

CHARTER OF THE UNICEF AUDIT ADVISORY COMMITTEE (AAC)

Approved:



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1. Context

1.1. The General Assembly of the United Nations views the oversight function as an important part of governance within the United Nations, its funds and programmes, other subsidiary entities as well as specialized agencies and IAEA. In this spirit, it has over the years emphasized the need for greater transparency and accountability, and the more efficient and effective use of the organization's resources and has further stressed the importance of enhanced audit and other oversight functions through the establishment of audit advisory committees populated by independent external persons.

1.2. The Executive Director, in liaison with the Committee, has determined that it is timely now to update the existing Charter of the Committee to reflect current best practice. This Charter supersedes and replaces the Charter dated 9 November 2012.

2. Purpose

2.1. The UNICEF Audit Advisory Committee (hereinafter referred to as the '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 report to the UNICEF Executive Board, summarizing its

work during the reporting period on the robustness of UNICEF's management, audit and evaluation systems.

- 2.2. The Committee has an independent advisory role and is not a governance body, and no language or clause in this Charter shall imply otherwise. The Committee relies on the expertise and knowledge of UNICEF management, together with UNICEF internal auditors, investigators, external auditors and evaluation professionals in carrying out its responsibilities.
- 2.3. The Committee will independently advise the Executive Director in fulfilling his/her governance responsibilities by amongst other things providing advice on the good practices for governance and risk management, oversight on the operation of UNICEF's systems for internal control and accountability framework, compliance with UNICEF's Financial Regulations and Rules, operation of UNICEF's Regulatory Framework, compliance with the United Nations Staff Regulations and Rules; and UNICEF's overall organizational structures. This would mainly encompass governance, risk management, financial management and reporting, internal audits and investigations, evaluations, ethics and external audits.
- 2.4. The internal oversight functions in UNICEF (which report to the Executive Director) include:

- 2.4.1. The Office of Internal Audit and Investigations (OIAI), which is responsible for internal audit and investigation services.
- 2.4.2. The Evaluation Office has overall oversight of the evaluation function at UNICEF as well as conducts corporate evaluations, including thematic and joint evaluations. The decentralized component of the evaluation function is managed by evaluation specialists at the regional and country levels. Regional evaluation specialists carry out multi-country evaluations as well as quality assurance country evaluations. They have dual reporting lines to their respective Regional Director and the Director of Evaluation. Multi-country and country staff manage evaluations as well as support national capacity building.
- 2.5. The external oversight functions in UNICEF include:
 - 2.5.1. The United Nations Board of Auditors (UNBoA), which performs the external audit of UNICEF.
 - 2.5.2. The United Nations Joint Inspection Unit (UNJIU), which is an independent external oversight body of the United Nations system mandated to conduct system-wide evaluations, inspections and investigations.

3. Responsibilities

- 3.1. The primary responsibility of the Committee is advising the Executive Director to assist him/her fulfill UNICEF's governance, risk management and oversight responsibilities. In doing so, the Committee will advise the Executive Director (at least annually) on the adequacy and effectiveness in the following areas:

3.1.1. **Governance and accountability:** The Committee shall:

- (a) Advise the Executive Director on the design and effectiveness of internal governance arrangements at the highest organizational level (e.g. organizational structure, reporting relationship and functional alignment; Global Management Team; advisory committees/boards for treasury, information technology etc.).
- (b) Advise the Executive Director on the mechanisms for organizational assessment of accountabilities and performance management.
- (c) Produce an Annual Report to be made available to the Executive Board in line with established protocol of the session agenda.

3.1.2. **Internal Controls and Risk management:** The Committee shall:

- (a) Advise the Executive Director on the effectiveness and efficiency of UNICEF's internal control systems.

- (b) Advise the Executive Director on Management's updates on key risks, mitigation plans and residual exposure; and the effectiveness of the enterprise risk management structures, processes and reporting.
- (c) Advise the Executive Director on the regulatory framework, including the key policies and changes thereof (including to UNICEF's Financial Regulations and Rules), that significantly affect financial management and reporting, risk management, and internal and external oversight functions.
- (d) Advise the Executive Director on the organization's anti-fraud strategy and its prevention and detection mechanisms.

3.1.3. Ethics and Integrity: The Committee shall:

- (a) Advise the Executive Director on the Code of Ethics and Whistle-blower policy; systems for promoting international civil service rules and staff conduct, integrity standards, managing conflicts of interest; and the quality assurance systems (including the internal and external assessments).
- (b) Also consider the implications of the reports of the Ethics Office and management responses, and highlight as appropriate to the Executive Director, issues that need further examination.

3.1.4. Financial Management and Reporting: The Committee shall:

- (a) Advise the Executive Director on macro financial updates.

- (b) Advise the Executive Director on the draft annual financial statements of UNICEF, including any significant changes in accounting policies, presentations and disclosures.
- (c) Advise the Executive Director on the external auditor's opinion on the financial statements, management letters and other reports arising from the external audit of UNICEF's financial statements.

3.1.5. **Internal Oversight:** The Committee shall:

- (a) Advise the Executive Director on the independence, effectiveness, objectivity, credibility and utility of the internal oversight functions (Internal Audit and Investigations and Evaluation).
- (b) Be consulted on the appointment, removal or contract renewal of the Director of the Office of Internal Audit and Investigation and the Director of the Evaluation Office.
- (c) Advise the Executive Director the strategy, work plans, staffing, budgets and periodic/annual reports of the internal oversight functions.
- (d) Advise the Executive Director on promotion of the understanding and effectiveness of the functions for audit and investigations, and evaluation, and provide a forum to discuss governance, risk management, internal control, fraud and misconduct, evaluations and strive to maintain open communication with these functions.

- (e) In relation to OIAI, also advise the Executive Director on the OIAI Charter; the strategy, and annual work plans; budget and periodic reports; quality assurance and improvement programmes (including the internal and external assessments); the status of actions taken by management on internal audit recommendations; and the public disclosure of internal audit reports. It will also review the risk and control implications of audit and investigation reports, and highlight, as appropriate, issues that need further examination with due consideration as to confidentiality and due process.
- (f) In relation to the Evaluation function, also advise the Executive Director on UNICEF's Evaluation Policy; the strategy, annual work plans, budget and periodic reports; quality assurance systems (including the internal and external assessments); the status of actions taken by management on evaluation recommendations. It will also advise on the implications of evaluation reports and management responses, and highlight as appropriate, issues that need further examination.

3.1.6 External Oversight: The Committee shall provide advice to the Executive Director with regard to:

- (a) the scope and approach of the UNBoA's planned financial statements and performance audits, and the results from reports therefrom.

- (b) the status of UNICEF management's implementation of UNBoA's recommendations.
- (c) the UNBoA's coordination with OIAI.
- (d) the progress of UNICEF management's implementation of recommendations made by the UN Joint Inspection Unit (JIU) annually.

3.2. In order to enable the Committee to fulfill the aforementioned responsibilities, UNICEF management will periodically and adequately brief the Committee on key organizational developments, together with key current and emerging risks, emerging priorities and challenges to UNICEF.

4. Limitation, Liability and Indemnification

4.1. While the Committee has the responsibilities set forth in this Charter, it is not the duty of the Committee to plan or conduct audits, investigations or evaluation, or to determine that the UNICEF financial statements and disclosures are complete and accurate and are in accordance with applicable accounting principles and rules and regulations. As stated above in Article 2.2, the Committee relies on the work performed by Management and various oversight bodies.

- 4.2. The members act in an independent, non-executive capacity while performing their advisory role to the Executive Director and will not be held personally liable for decisions taken by the Committee acting as a whole.
- 4.3. The members will be indemnified for actions taken against them as a result of activities performed in the course of the business of the Committee, so long as such activities were performed in good faith and with due diligence.

5. Authority

- 5.1. The Committee is expected to maintain free and open communication with UNICEF management, and the internal and external oversight functions.
 - (a) The Committee has the responsibility to advise the Executive Director on all activities that are defined in this Charter. The Committee, in exercising its responsibility to advise the Executive Director, may obtain all records and documents that are necessary to perform its responsibilities, including reports of all internal oversight functions and the external audits;
 - (b) in consultation with the Executive Director, study or request investigations into any matter of concern that it deems appropriate;
 - (c) seek relevant information from UNICEF personnel or request information generated from UNICEF's systems. UNICEF staff shall cooperate, except as may

be determined by the Executive Director, with requests made by the Committee in discharging its responsibilities;

- (d) advise the Executive Director to seek independent professional advice on potential areas that have been brought to the Committee's attention by internal or external oversight functions.

5.2. The Committee is empowered to facilitate the resolution of any disagreements between UNICEF management and the internal or external oversight functions, regarding observations, recommendations and reporting and advise the same to the Executive Director.

5.3. The Committee shall meet, in a private session, individually with the Directors of OIAI and the Evaluation Office at each regular meeting. It will also meet with the representatives of the UNBoA at least annually in a private session.

6. Membership Selection, Appointment and Term

6.1. The Committee shall be comprised of six external individuals who are independent of both UNICEF and the UNICEF Executive Board.

6.2. Former UNICEF staff and former delegates to the UNICEF Executive Board members shall be ineligible for appointment to the Committee for five (5) years following their

separation from UNICEF or the cessation of their role as a delegate to the UNICEF

Executive Board. This limitation shall also apply to a candidate who:

6.2.1. Has an immediate family member currently serving as a senior official (rank of Director and above) of UNICEF or has been a senior official in the last five (5) years.

6.2.2. Is, or has an immediate family member who is a current director, executive officer, partner, employee or substantial shareholder with significant influence of an organization that has made payment to or received payments from UNICEF in the last five (5) years.

6.2.3. Has received or has an immediate family member who has received during any 12-month period within the last five (5) years, more than \$50,000, in direct compensation from UNICEF.

6.2.4. Holds any other Board mandate or Member State government appointed position that might infringe on his or her independence.

6.3. The members are to be free of any relationship that would interfere with their exercise of independent judgment.

6.4. The Executive Director shall ensure that the Committee, as a whole, is made up of a balanced mix of professionals from public or private sector organizations with senior leadership experience and familiarity in organizational management, governance,

finance, accounting, risk management, internal auditing and investigations, external auditing, evaluations, ethics, information technology, etc. A strong understanding of the structure and functioning of the United Nations system and/or intergovernmental and international organizations is desirable.

- 6.5. The members will be selected based on a competitive interview process administered by the Office of the Executive Director. The selection process will be based on merit, transparency, professionalism, integrity, competitiveness and equal opportunity for all with due respect given to gender parity.
- 6.6. The members shall be appointed for a term of three years and may be renewed once by the Executive Director. Rotation of membership shall be staggered to allow for continuity.
- 6.7. The members are appointed by the Executive Director in their personal capacity and cannot delegate their Committee responsibilities.
- 6.8. The Chairperson of the Committee shall be elected annually by members of the Committee. The Chairperson of the Committee is responsible for applying the terms of this Charter.

- 6.9. UNICEF will arrange for members to receive a briefing on the operations and priorities of UNICEF; and in areas of organizational technical knowledge necessary for the execution of their functions, including if necessary, on programming and results-based management in UNICEF, emergency response, UN reforms etc.
- 6.10. Members will be expected to serve on a voluntary basis without remuneration. The members will be awarded pro-bono consultancy contracts covering their term of service. UNICEF will cover the costs of travel and provide a daily subsistence allowance incurred in relation to in-person participation in Committee meetings, in accordance with the *Travel and Administrative Arrangements Standard Operating Procedure for the Committee*.

7. Disclosure of Interest

- 7.1. All members of the Committee shall sign a statement of confidentiality and disclosure of interest at the time of joining the Committee. A register of interests will be maintained by the Committee Secretariat to record the declared interests of members in general or specific matters. Where an actual or potential conflict of interest arises, the member will immediately declare it to the Chairperson, and in all cases to the Executive Director. All members of the Committee shall declare conflict of interest if they serve on any other independent advisory committee in the UN system.

- 7.2. Each Committee member is responsible for reviewing all the conditions outlined in clause [6.2] following their appointment. The member may also seek the advice of the UNICEF Ethics Adviser prior to any meeting at which he/she expects any potential conflict of interest to occur and to inform the Chairperson of the outcome of such consultation.
- 7.3. The cases of declared actual or potential conflicts of interest, declared as per clause 7.1 above, will cause the member to be excused from particular discussions or meetings, to abstain from voting on specific matters, or to exceptionally resign from the Committee. The quorum for the meeting will then be required from the remaining members.

8. Meetings

- 8.1. The Committee shall schedule its annual programme of work based on its rolling work-plan, which takes into account the Committee's responsibilities and reporting needs.
- 8.2. The Committee shall meet and hold three meetings a year (at most three days each). The meetings shall be convened by the Chairperson, and a provisional agenda will be circulated together with the invitations to participant offices by the Committee Secretariat. The Committee will look forward to receiving pre-meeting briefing papers that are clear, concise and targeted to the agenda items, not less than three weeks prior to the meeting.

- 8.3. The Committee shall adopt working methods that facilitate the efficient and effective conduct of its work including the use of video conferencing in lieu of in-person meetings. All Committee members are expected to attend each meeting, in person or via video conference. A quorum of the Committee will constitute four members. If the Chairperson is not present at a meeting, the members will elect an acting Chairperson from among those members present and constituting the quorum.
- 8.4. The Committee shall strive to achieve decisions on a consensus basis and by simple majority in the absence of consensus.
- 8.5. The Committee shall meet individually with the Executive Director, at least annually, and with the Deputy Executive Director for Management, the Director of the Office of Internal Audit and Investigations, the Director of Evaluation Office, and the Comptroller at each of its regular meetings. The Committee will periodically invite and meet (either in-person or through videoconferences) other Deputy Executive Directors, and Directors of HQ Divisions and Regional Directors. In addition, the Committee may invite members of Senior Management, and internal and external oversight functions to attend its meetings to assist the Committee in its deliberations.
- 8.6. The Committee shall periodically meet in executive session with the Executive Director, the Director of the Office of Internal Audit and Investigations and other appropriate

managers to discuss any issues that the Committee or any of the foregoing believes should be discussed privately. The Chairperson and the members of the Committee will also meet with the representatives of the Board of Auditors at least annually in a private session.

- 8.7. Documents and informational materials submitted to the Committee, deliberations in the meeting, and the Committee's reports from the meeting will be kept confidential and used solely for such purposes.
- 8.8. The Chairperson shall circulate, usually within six weeks after the meeting but prior to the subsequent meeting at all times, the draft minutes of the meeting and the memorandum of strategic advice to the members and solicit their approval. Once the reports are approved and signed by the Chairperson, they will be issued to the Executive Director.

9. Reporting

- 9.1. The Committee shall prepare an annual report on its substantive work and its own performance (including its compliance with this Charter), which will be submitted to the Executive Director, no later than the end of the first quarter of the calendar year following the calendar year to which the report relates.

- 9.2. The Committee's annual report will be made available to the UNICEF Executive Board at its annual session, in line with the established protocol of the session agenda. The Chairperson of the Committee or a delegated member will be invited to attend annual session of the UNICEF Executive Board.

10. Secretariat

- 10.1. The Executive Director will provide the Secretariat to the Committee, through the Office of Internal Audit and Investigations. The Secretariat should have capacity and resources commensurate to fulfilling its terms of reference.
- 10.2. The Secretariat will convene meetings at the request of the Chairperson. The Secretary of the Committee will serve as the focal point for communication between the Committee and UNICEF.
- 10.3. The terms of reference of the Secretariat will be proposed for the approval of the Executive Director, by the Chairperson of the Audit Advisory Committee.

11. Coordination

- 11.1. The Chairperson may meet with the chairpersons of other independent audit and oversight committees within the United Nations system, normally through

videoconferencing or tele-conferencing as deemed necessary, to exchange practices and discuss system-wide audit and oversight issues while maintaining confidentiality with regard to the Committee.

12. Amendments to Charter

- 12.1. The Committee may advise the Executive Director on the need to review or amend the Charter. On agreement by the Executive Director to review the Charter, the Committee Secretariat will propose the amendments for review, comment and approval by the Executive Director. The Executive Board will be informed of such changes at the annual session [through the Committee's Annual report].

13. Performance Assessment of the Committee

- 13.1. The Chairperson together with Committee members are responsible for conducting an annual self-assessment of the Committee's performance and effectiveness and identifying areas that work well and those presenting opportunities for enhancements.
- 13.2. The Committee shall also solicit structured feedback from the Executive Director annually to help strengthen the Committee's effectiveness.

- 13.3. The summary of the overall annual assessment will be presented in the Committee's Annual Report to the Executive Board.
