UNICEF Audit Advisory Committee

2019 Annual Report to the Executive Board

Summary

The present report provides information on the activities of the Audit Advisory Committee (AAC) of UNICEF for the calendar year 2019. It presents an overview of the AAC, describes the key areas of coverage and summarizes the advice given to UNICEF Management during 2019.
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I. Overview

1. The UNICEF Audit Advisory Committee (AAC, or “the Committee”) is an independent advisory body (without management powers or executive responsibilities) that advises the Executive Director and informs the Executive Board in accordance with its Charter (Terms of Reference) approved by the UNICEF Executive Director on 9 November 2012, and supplemented by additional areas requested to be covered by Management. In 2019, the Committee’s proposed revised draft Charter, and the management response thereof, were reviewed in light of the recommendations contained in the 2019 Joint Inspection Unit report (JIU/REP/2019/6) on the review of audit and oversight committees in the United Nations system. The Committee looks forward to the finalization of the new Charter in 2020.

2. The AAC comprises six members, who are independent of both UNICEF and its Executive Board and serve on the Committee on a pro bono basis. The Committee collectively possesses expertise in governance, risk management, internal control, oversight, finance, financial reporting, internal and external auditing, investigation and evaluation. All members declared the absence of any actual or potential conflicts of interest in exercising their responsibilities.

3. In undertaking its duties, the AAC is mindful of the contextual environment in which UNICEF is required to: (a) respond and deliver results for children in an effective and efficient manner, with a focus on equity; (b) respond to several global humanitarian crises, managing partnerships for results and in the context of the aid funding environment; and (c) conduct itself in accordance with its core values of care, respect, integrity, trust and accountability.

4. The AAC held three regular meetings in 2019. During the year, the Executive Director appointed one new member to fill a vacancy (after the completion of two terms by a previous member) and renewed the membership of two members for a second term of three years. (See the annex for the membership and meeting schedule).

5. The AAC met with the Executive Director, maintained engagement with the Deputy Executive Director, Management a.i. (as the key management liaison), and also met with the two Deputy Executive Directors respectively responsible for Programmes and for Partnerships, two Regional Directors and several Directors of headquarters offices. Other UNICEF senior staff made valuable presentations at AAC meetings.

6. The Committee issued memorandums containing strategic advice to the Executive Director, which were appended to the minutes of each Committee meeting. The AAC did not seek a response to each point of advice as if these were audit recommendations; rather, it expected that they would be considered by Management in the conduct of the work of UNICEF. The Executive Director acknowledged these memorandums and provided the UNICEF perspectives and updates on the key advice provided.

7. The Committee recognizes the positive steps taken by UNICEF in 2019, especially in the areas of commitments to strengthening organizational culture, promoting matrix reporting arrangements, and closer monitoring of implementation of the recommendations made by the oversight offices.

8. The key advice provided by the Committee to the Executive Director following the three meetings is summarized below (details are available in section IV of this report):

   (a) **Strategy and governance**

   i. In the context of United Nations reform, use the lessons learned from the implementation of the Mutual Accountability Framework (MAF) at the country office level to inform the UNICEF contribution to the finalization of the regional and global chapters of the MAF; and recommend to the United Nations the need to strengthen inter-agency coordination structures to ensure systematic monitoring of the metrics related to agency-specific accountabilities and achievements. (Para. 14.a)

   ii. Take cognizance of the ‘review fatigue’ arising from the series of important external reviews by management and ensure the participation of all stakeholders in strengthening organizational culture. (Para. 14.b)

   iii. Review the UNICEF accountability framework and ensure that various issues identified in the Independent Task Force review are considered within the accountability framework. (Para. 14.c)
iv. Assign ownership for change management initiatives for coherence and effectiveness. *(Para. 14.d)*

v. Formulate a cohesive organizational data strategy, framework, systems and processes for improved data governance, management and usage for better results. *(Para. 14.e)*

vi. Make prioritized and futuristic investments in areas like fundraising, information and communications technology, and staff capacity-building as the drivers of the next generation of UNICEF growth. *(Para. 14.f)*

(b) **Risk management and internal control**

i. Review the organizational accountability framework for enterprise risk management (ERM), including the need for a dedicated Chief Risk Officer reporting to the Executive Director; and issue a revised ERM policy that, among other matters, defines the ERM framework, roles and responsibilities, and clarifies the principles of organizational risk appetite and risk tolerance. *(Para. 15.a)*

ii. Accelerate preparedness for the UNICEF statement on internal control in the financial statements, based on a structured mapping of the organizational key risks and controls; and closely review the cryptocurrency pilot, in terms of the risks, opportunities, due diligence requirements and realization of expected results; and report the results to the Executive Board. *(Para. 15.b)*

iii. Periodically review, update and test the organizational business continuity and disaster recovery plans to maintain their relevance and assess their effectiveness; and share the learnings with the Global Management Team (GMT) as well as other offices for cross-learning. *(Para. 15.e)*

iv. Review the cybersecurity risk analysis to assess the need, options and costs of cyberinsurance; and include an external industry expert on its Information and Communication Technology Board. *(Para. 15.g)*

(c) **Oversight functions**

i. Develop an internal audit strategy informed by the UNICEF data strategy, key risks and the external quality assessment; and ensure that the workplan is risk-based, with a better balance of country office and thematic audits, considers work planned by other assurance providers, clearly reflects significant assurance gaps and reflects increased advisory engagements. *(Para. 18.a and 18.b)*

ii. Explore ways to conduct independent, proactive work to detect red flags and irregularities, including those based on the results of investigations conducted (trend, patterns and forensic analysis). *(Para. 18.c)*

iii. Explore the option of conducting a robust self-assessment against the revised evaluation policy of UNICEF (2018) to obtain a midterm assessment of the health and model of the evaluation function in UNICEF, strengthen performance scorecards, and institute periodic exception reporting to executive management. *(Para. 19)*

iv. Maintain consistency in the arrangements for the independence of the Ethics Office, similar to that for the other internal oversight offices (e.g. leadership tenure, budget management and AAC oversight). *(Para. 20)*

9. The AAC shared the largely positive results of its 2019 self-assessment with the Executive Director and made some suggestions that can further strengthen its own effectiveness. *(Para. 28)*

## II. Mandate of the Audit Advisory Committee

10. The UNICEF Audit Advisory Committee is an independent advisory body (without management powers or executive responsibilities) that advises the Executive Director and informs the Executive Board on the conduct of management responsibilities in accordance with policies and procedures, inclusive of the UNICEF Financial Regulations and Rules, the United Nations Staff Regulations and Rules and other relevant directives. The Committee operates in accordance with its Charter (Terms of Reference), which was approved by the UNICEF Executive Director on 9 November 2012. The Committee proposed a revised draft Charter in 2018, and the

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1 The Audit Advisory Committee (AAC) also provided advice to the UNICEF oversight functions, namely the Office of Internal Audit and Investigations, the Ethics Office, the Evaluation Office and the Office of the Ombudsman for United Nations Funds and Programmes.
management’s response thereto was reviewed in light of the recommendations made in the Joint Inspection Unit report (JIU/REP/2019/6) on the review of audit and oversight committees in the United Nations system. The Committee looks forward to the finalization of the new Charter in 2020.

11. The primary responsibility of the Committee is to play an advisory role, without management powers or executive responsibilities. The Committee provides advice to the Executive Director and informs the Executive Board in fulfilling its governance and oversight responsibilities by reviewing and advising on the following:

- Adequacy and effectiveness of governance, risk management, internal control and financial reporting;
- Actions taken by management on audit recommendations;
- Independence, effectiveness and objectivity of the internal audit, investigations and external audit functions.²

The Committee proposed a revised draft Charter for the Executive Director’s review in April 2018, to reflect the changes (in the membership size), additional responsibilities already undertaken (evaluation and Joint Inspection Unit), as well as leading practices in the audit and oversight committees. The Charter was reviewed again with Management in light of the recommendations in the 2019 Joint Inspection Unit report (JIU/REP/2019/6) on the review of audit and oversight committees in the United Nations system. The Committee looks forward to the finalization of the new Charter in 2020, which will reflect the recommendations of the Joint Inspection Unit report, leading practices in the audit and oversight committees of other United Nations system organizations, and the expectations of the Executive Director to enable the Committee to discharge its responsibilities more effectively. In particular, it looks forward to strengthening its role in the appointment/contract renewal/removal of the heads of the internal oversight offices.

III. Audit Advisory Committee workplan

12. The Committee’s rolling three-year workplan (2017–2019) guided its activities to meet its responsibilities. The workplan enables the AAC to identify offices mapped to key strategic risks, assess the degree of engagement required with the relevant offices, and provide advice to strengthen governance, risk management and internal controls in UNICEF. The workplan includes field trips, as approved by Management, to cover the organization’s decentralized programmatic operations and its inter-agency work in the field and thus influence the quality of the ensuing advisory support.

IV. Summary of the Committee’s activities and advice

13. Based on the information provided by Management, the organizational strategic priorities and the structures and systems for governance, risk management and oversight appear to be generally well established, articulated and functioning, except for the areas highlighted in the key strategic advice in the following paragraphs. The sections that follow present highlights of the areas covered and the advice provided by the AAC in 2019 for the areas of its responsibilities as defined in its Charter. The Committee’s advice is summarized as follows:

- Section IV (A): covers the advice provided in the areas of strategy and governance;
- Section IV (B): covers the advice provided in the areas of risk management and internal control;
- Section IV (C) covers the advice provided on the UNICEF oversight system, including internal audit and investigations, evaluations, ethics and the Ombudsman services.

² The approved mandate of the AAC is supplemented by additional areas (i.e., evaluation and status of Joint Inspection Unit review recommendations) that were requested by Management to be included as part of the Committee’s responsibilities.
A. Strategy and governance

14. The Committee reviewed the organizational strategic priorities, structures and systems for governance. The Committee also reviewed management updates on key organizational strategic priorities and discussions at the GMT. The effectiveness of the GMT is pivotal in clarifying macro-level accountabilities, setting the organizational risk appetite, reviewing the management of the highest risk exposures, and exemplifying the UNICEF culture and core values, as outlined by the Executive Director. The GMT should also be a medium for furthering management oversight and actions on implementation of oversight recommendations (United Nations Board of Auditors, internal and external audits and Joint Inspection Unit). In 2019, the Committee provided advice in the following areas:

(a) United Nations reform agenda: At each of its meetings, the Committee received status updates on the progress of the repositioning of the United Nations development system (i.e. the United Nations reform agenda), the potential implications and the evolving positions of UNICEF.

The Committee advised UNICEF to:

- Review the implementation of the Mutual Accountability Framework (MAF) at the country office level, and use the lessons learned to inform the UNICEF contribution to the finalization of the regional and global chapters of the MAF.
- Use the meetings of the United Nations Chief Executives Board for Coordination as a platform to reinforce collaboration among agencies that have seemingly overlapping mandates, to mitigate the risks of duplication, inefficiency, unhealthy competition and non-achievement of objectives, with a view to achievement of the Sustainable Development Goals.
- Recommend to the United Nations the need to review the inter-agency coordination structures currently in place, to identify opportunities for improvement, and ensure that there is systematic monitoring of the metrics related to respective accountabilities on matters relating to inter-agency collaboration and the achievement thereof.
- Be mindful of the additional internal organizational costs, and systems and capacity needs in relation to the United Nations reform (beyond the computed incremental cost share); and monitor the impact of new funding arrangements as a result of the reforms on private sector resource mobilization.
(b) **Organizational culture:** The AAC was updated on the ongoing actions being taken by UNICEF to strengthen its organizational culture, including the results of the report of the Independent Task Force on Workplace Gender-Discrimination, Sexual Harassment, Harassment and Abuse of Authority. It also received briefings from the Principal Adviser, Organizational Culture.

The Committee advised UNICEF to be mindful of the ‘review fatigue’ arising from the series of important external reviews commissioned by Management and the implementation of their recommendations, and to ensure the participation of all key organizational stakeholders (including those most affected by the changes) in strengthening the organizational culture.

(c) **Accountability:** As part of the Committee’s meetings with several headquarters offices during 2019, it also reviewed the organizational structure and reporting linkages.

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<th>The Committee advised UNICEF to:</th>
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<tr>
<td>• Review the UNICEF accountability framework and ensure that various issues identified in the Independent Task Force report are included and operationalized within the framework.</td>
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<td>• Ensure clear communication to staff on the distinct roles and responsibilities of the different actors in addressing matters relating to workplace gender discrimination, sexual harassment, harassment and abuse of authority (Senior Coordinator, Protection from Sexual Exploitation and Abuse and Workplace Abuse; Principal Adviser, Organizational Culture; Ethics Office; Office of Internal Audit and Investigations; and the Ombudsman for United Nations Funds and Programmes) and to avoid overlaps, duplication or inefficiency.</td>
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<td>• Ensure the operational independence of the UNICEF Office of Research and Office of Innovation, while finalizing their responsibilities following the repositioning and realignment exercise.</td>
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(d) **Change management:** The Committee held discussions with headquarters and regional offices and received their feedback regarding the corporate organizational improvement initiatives that are concurrently under way.

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<td>• Consider the need to assign an owner for organizational change management, for improved coherence, efficiency and effectiveness.</td>
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<td>• Orient management actions, amid multiple change management initiatives, towards the tasks that add value, eliminate non-value-added tasks, and reduce the burden and costs on offices (e.g., avoid introducing additional controls without first removing ineffective or overlapping ones; and simplify existing policies or introduce new user-friendly ones).</td>
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(e) **Data strategy:** The Committee engaged with key offices managing the organizational data and reporting responsibilities on the existing challenges, opportunities and actions that are under way.

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<td>• Formulate a cohesive organizational data strategy, framework, systems and processes for improved data governance, management and usage for better results.</td>
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<tr>
<td>• Ensure that the roles and responsibilities for the creation, collation and especially the quality assurance of data and analysis for the annual report of the Executive Director of UNICEF and its addendum and annexes continue to be strengthened.</td>
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(f) **Investments for growth:** The Committee reviewed the organizational revenue forecasts and the resultant investment appetite amid competing demands on organizational resources in a tough aid environment.
The Committee advises UNICEF to continue to make prioritized, prudent and futuristic investments in key areas like fundraising, information and communications technology and staff capacity-building (despite the downward revision in revenue forecasts for 2020/21), as these areas constitute the drivers of the next generation of UNICEF growth.

**B. Risk management and internal control**

15. The Committee reviewed the progress of the initiatives taken towards strengthening ERM and internal control and concluded that there were opportunities to strengthen its operating effectiveness.

   (a) **Enterprise risk management:** Over the years, the AAC has consistently monitored the UNICEF ERM and practice. The decentralized nature of authority and responsibilities in UNICEF means that the management of risks is largely within the domain of the concerned responsible office. The need for a robust, real-time, strategic and operational risk identification, analysis and reporting system therefore cannot be overemphasized. The AAC was apprised of the progress being made in implementing a common tool for ERM and policy management in 2019.

   The Committee advised UNICEF to take actions to:

   - Review the organizational accountability framework for enterprise risk management (ERM), including the need for a dedicated Chief Risk Officer reporting to the Executive Director (given that the risk secretariat is currently a subunit within the Office of the Comptroller, and the Global Management Team receives a briefing on ERM only once a year).
   - Issue a revised ERM policy that, among other matters, explains the ERM framework, roles and responsibilities, and clarifies the principles of organizational risk appetite and risk tolerance.
   - Consider the need for the Office of Emergency Programmes to formulate an enterprise-level risk assessment for risks relating to humanitarian action, in addition to the risk and control self-assessment that it conducts for its own division.

   (b) **Internal control:** The AAC regularly requested updates on the progress of management initiatives and specific actions being taken to strengthen the internal controls of UNICEF and its “second line of defence”.

   The Committee advised UNICEF to:

   - Accelerate management preparedness for inclusion of the UNICEF statement on internal control in the financial statements, based on a structured mapping of the organizational key risks and key controls. (The AAC had, in previous years, advised the UNICEF Management to adopt a statement on internal control that would each year present an overall management assertion on the adequacy and effectiveness of internal controls.)
   - Closely review the cryptocurrency pilot, in terms of the risks, opportunities, due diligence requirements and realization of expected results. Continue to formally inform the Executive Board on the outcomes of the pilot.
   - Explore opportunities to avail of discounts on timely payments to vendors, especially in view of the functional centralization of vendor payments in the Global Shared Services Centre.
   - Strengthen ongoing actions for continuous monitoring by Management, using automation and scripts, with due regard to the most significant risks, impacts on the Enterprise Resource Planning system, frequency of controls and insights from audit and investigations on the risk scenarios (potential or actual).
   - Conduct an audit of the treasury function in view of the long interval since the previous audit (internal or external).
(c) **Resource mobilization and partnerships:** The AAC was briefed on the public and private sector resource mobilization outlook, donor conditionalities and priorities, and key risks and opportunities.

The Committee advised UNICEF to strengthen its oversight as well as the cooperation agreements with the National Committees for UNICEF following the review of the audit results (by the United Nations Board of Auditors and the UNICEF Office of Internal Audit and Investigations).

(d) **Financial management and reporting:** The Committee reviewed the key results from the Board of Auditors’ report on the 2018 financial statements and the status of implementation of the recommendations, discussed financial and fraud risk management, and received updates on treasury operations.

The Committee advised UNICEF to consider adopting hedge accounting to ensure that the exact positions for internal and external investments and exposures are duly reflected in the financial statements.

(e) **Business continuity and disaster recovery planning:** The AAC was briefed on the plans and activities relating to business continuity and disaster-recovery planning, both from a business and an information and communications technology infrastructure standpoint.

The Committee advised UNICEF to:

- Periodically review, update and test organizational business continuity and disaster recovery plans to maintain their relevance and assess their effectiveness. Share the lessons learned from the exercises with the Global Management Team as well as other offices, for cross-learning.
- Strengthen articulation of business continuity roles and responsibilities at the regional and country office levels, to enable optimal coordination, especially when they are distributed to staff performing different functional roles.
- Design and implement a practical and cost-effective system of periodic testing for field offices to ensure that information and communications technology risk management efforts (e.g., network and perimeter security, staff training, third-party contracts) are globally effective and also address the smallest offices, which could potentially be the weakest links in the network.

(f) **Human resources:** The Committee received briefings on the progress of key reforms in the areas of recruitment, performance management and business partnerships.

The Committee advised UNICEF to:

- Review and strengthen the human resource capacity in the field offices beyond the traditional recruitment functions.
- Strengthen the current information and communications technology system for performance management to enable it to meet the organization’s requirements for matrix management arrangements. (In addition, the responsibilities and procedures to deal with potential conflicts resulting from matrix arrangements between the field and headquarters levels should be clearly defined and communicated.)

(g) **Information and communications technology:** The Committee received briefings on risks related to information and communications technology (ICT) governance, cyberrisk assessment, ICT business continuity and incident reporting and management mechanisms.
The Committee advised UNICEF to:

- Review the current contractual arrangements with third parties providing information and communications technology (ICT) and related services, to ensure that (i) they include a right-to-audit clause in contracts; (ii) reports are received from such third-party vendors and reviewed to obtain assurance relating to the vendor’s financial viability, business continuity, internal control, data security and privacy.
- Review its cybersecurity risk analysis and assess the need, options and costs of cyberinsurance.
- Consider including an external industry expert on its ICT Board to further strengthen the ICT-business linkages, challenge internal thinking, where necessary, and provide insights to help to better identify and manage key existing and emerging ICT risks (e.g. cybersecurity, privacy and innovation).
- Ensure that the information security programme that was under development includes the management of risks relating to data leaks and offers guidance on prevention and protection.

(h) **Harmonized approach to cash transfers (HACT):** The Committee acknowledged the progress of the existing systems of quantitative assurance monitoring (percentage completion of scheduled assurance activities, such as programmatic visits, spot checks and scheduled audits).

The Committee advised UNICEF to supplement the current systems with mechanisms for stronger qualitative assurance monitoring that provide key lessons from completion of scheduled activities – either by region or by themes (programme design, access and security, partner risks, national capacity, etc.). This will enable both UNICEF and the Executive Board to better assess the design and operating effectiveness of the harmonized approach to cash transfers in its field offices.

(i) **Regulatory matters:** The Committee reviewed the regulatory framework under which the organization operates, especially in the context of the key change management initiatives.

The Committee advised UNICEF to:

- Undertake a periodic review of the Financial Regulations and Rules to confirm that the information is up-to-date and aligned with other current regulations (e.g., the revisions to the greetings cards business model, or the absence of references to the role of the Audit Advisory Committee).
- Identify the potential for an appropriate, legally tenable mechanism, in consultation with the Office of Legal Affairs, United Nations Secretariat, to ensure that mere “resignation” by alleged offenders on matters relating to misconduct and abuse of authority does not constitute remediation. Other deterrence options include withholding financial entitlements, reinforcing onboarding contract language and effective training programmes.

16. The AAC had requested updates on previous deliberations from the UNICEF legal office and had also requested a discussion at the December 2019 meeting. However, the updates were pending, and the legal office was unable to meet the Committee in December 2019.

**C. Independence, objectivity and effectiveness of the oversight functions**

17. The AAC review of the functioning of the UNICEF oversight system comprised reviews of the independence, objectivity and effectiveness of internal audit, investigations, external audit, evaluation and ethics. The Committee met with the Ombudsman for United Nations Funds and Programmes once during the year and also covered the status of updates on the open recommendations from the reports of the Joint Inspection Unit. The review was also informed by interactions with the executives responsible for financial, management and programme accountability. Overall, the oversight functions were generally well established and functioning, and the Committee encourages the oversight functions of audit and evaluation to collaborate more closely in workplanning to reduce the burden on offices and provide more strategic advice to Management. A summary of the Committee’s interactions, scope of review and advice is detailed below.
18. **External audit:** The AAC had private sessions with the senior leadership of the Board of Auditors during two of the three committee meetings held in 2019. The Committee had constructive discussions with the Board of Auditors and the UNICEF Comptroller on the key observations from the Board of Auditors’ 2018 draft report. The Board of Auditors briefed the Committee on its workplans and the key results achieved, and confirmed that there had been no impairment to their independence, or any scope limitations. The Committee appreciates the candid discussions and emphasizes the importance of the Board of Auditors for independent oversight. The Committee covered:

(a) **Review of the 2018 financial statements and management letters:** In April 2019, UNICEF shared the draft 2018 UNICEF financial statements with the AAC for its review and comments, following which the Committee provided substantive written feedback and discussed the feedback during its regular meeting. The Committee subsequently also received a written response from UNICEF acknowledging and providing clarification to the AAC comments. The AAC is pleased to note that the 2018 financial statements received an unqualified audit opinion from the Board of Auditors.

(b) **Review of the Board of Auditors’ recommendations:** In the discussions with the Office of the Comptroller and the Board of Auditors, the Committee reviewed the audit recommendations as well as the progress made on their implementation. The AAC was informed in December 2019 that there were four recommendations older than two years from the year of report issuance, and two recommendations not accepted by UNICEF on which discussions were under way with Board of Auditors to find a mutually accepted way to mitigate the issues identified. The Committee advised UNICEF to closely coordinate and communicate with the Board of Auditors to facilitate closure of old open recommendations that are deemed to have been completed by UNICEF.

19. **Internal audit and investigations:** The Committee was glad to note the arrival of the new Director of the Office of Internal Audit and Investigations (OIAI), and the statement of “general conformance” (i.e., the top rating) in the 2019 report of the external quality assessment of the internal audit function. The Committee took cognizance of the improvement opportunities identified in the report, and also looks forward to the results of the external consultancy advisory in early 2020 on a new internal audit strategy.

(a) **Internal audit:** During each of its three meetings in 2019, the AAC had private sessions with the Director, OIAI (or the Deputy Director, during the period when the Director’s post was vacant). The Committee appreciates the candid discussions with OIAI and emphasizes the importance of the office as a key pillar of independent oversight.

The Committee advised UNICEF to:

- Develop an internal audit strategy that is informed by the UNICEF Strategic Plan, 2018–2021, by the key risks and by its external quality assessment.
- Consider ways to address new and emerging risks in the internal audit workplan for a better balance between country office audits, thematic audits and advisory engagements.
- Include forensic and data analytics skills in the Office of Internal Audit and Investigations resource pool (and in the job descriptions for auditors and investigators) and use these skills for proactive and continuous auditing and investigations; and also leveraging the management monitoring initiatives (e.g. transaction-level monitoring).
- Prepare a gap analysis to assess the adequacy of its resources and staff skills sets, to sufficiently cover the organizational risks and better fulfil its mandate and its pronouncement on the annual opinion. (This will also help to clarify the correlation between the potential gaps in audit coverage and resource needs, if any.)

(b) **Review of the OIAI workplan and implementation progress:** The Committee was apprised of the progress of the 2019 OIAI workplan at each of its meetings and took note of the rationale for the changes made to the risk-based workplan. At its December 2019 meeting, the Committee also reviewed the draft OIAI workplan for 2020 and requested additional details for an offline review in January 2020 prior to its submission to the Executive Director.
The Committee advised UNICEF to strengthen the internal audit workplanning process by taking actions to:

- Ensure that the 2020 annual workplan clearly:
  (a) Demonstrates the combined assurance approach of considering work done by other assurance providers;
  (b) Outlines the overall coverage of risks and the assurance gap, especially for the high- and medium-risk areas (considering the full universe of risks); and the clear rationale for the selection, or otherwise, of thematic areas, considering its risk rankings and prioritization framework;
  (c) Articulates a conclusion on the adequacy of internal audit resources to serve its mandate effectively.

- Approach the opportunity for use of enhanced advisory services by the Office of Internal Audit and Investigations (OIAI) after:
  (a) Having a clear understanding of the executive leadership’s need for such services from OIAI;
  (b) Identifying the impact of such additional services on the core assurance component of its work;
  (c) Carefully considering the practical risks of conflicts of interest to the assurance work (in accordance with internal audit professional standards);
  (d) Assessing the adequacy and competency of the resources for such services.

(c) **Investigations:** The Committee noted the exponential increase in the caseload during the year (especially relating to abuse of authority, and sexual exploitation and abuse and workplace harassment), and also noted the increase in the number of investigator posts and the plans to appoint some investigators to the UNICEF office in Budapest in 2020.

The Committee advised UNICEF to:

- Use a transparent framework, with clear criteria in considering and establishing sustainable and effective models for decentralization of the investigative (and audit) functions, following the arrival of the new Director, Office of Internal Audit and Investigations (OIAI), and after considering the lessons learned from similar experiences in other United Nations system agencies.
- Consider the lessons learned from other United Nations system organizations on the implementation of lay panels for investigations.
- Review the mandate and role of OIAI in the case of investigations conducted by third-party firms (not engaged by OIAI), and the responsibilities for reporting the results of such investigations to the Executive Board.
- Formulate a more sustainable, longer-term OIAI strategy to ensure knowledge transfer and organic capacity-development within the Investigations Service of OIAI.
- Explore ways to conduct independent, proactive work to unearth or detect red flags and irregularities based on the issues already identified from investigations conducted (e.g., trend, pattern and forensic analysis).
- Conduct a skills gap assessment of the investigations resources to ensure there is an adequate mix of the skills necessary for an investigation function to operate over the next decade, which can appropriately cover cases relating to fraud, financial impropriety, asset losses, sexual exploitation, abuse and harassment and abuse of authority, and is also adept in the use of forensic and data analysis tools.

(d) **Review of periodic OIAI activity reports:** At each of its 2019 meetings, the AAC reviewed the comprehensive periodic OIAI activity reports, paying attention to workplan progress, key recommendations and the status of recommendations from internal audit reports. The AAC also monitored the status update on the publication of internal audit reports, including the cases of redaction of applicable internal audit reports and their conformance with the criteria specified in the relevant Executive Board directives.
(e) **Review of the OIAI annual report and annual opinion:** Executive Board decision 2015/11 requested OIAI to include in future annual reports “[a]n opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the organization’s framework of governance, risk management and control.” At its first meeting in 2019, the Committee reviewed the OIAI annual report for 2018, including the opinion and rationale for its overall conclusions.

20. **Evaluation Office:** The Committee received briefings from the Evaluation Office during each of the three regular meetings in 2019. The Committee is appreciative of the frank discussions with the regional evaluation advisers, and monitoring and evaluation staff from all regions, together with the corporate evaluation function. The Committee appreciates the importance of several completed evaluations in the past year that also informed management reviews (including the repositioning and realignment exercise). The Committee noted progress in the gradual strengthening of regional evaluation systems, the growing role of the corporate evaluation function in leading actions for advocating for the principles of independence, standards and norms, and quality of evaluations. The Committee noted that implementation of the revised evaluation policy appeared to be on the right track. The Committee highlighted the following opportunities to further strengthen the Evaluation Office.

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<td>• Implement the scheduled plans for appointing dedicated Regional Evaluation Advisers in the remaining two regions (Latin America and Caribbean, and Europe and Central Asia), and appointing a Deputy Director for the evaluation function, in line with the other oversight functions within UNICEF (and evaluation functions in other similarly-sized and decentralized United Nations organizations) during the upcoming organizational midterm review.</td>
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<td>• Address the gaps in evaluation planning and decentralized evaluation coverage in specific regions, and implement a mechanism for periodic exception reporting to executive management on: the extent of evaluations completed (or not done for years), by country and region; the age and risk levels of both the submission of management responses to evaluation reports and the implementation of evaluation recommendations (similar to the model used by the Office of Internal Audit and Investigations).</td>
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<td>• Explore the option of doing a robust self-assessment in light of the revised evaluation policy, to obtain a midterm assessment of the health and model of the evaluation function in UNICEF. This will include gaining an understanding of the areas that are working well and those needing improvements across regions, thus enabling cross-regional learning, and understanding the effectiveness of the matrix management arrangements.</td>
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<td>• Strengthen corporate support to the Regional Evaluation Advisers to enable them to engage with Regional Management Teams and regional priorities; maintain an emphasis on evidence (data and research) while preserving independence; expedite guidance material on new country programme evaluations; improve the planning cycle for evaluations; and strengthen capacity.</td>
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<td>• Clarify accountabilities, roles and reporting lines on specific evaluation activities in the planned matrix arrangements (e.g., headquarters to Regional Evaluation Advisers; Regional Evaluation Advisers to monitoring and evaluation staff in the country offices), especially on balancing the normative and knowledge-sharing role of the headquarters evaluation function with the need to preserve the field evaluation technical know-how and initiatives. Promote uniformity in good practices of involving Regional Evaluation Advisers in regional management team meetings.</td>
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<td>• Ensure that the organizational performance scorecards relating to evaluation are strengthened by including monitoring indicators for evaluation quality and budget utilization (in addition to evaluation submission and implementation of evaluation recommendations). Focus on the quality and use of evaluations as a performance metric, together with an emphasis on conducting an adequate number of evaluations.</td>
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<td>• In light of United Nations reforms, use system-wide and newer types of evaluations.</td>
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<td>• Make the Evidence Information Systems Integration platform more user-friendly and provide the necessary training for its optimum utilization.</td>
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• Review the benchmarks outlined by the Joint Inspection Unit on evaluation spending targets (which are higher than the current UNICEF target of 1 per cent), while acknowledging the gradual progress made by UNICEF in increasing its evaluation spending.

21. **Ethics Office**: The Principal Adviser, Ethics, updated the Committee on the key ethics interventions in 2019, including training sessions and campaigns; contributions to policy formulation; administration of the Conflict of Interest and Financial Disclosure Programme; and providing confidential advice and guidance to staff on ethical issues. The discussions also covered the role of the Ethics Office in the ongoing response by UNICEF to protection from sexual abuse and exploitation, abuse of authority, and strengthening the organizational culture.

The Committee advised UNICEF to maintain consistency in the independence arrangements for the Ethics Office, similar to that for the other internal oversight offices, especially in terms of the arrangements for the leadership tenure, budget management and AAC oversight. The AAC looks forward to receiving an update on the experiences and lessons learned from the implementation of the revised Conflict of Interest and Financial Disclosure programme.

22. **Ombudsman’s Services**: In addition to the aforementioned oversight offices, the Committee also met with the Office of the Ombudsman for United Nations Funds and Programmes. The AAC also took note of plans for the creation of a worldwide panel of external mediators, which will be managed by a mediation unit embedded within the Ombudsman’s Office.

The Committee advised UNICEF to:

- Consider conducting a few pilot exercises of the new models of using mediation services (and cost recovery for such use) and roll out globally after making adjustments based on lessons learned from the pilot exercises. UNICEF should also monitor the impact of the new models on staff confidence in approaching the Office of the Ombudsman for United Nations Funds and Programmes and the related attitude of country office management as a result of the introduction of localized cost-recovery approaches.
- Consider the potential for formally presenting the annual report of the Office of the Ombudsman of the United Nations Funds and Programmes to the Executive Boards of the sponsoring organizations, especially in view of the increasing commitment to and investments in the expanding role of the office by UNICEF, and as supported by the recommendations of the Joint Inspection Unit in this regard.
- Clarify to staff the specific roles of all offices that have different roles in the management of workplace conflicts and conduct, and the available mechanisms for redress.

23. **Joint Inspection Unit review**: In 2017, the Committee was requested by UNICEF to include within its mandate the review of the status of recommendations from the reports of the Joint Inspection Unit. In April 2019, the AAC reviewed the 2018 UNICEF report to the Executive Board on the status of recommendations of the Joint Inspection Unit reports and provided advice on the pace of implementation.

The Committee advised UNICEF to review the older open recommendations of the Joint Inspection Unit (a total of 9 recommendations issued during 2010–2014, and a total of 14 between 2016–2017) and make time-bound action plans to implement them (or explain the loss of their relevance, or having been overtaken by events).

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D. Reporting to the Executive Director and the Executive Board

24. **Executive Board:** The Chair of the AAC attended the 2019 annual session of the Executive Board, at which the 2018 annual report of the Committee was presented. The Chair was available to respond to questions or comments from the Board related to the report.

25. **Executive Director of UNICEF:** The AAC appreciated the presence of the Executive Director at its April 2019 meeting and benefited from her vision and insights. The AAC submitted a summary of strategic advice, together with the minutes of the meeting, to the Executive Director after each of its three regular meetings in 2019. The summaries focused on the most-pressing topics arising from each meeting.

26. **Joint meeting of the oversight committees of the United Nations system:** The fourth meeting of the representatives of the United Nations system oversight committees, hosted by the Independent Audit Advisory Committee of the United Nations, was held from 10 to 11 December 2019 in New York. The meeting was attended by 27 participants representing the oversight committees of 21 United Nations system entities, and included Mr. Kamlesh Vikamsey, Chair, UNICEF Audit Advisory Committee. The meeting highlighted the need for a continued focus by the management of the respective United Nations system organizations in the areas of culture, investigations, emerging risks, cybersecurity, independent system-wide evaluations and financing of After Service Health Insurance.

V. Conclusions and the way forward

27. The Committee met thrice in 2019 and met its mandate in providing advice to the Executive Director for improving effectiveness in multiple areas, including strategy and governance, risk management and internal control, and the oversight offices. The AAC also submitted its annual report for 2018 to the Executive Board.

28. The Committee recognizes the positive steps taken by UNICEF since the issuance of its previous annual report, especially in the areas of commitments to strengthening the organizational culture, promoting matrix reporting arrangements and innovations, and closer monitoring of implementation of the recommendations of the oversight offices. The Committee, however, advises UNICEF to closely monitor the risks and opportunities emanating from the United Nations reform, operationalizing effective ERM and strengthening the second line of defence, supporting the organizational culture change movement, strengthening matrix management systems, coordinating change management initiatives, and working towards an effective combined assurance programme.

29. Following its December 2019 meeting, the AAC shared the results of its self-assessment with the Executive Director. The results were very positive in the areas of independence, leadership, collective member expertise, interactions with the other oversight functions, reporting and secretarial support. The self-assessment also identified areas for augmenting the Committee's effectiveness, including the need for UNICEF to finalize the AAC revised Charter, considering the recommendations of the Joint Inspection Unit report on the audit and oversight committees in the United Nations system, leading governance practices, and strengthening the role of the Committee in the appointment, removal and performance assessment of the heads of the independent oversight offices in UNICEF.

30. The AAC appreciated the opportunity to meet with the Executive Director, Ms. Henrietta Fore, once in 2019, and the Deputy Executive Director, Management a.i., Ms. Hannan Sulaiman, at two of the three meetings in 2019, both in her own capacity and as a representative of the Executive Director. The Committee is grateful for the support, information and insights shared by Ms. Sulaiman, especially as she served as the most senior management liaison for the AAC. The Committee is also grateful for the quality of interactions with the Executive Director, the Deputy Executive Directors (Programmes and Partnerships), the Regional Directors for Latin America and Caribbean and South Asia, and the Directors of several headquarters divisions and offices. The presentations and briefings to the AAC were of good quality and reflective of the fact that a great deal of thought and attention had gone into their preparation. The Committee looks forward to meeting with the Executive Director and Deputy Executive Directors on a more regular basis in 2020, to further strengthen the dialogue and interaction, and to continue serving UNICEF in its advisory capacity in support of the organization’s efforts to deliver results for the children of the world.
31. The AAC thanks Mr. Stephen Zimmermann, Director, OIAI, for the support to its work and for the constructive interaction in 2019. The Committee is also appreciative of the work of all of the other UNICEF staff members who facilitated or made presentations at its meetings.

32. Finally, the Committee is particularly grateful for the professional support it receives from Mr. Sunil Raman, Committee Secretary, OIAI, in managing the AAC secretariat.
## Audit Advisory Committee membership and schedule of meeting attendance in 2019

<table>
<thead>
<tr>
<th>Member name</th>
<th>Regular meeting dates</th>
<th>Comments</th>
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<tr>
<td>Mr. Kamlesh Vikamsey</td>
<td>Attended</td>
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<td>Ms. Amalia Lo Faso</td>
<td>Attended</td>
<td>Attended</td>
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<tr>
<td>Mr. Jose Urriza</td>
<td>Attended</td>
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<td>Ms. Saraswathi Menon</td>
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<td>Mr. Jayantilal Karia</td>
<td>Attended</td>
<td>Attended</td>
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<tr>
<td>Ms. Sherene Moodley</td>
<td>Attended</td>
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