executive Director of UNICEF 2021, E/ICEF/2022/10, New York, 18 April 2022.

⁴ Institute of Internal Auditors, IIA Quality Services LLC, Internal Audit Quality Assessment presented to UNICEF, November 2019; and an advisory report prepared by Deloitte (not a public document). These external reviews were commissioned to help the Office of Internal Audit and Investigations to build a foundation for a progressive internal audit strategy and ensure it is positioned and structured to deliver maximum value to the organization.

its investigative work, which was completed in January 2022.⁵ Based on the results of these recent external reviews and supplemented by this internal assessment of OIAI, the Office maintains that it generally operates independently and without interference from the UNICEF management. The Office determines the scope of its audits and investigations, manages its allotted budget and reports on the results of its work to the Executive Director and the Executive Board. Nonetheless, there are opportunities to strengthen its independence, which are enumerated in section VI of this document. Similarly, while resources provided to the Office have grown over the past several years, the workload and complexities of the issues addressed by OIAI, in line with the mandate and enshrined in its Charter, have nonetheless increased substantially, suggesting that a closer review of its resourcing needs may be warranted.

II. Objective

8. In its decision 2022/15, the Executive Board requested the Director of OIAI to provide at the second regular session of 2022 “an assessment on the independence of the Office, containing reflections on (but not limited to) the degree to which the Office can determine freely:

- (a) how and when to report to and brief the Executive Board;
- (b) the scope of audits and investigations;
- (c) what and who to audit or investigate;
- (d) what assessments to make;
- (e) how to utilize available funds; and
- (f) its relationship with the Office of Internal Oversight Services.”

9. In addition, the Board requested the Director, OIAI, to provide the budget estimate required for the execution of the Office’s mandate, as well as suggestions and pathways on how to further strengthen the independence of the Office. Finally, a closed preparatory meeting between the OIAI management and Executive Board members and observers on this topic was requested in advance of the second regular session of 2022.

10. This document responds to the areas of interest outlined by the Executive Board in its decision. It strives to inform the Board on the functioning of the Office, the existing measures to preserve its independence and any challenges it faces to adequately execute its functions and mandate. It also contains information for consideration and discussion at the requested preparatory meeting between the OIAI management and the Executive Board in advance of the second regular session of 2022 and serves to establish a basis for future guidance from the Board.

III. Mandate, organization and functions of the Office of Internal Audit and Investigations

11. **Mandate:** The Charter of OIAI, approved by the Executive Director after review by the Audit Advisory Committee and Executive Board in June 2021, sets out the purpose, authority and responsibility of the Office, in line with the UNICEF Financial Regulations and Rules and the accountability system of UNICEF. The Office provides two distinct lines of professional services: internal audit and investigations. The

⁵ Kaltenbach E. C. and P. L. Roberts, Extract of the report on the external assessment of the investigation function of the United Nations Children’s Fund (UNICEF), 31 January 2022, reissued on 7 February 2022.

Charter stipulates the principles and arrangements for maintaining functional and operational independence in the performance of the Office's oversight functions. In this regard, the Charter seeks to ensure that OIAI:

(a) Initiates and carries out its activities with respect to any matter that it considers necessary to fulfil its responsibilities, as well as to report to the Executive Director and/or the Executive Board on any matter it deems relevant.

(b) Exercises independent judgement in the selection, scoping, procedures, frequency and timing of its activities, and in the communication of the results of the activities.

(c) Is free from interference in determining the scope of its audits and investigations, performing its work and communicating results.

(d) Covers all programmes, operations (including all systems and processes) and activities undertaken by UNICEF and its personnel, its institutional contractors, implementing partners and other third parties, in any location.

(e) Initiates and participates in audits and investigations of United Nations inter-agency activities in coordination with other oversight entities of the United Nations.

(f) Receives approval of the periodic audit workplan by the Executive Director after review by the UNICEF Audit Advisory Committee. (The Office may audit or investigate any area within its mandate, as necessary.)

(g) Independently decides to open an investigation into any matter, or decides not to consider a case or open an investigation, without approval of the Executive Director or any other official.

(h) Interfaces with the United Nations Office of Internal Oversight Services (OIOS), with oversight bodies of United Nations system and other multilateral entities, with the supreme auditing institutions of Member States and with Member State law enforcement or other authorities as necessary to execute its mandate, with due regard to the privileges and immunities of UNICEF.

(i) Seeks and is provided with the necessary staffing and budgetary resources to achieve its mission and maintain its independence.

(j) Reports to the Executive Director and the UNICEF management on the outcome of audits and investigations and on emerging risks and trends identified through its operational activities, as well as on any other matters it deems appropriate.

(k) Reports to the Executive Board on its operational activities as well as any other matters it deems appropriate. In accordance with Executive Board decisions, the UNICEF Office of Internal Audit and Investigations annual report to the Executive Board provides an annual opinion to the Executive Director and the Executive Board on the adequacy and effectiveness of the organization's framework of governance, risk management and controls based on the scope of work done.

12. **Organization and functions of OIAI:** For the quadrennium 2022–2025, the Office has 58 staff posts approved, divided among three sections: Director's Office, 4; Internal Audit Section, 31⁶ from 23 in 2021; and Investigations Section, 23⁷ from 11 in 2018. The majority of OIAI staff are currently based in New York with a smaller office of one team each for audit and investigations located in Budapest since 2021. The Office plans to establish a third office, equally divided between audit and

⁶ Of these, five posts of the Internal Audit Section will become available after January 2023 (two in 2023 and three in 2024).

⁷ Including one Junior Professional Officer post.

investigative staff, but within the current staffing envelope. The Office intends to have approximately 40 per cent of its staff posted outside New York by 2024 but is committed to undertaking its decentralization only in so far as the Office can ensure the continuity of its operations is not affected, staff morale remains high, and relocation of posts is managed through vacancies and voluntary expressions of interest.

(a) **Director's Office:** The Director's Office develops the office-wide strategy, oversees the execution of the office workplans, manages the budget and reports on the status and results of its assurance, investigations and consulting activities to the Executive Director and the Executive Board.

(b) **Internal Audit Section:** The Internal Audit Section conducts audits and consultancy engagements in respect of all programmes, operations (including all systems and processes) and activities undertaken by UNICEF and its personnel, its institutional contractors, implementing partners and other third parties, in any location. Based on these engagements, OIAI issues an annual assurance opinion on the adequacy and effectiveness of the UNICEF framework of governance, risk management and control processes. These engagements also strive to strengthen UNICEF governance, risk management and control processes over the delivery of its strategic and operational objectives. Using a risk-based approach, the Internal Audit Section independently identifies and prioritizes audits and consultancy engagements that typically fall under four categories: (i) internal audits of UNICEF country and regional offices; (ii) internal audits of thematic and cross-cutting areas; (iii) consulting services; and (iv) joint and coordinated internal audits undertaken with the internal audit services of the United Nations system. The annual workplan, approved by the Executive Director after review by the Audit Advisory Committee, is flexible, reviewed periodically and adapted to address emerging trends and issues. All final internal audit reports are issued to the Executive Director and, in accordance with Executive Board decision 2012/13, are subsequently published or withheld.⁸

(c) **Investigations Section:** The Investigations Section strives to help UNICEF to maintain a culture of integrity and foster accountability. It conducts administrative fact-finding assessments and investigations to determine the veracity of allegations of misconduct, including sexual exploitation and abuse and sexual harassment, as well as fraudulent and corrupt practices involving UNICEF staff, implementing partners, institutional contractors and other third parties linked to UNICEF operations. All reports of possible misconduct and wrongdoing received by the section are assessed by its intake team. Matters determined to fall outside the purview of OIAI are referred to other offices or entities. Matters warranting investigation are assigned to the investigation teams. In cases where allegations are substantiated, the outcome of the investigation is documented in an investigation report; in cases where allegations cannot be substantiated consistent with the required burden of proof, the investigation is documented in a closure report. The section also provides guidance to UNICEF personnel and managers regarding the range of options available to resolve matters involving interpersonal conflict, including alternative resolution mechanisms, with the goal of proceeding as expeditiously and effectively as possible. Overall, the professional investigative function is critical to resolving claims of wrongdoing in a way that is fair to all parties and ensures trust in the process and respect for the outcome.

13. **Professional standards:** The Office conducts its internal audit work in accordance with the International Standards for the Professional Practice of Internal

⁸ See decision 2012/13 in the Compendium of decisions adopted by the Executive Board in 2012: www.unicef.org/executiveboard/media/541/file/2012-17-Compendium_of_decisions_2012-EN-ODS.pdf.

Auditing of the Institute of Internal Auditors (IIA), which were adopted for use by the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions in June 2002. The Office conducts investigations in accordance with the Uniform Principles and Guidelines for Investigations, endorsed by the 10th Conference of International Investigators in 2009, and in conformity with the due process principles set out in the applicable framework.

IV. External assessments of the Office of Internal Audit and Investigations

14. In addition to OIAI ongoing quality control and assessments of its own work, the Office and its independence arrangements are also periodically assessed by independent third parties that include: the UNICEF Audit Advisory Committee, the Board of Auditors and the Joint Inspection Unit, as well as external quality assessments commissioned by the Office in conformance with applicable and relevant professional standards.

15. **UNICEF Audit Advisory Committee:** The UNICEF Audit Advisory Committee is an independent advisory body, without management powers or executive responsibilities, established to advise the Executive Director with regard to the discharge of the Executive Director's governance, management and oversight responsibilities. The Committee provides an annual report⁹ to the UNICEF Executive Board on the robustness of UNICEF management, audit and evaluation systems. The Committee meets the Office leadership at each of the AAC regular sessions and also has a private session with the Director of OIAI. In line with the responsibilities of the Committee, as outlined in its Charter, among other matters it advises the Executive Director on the following regarding OIAI:

- (a) Independence, effectiveness, objectivity, credibility and utility;
- (b) Strategy, workplans, staffing, budgets and periodic/annual reports;
- (c) Quality assurance and improvement programmes;
- (d) Status of actions taken by management on internal audit recommendations;
- (e) Public disclosure of internal audit reports; and
- (f) Risk and control implications of audit and investigations reports.

16. **Board of Auditors:** The Board of Auditors was established by the United Nations General Assembly to provide external audits to the United Nations and its funds and programmes. Heads of the Supreme Audit Institutions of the Member States of the United Nations appointed by the General Assembly conduct independent audits and their annual reports on UNICEF are presented to the Executive Board. The work of OIAI and its independence are considered by the Board of Auditors in its own assessments and the resulting recommendations¹⁰ (e.g., for revisions to the OIAI Charter) are considered by OIAI. There is close coordination between OIAI and the Board of Auditors during workplanning to avoid duplication in coverage and to ensure leveraging of each other's work, to the extent possible. All final internal audit reports

⁹ See the most recent report, for 2021, available at: www.unicef.org/executiveboard/media/10646/file/2022_AS-2021_AAC_Annual_Report-EN-2022.04.20.pdf.

¹⁰ See the Report of the Board of Auditors in: United Nations Children's Fund, Financial report and audited financial statements for the year ended 31 December 2016 and Report of the Board of Auditors, A/72/5/Add.3, New York, reissued for technical reasons on 30 August 2017, www.undocs.org/A/72/5/Add.3

are also shared by OIAI with the Board of Auditors simultaneously upon issuance to the Executive Director.

17. **Joint Inspection Unit:** The Joint Inspection Unit is the only independent external oversight body of the United Nations system mandated to conduct evaluations, inspections and investigations system-wide. It looks at cross-cutting issues to act as an agent for change across the United Nations system. While the Joint Inspection Unit regularly solicits the views of OIAI to inform their reviews on a number of topics, their reviews on internal audit¹¹ and investigations¹² include more direct recommendations for UNICEF and OIAI. The recommendations and advice provided by the Joint Inspection Unit both inform and contribute to making necessary improvements to the work of and independence arrangements for OIAI.

18. **External quality assessment for internal audit:** Under the International Standards for the Professional Practice of Internal Auditing, an external quality assessment of an internal audit activity must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside an organization. The latest such assessment for the OIAI internal audit function was conducted in 2019 by the Institute of Internal Auditors and the report of the assessment is available on the OIAI website.¹³ Independence and objectivity are an integral component of the attribute standards (standard 1100) governing this assessment. The assessment concluded that “internal Audit generally conforms with the Standards and the IIA Code of Ethics. This level of conformance is the top rating and demonstrates a clear intent and commitment to achieving the Core Principles [for the Professional Practice of Internal Auditing (“Core Principles”)] and the Definition of Internal Auditing.” Nonetheless, recommendations for further strengthening independence were made by the assessment team and addressed in the current OIAI Charter.

19. **External quality assessment for investigations:** The Charter of OIAI also requires periodic independent external assessment of the UNICEF investigation function. The most recent assessment was conducted in late 2021 and the report issued in 2022. The report’s executive summary and recommendations are published on the OIAI website.¹⁴ The report concluded that “overall, the investigation function, as managed by OIAI, is in conformity with generally accepted standards for investigations in international organizations as reflected in the Uniform Principles and Guidelines for Investigations. We further conclude that the investigation function, as managed by OIAI, complies with the Charter of OIAI and with other UNICEF Legislative Instruments. The investigative work performed by OIAI is perceived by stakeholders as fair and competent and the interaction was described as constructive and effective.” The full report (unpublished) also confirmed that its review “has not identified any instance of direct or indirect interference by executive management in the conduct of investigations.”

¹¹ Sukayri R. M. and C. Terzi, State of the internal audit function in the United Nations system, Joint Inspection Unit, Geneva, www.undocs.org/JIU/REP/2016/8.

¹² Roscher, G., Review of the state of the investigation function, Joint Inspection Unit, Geneva, www.undocs.org/JIU/REP/2020/1.

¹³ Institute of Internal Auditors, IIA Quality Services LLC, Internal Audit Quality Assessment presented to UNICEF, November 2019.

¹⁴ Kaltenbach and Roberts, Extract of the report on the external assessment of the investigation function of UNICEF.

V. Office of Internal Audit and Investigations' assessment of its independence

20. This section responds to the specific set of questions raised by the Executive Board in decision 2022/15.

21. How and when to report to and brief the Executive Board?

(a) The presentation of the OIAI annual report during the Executive Board's annual session each year is the only regular interaction between OIAI and the Executive Board. This includes submission of the report itself, as well as a presentation and exchange with the Board. The formal presentation of the annual report during the annual session is preceded by an informal briefing held a few weeks prior.

(b) UNICEF management reviews and suggests edits to the draft of the OIAI annual report before it is finalized by OIAI and issued to the Board. UNICEF management also presents a formal response to the OIAI annual report and attends both the formal session and informal briefing.

(c) The annual report and the presentation by the Director of OIAI include the annual opinion on the adequacy of the UNICEF framework of governance, risk management and controls¹⁵, as well as general confirmation of the independence of the Office and the absence of management interference.¹⁶ The report also confirms compliance with applicable professional standards and Executive Board decisions (including on public disclosure of internal audit reports), and provides an overview of activities and results from internal audits and investigations and the adequacy of resources.

22. What and who to audit or investigate, and the scope of audits and investigations.

(a) **Internal audit:** The Office uses a risk-based methodology to independently identify, select and prioritize its annual assurance activities and thus independently direct audit resources towards the areas identified as posing the greatest risk to UNICEF. This exercise includes gathering extensive inputs from UNICEF management and staff, donors and other key interlocutors, as well as analysis of a wide range of data. While the workplans are approved by the Executive Director following review by the Audit Advisory Committee, the analyses undertaken, selection of what to audit and allocation of resources are at the sole discretion of OIAI.

(b) For each audit engagement, an audit planning memorandum prepared by OIAI staff is approved by the Deputy Director of Audit. This memorandum is founded on an underlying risk and control assessment that serves as the basis for determining the scope of and procedures for the audit. The internal quality assurance process ensures that sufficient and appropriate evidence is obtained to support achievement of the objectives set out in the planning memorandum. In the event that OIAI experiences any scope limitation that is material to the conclusion of the audit, whether due to unavoidable circumstances (e.g., the inability to review original documents or undertake physical visits) or otherwise, such limitation is expressly declared in the final audit report.

(c) **Investigations:** The Office receives more than 5,000 complaints or similar reports each year. These reports are reviewed only by OIAI, which independently

¹⁵ See UNICEF Office of Internal Audit and Investigations 2021 annual report to the Executive Board, E/ICEF/2022/AB/L.5, New York, 14 April 2022, para. 14.

¹⁶ *Ibid.*, para. 27.

determines what and who to investigate. As indicated in paragraph 12 (c) above, all reports of possible misconduct and/or wrongdoing falling within the OIAI mandate (i.e., reports of possible misconduct or wrongdoing within and associated with UNICEF) receive an initial assessment. The Investigations Section may also proactively open an investigation based on fraud indicators and/or information collected in the course of its work.

(d) In determining the scope of its investigations, OIAI is required to pursue all reasonable lines of inquiry it considers appropriate to establish the facts of the case. Moreover, the recent external quality assessment of the investigations function recommended exploring options, including policy changes, for lowering the burden on OIAI to address complaints that neither require nor merit investigative activities.

(e) **Consulting services:** Consulting services are advisory in nature and are generally performed at the specific request of a UNICEF office. The nature and scope of advisory engagements are subject to agreement with the client. Care is taken to ensure that any real or potential conflicts of interest arising from provision of consulting services to assurance or investigation activities are identified at the planning stages and adequately mitigated.

23. What assessments to make?

(a) **Internal audit:** The effectiveness of the internal audit function is gauged by the quality and timeliness of its independent and objective audit and advisory reports. For each engagement, following the conclusion of the audit execution process, an exit meeting is held with the principal client for the audit (e.g., a UNICEF country office or lead business process owner/s) to discuss the summary of observations. A draft audit report is then issued to the client to confirm that the contents are factually accurate and that suggested actions are sufficient and appropriate to manage the residual risks identified. The ratings of individual audit observations and the overall conclusion contained in the audit report are at the sole discretion of OIAI based on its independent professional judgement. The final audit report is issued to the Executive Director. The Office makes its internal audit reports publicly available in accordance with the decisions of the Executive Board. In accordance with decision 2012/13, the Executive Director or the concerned Member State (where applicable) can request redactions to or withholding of an internal audit report under specific criteria¹⁷ although only the Director of OIAI has the authority to independently decide whether to redact any portion of a report or to withhold a report from publication.

(b) **Investigations:** When an investigation is opened, it is assigned to an individual investigator. The outcome of each investigation is documented in an investigation report in cases where allegations are substantiated, or in a closure report in cases where allegations cannot be substantiated under the applicable burden of proof. The results of the fact-finding activities of the Investigations Section are transmitted to the appropriate offices to guide UNICEF management in deciding on administrative, disciplinary or other actions to be taken, as appropriate. Investigative reports are not subject to any review by anyone outside of OIAI staff and management prior to their issuance. When OIAI finds that there is a factual basis indicating that a

¹⁷ See para. 9 of Executive Board decision 2012/13, available at www.unicef.org/executiveboard/media/541/file/2012-17-Compendium_of_decisions_2012-EN-ODS.pdf. “Where information contained in a UNICEF internal audit report is deemed by the Executive Director or the concerned Member State 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, violate his or her rights or invade his or her privacy, such UNICEF internal audit report may be redacted or withheld in its entirety at the discretion of the Office of Internal Audit and Investigations.”

staff member engaged in possible misconduct, OIAI transmits an investigation report to the Deputy Executive Director, Management, that sets out the factual findings resulting from the investigation. Upon receiving the report, the Deputy Executive Director, Management may request further information from OIAI or transmit the matter back to OIAI for further investigation. Adjudication and any decision related to sanctions resulting from an investigation are within the sole purview of the Deputy Executive Director, Management. Decisions by OIAI not to investigate certain categories of allegations, namely those falling under the UNICEF Policy on the Prohibition of Discrimination, Harassment, Sexual Harassment and Abuse of Authority (POLICY/DHR/2020/002), are subject to review by management through management evaluation and to judicial review through an appeal by a staff member to the internal tribunals.

24. **How to utilize available funds?**

(a) As with other UNICEF offices, the budget of OIAI comprises two categories – post costs and non-post costs. The budget for post costs is directly tied to the number of staff authorized for the Office, while the budget for non-post costs is meant to cover support costs to deliver the work programme, including travel for audits and investigations, consultancies for both non-staff functions and specialized areas for which skills either do not exist within the Office or are needed only periodically, and the training and development of staff.

(b) The Office is entirely funded from the UNICEF institutional budget. Budget requests from OIAI are reviewed and considered in the same manner as budget requests from any other UNICEF division or office. To this end, budget requests from OIAI to management are considered in the context of the broader financial needs of UNICEF. The Office does, however, have the ability to advise the Executive Board of its resource needs and management does take the Executive Board's views into account when reviewing OIAI budget requests. Management has, upon request, provided OIAI with supplements to its budget on an ad hoc basis.

(c) The leadership of OIAI has the full discretion and independence to take all decisions related to the utilization of funds allocated to the Office, and there has been no management interference or influence in this regard. To maintain its independence, OIAI has not solicited or accepted funding from any source other than the institutional budget. The Office has utilized Junior Professional Officers as those posts do not have a budgetary impact on the Office and are funded by Member States.

25. **Relationship with the Office of Internal Oversight Services**

(a) **Internal Audit:** The leadership of both OIAI and the Office of Internal Oversight Services (OIOS) are in frequent contact and have bilateral meetings on an as-needed basis. Both also attend the periodic meetings of the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions. While the OIAI audit work is done independently of OIOS, the offices had their first staff exchange in 2021 and have recently explored opportunities for joint assurance work.

(b) **Investigations:** The Office's investigative work is generally handled completely independently of OIOS. However, the Office interfaces with OIOS on matters of common interest. For instance, OIOS has supported OIAI in conducting investigative work on behalf of OIAI in field locations where OIOS can more quickly deploy investigative staff, in particular due to pandemic-related travel restrictions. In addition, the Office receives referrals from OIOS in relation to allegations that fall under the OIAI mandate. The Office is also required to refer all reports of possible misconduct by the UNICEF Executive Director, or any of the Deputy Executive Directors, to the Secretary-General of the United Nations, who generally refers such

matters to OIOS for review and investigation as appropriate. Moreover, OIAI and OIOS both participate in the activities of the United Nations Representatives of Investigative Services.

26. Budget estimate required for the execution of the full mandate

(a) Over the past three years the Office's complement of staff has increased. For the quadrennium 2022–2025, OIAI has an approved complement of 57 posts and 1 Junior Professional Officer post. The number of investigator posts increased from 12 at the beginning of 2018 to 23 by the end of 2021 (a 92 per cent increase), although the investigative caseload grew by 280 per cent over the same period, thus creating challenges to keep up with the workload. After no growth in the number of internal audit staff for a decade, an additional 8 audit posts are being added during the course of the current quadrennium that will bring the total number of audit posts to 31 by 2024. By the end of 2022, OIAI will have 12 posts in Budapest, with an additional 8 posts earmarked to be moved out of New York by 2024.

(b) Despite growth in staffing levels and workload, the OIAI non-post budget has remained essentially the same over the past five years. In 2018, the total staffing for OIAI was 41 and the allocated non-post budget was \$1.28 million. In 2019, the staffing increased to 49 and the allocated non-post budget was increased to \$1.83 million. However, by 2021, while the staffing remained at 49, the allocated non-post budget dropped to \$1.21 million. In 2022, OIAI overall staffing will reach 52 with an allocated non-post budget of \$1.28 million.

(c) Due to travel restrictions arising from the pandemic, OIAI had limited travel expenses in 2020 and 2021. However, travel expenses have increased significantly in 2022 and are anticipated to increase further in 2023. It is also important to note that savings from vacant posts were used in prior years to offset some non-post expenses. The Office anticipates that most, if not all, vacancies will be filled by the end of 2022, thus reducing this additional source of funding for non-post costs.

(d) While OIAI has benefited from an increase in staffing over the past three years, its workload continues to grow significantly. In particular, efforts to increase investigative focus on a growing number of allegations of fraud and corruption will need to be adequately resourced. The Office's strategy remains focused on finding alternative mechanisms to resolve workplace conflicts to free up investigative resources that can then be redirected. However, the continued growth in the size and complexity of UNICEF operations and increase in reports to OIAI of alleged misconduct have strained the Office's available resources and outstripped ongoing efforts to develop alternative dispute resolution modalities.

(e) With the onset of the pandemic and to permit reallocation of resources for pandemic response activities, the non-post budgets of all headquarters offices, including the OIAI non-post budget, were cut by 25 per cent. These funds have not been restored and this is reflected in the decrease in the OIAI non-post budget since 2021. The Office acknowledges the budgetary pressures arising from the limited availability of regular resources for UNICEF globally and anticipates that these budgetary pressures on the organization will likely continue. Based on the significant increases in the OIAI workload, management has recently fulfilled an ad hoc request from the Office for some additional non-post resources for 2022. It is anticipated that sustained additional non-post resources will continue to be required. Ongoing non-post budget increases will be needed to cover costs for resuming travel, support for training, short-term staffing demands for ramping up investigations into fraud and corruption, ad hoc needs for consultancy expertise and fulfilling rapidly expanding donor reporting obligations.

(f) Determining the adequacy of budget resources for OIAI to execute its mandate is influenced in great part by projections of the trajectory of the OIAI workload, the ability of UNICEF to implement alternative dispute resolution mechanisms, demands from donors for expanded assurance and investigative information, as well as determining the assurance risk appetite of UNICEF management and the Executive Board. The Office will continue to allocate its available resources to the matters of highest priority and areas of greatest risk, without compromising the quality of its work.

VI. Suggestions and pathways to further strengthen the independence of the Office

27. The following suggestions provide some ideas for further strengthening the independence of OIAI.

(a) Communication with the Executive Board is an important factor in maintaining the independence of the Office. While by the terms of its Charter, OIAI has the independent authority to report to the Executive Board “on any matter it deems relevant,”¹⁸ in practice there are limited interactions between OIAI and the Board. Respecting the need for confidentiality of many of the matters handled by OIAI, the Office would welcome more regular opportunities to brief the Board on matters of interest to the Board as well as establish a line of communication for ad hoc or informal interactions as needed.

(b) Consultation with the Executive Board with respect to any change in the employment status of the Director of OIAI.

(c) Communication from the Executive Board with respect to its expectations for risk management and risk appetite for UNICEF, and links between risk management and oversight activities.

(d) Providing the budget needed by the Office to effectively implement its mandate. Recognizing that UNICEF may be unable to fully meet the budget needs of the Office from its available regular resources due to many competing demands for these very limited resources, consideration could be given to alternative or additional funding models and sources of funding for oversight activities.

(e) Ensure that requests from donors for specific assurance activities and information on investigations are consistent among donors, necessary and respectful of the oversight processes and the single audit principle and do not interfere with the independence of the Office.

(f) Ensure that key policy changes in UNICEF do not affect the Office’s ability to maintain business continuity and its independence.

(g) Ensure the UNICEF policy framework adequately protects the ability of OIAI to independently determine which cases it will consider for investigation.

(h) Encourage the organization to increase the use of alternative dispute resolution mechanisms to address interpersonal conflict and behavioural issues in lieu of investigations and incentivize and equip staff and management to address and resolve conflict, whenever appropriate.

¹⁸ UNICEF, Charter of the UNICEF Office of Internal Audit and Investigations, para. 3.

VII. Conclusion

28. In the view of the Director, OIAI, the Office generally operates with sufficient independence necessary to preserve its integrity and objectivity. Nonetheless, as noted above, there are avenues for further strengthening the independence of the Office. The Office remains committed to protecting its independence and expanding communications with the Executive Board on an as-needed basis.

VIII. Draft decision

The Executive Board

Takes note of the UNICEF Office of Internal Audit and Investigations overview of its functions and an assessment of its independence, and requests regular briefings and informal discussions with the Office in the future.
