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UNICEF management response to the Office of Internal Audit and Investigations 2020 annual report to the Executive Board

Summary

This document presents the management response to the UNICEF Office of Internal Audit and Investigations 2020 annual report to the Executive Board. The report summarizes the various actions that UNICEF has taken to implement recommendations related to risk areas at headquarters and field level. It also provides insights into cases of fraud and misconduct investigated by the Office of Internal Audit and Investigations, and the actions taken, including on recovery of funds lost due to fraud. The document highlights the collective efforts taken by UNICEF divisions and offices to implement recommendations, including the actions on recommendations outstanding for more than 18 months.

Section IX of this document contains elements of a draft decision for consideration by the Executive Board.

* E/ICEF/2021/9.



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I. Overview

1. This report has been prepared by the management of UNICEF ('management') in response to the principal findings and conclusions contained in the UNICEF Office of Internal Audit and Investigations (OIAI or "Office") 2020 annual report to the Executive Board (E/ICEF/2021/AB/L.3) and its addendum (E/ICEF/2021/AB/L.3/Add.1). Pursuant to UNICEF Executive Board decisions 2018/3 and 2019/6, the present report also provides an analysis of the potential for increasing the recovery of losses related to reported cases of fraud or presumptive fraud.

2. This response includes updates on actions taken or planned by UNICEF management to address the risks and main recommendations identified in the audits and investigations undertaken by OIAI in 2020. The report should be read in conjunction with the UNICEF Office of Internal Audit and Investigations 2020 annual report to the Executive Board, and its addendum.

3. Management welcomes the assessment of the UNICEF framework of governance, risk management and controls as generally adequate and effective, based on the assurance work conducted by OIAI in 2020. Satisfactory opinions were also issued in 2016, 2017, 2018 and 2019. Management recognizes the opportunities for enhancement and continues its efforts to further improve policies, procedures and systems to strengthen organizational governance, risk management and control practices throughout UNICEF.

4. Management appreciates the efforts by OIAI to periodically report to management on the implementation status of agreed actions, including through the website launched in 2021 that reports on open agreed actions, to facilitate the systematic monitoring of their implementation. The Division of Financial and Administrative Management (DFAM) supports follow-up and reporting on agreed actions that have remained open more than 18 months. Further improvements are expected in 2021 in this regard.

5. Management notes that a total of 23 reports of UNICEF activities were issued in 2020, including 4 advisory reports. Of the 19 assurance reports issued by OIAI, 94 per cent resulted in generally satisfactory conclusions (i.e., "unqualified", or "moderately qualified" opinions), which confirms the consistent work of management to maintain the positive trend of the past five years.

6. Management welcomes organizational efforts to strengthen the work of OIAI and is pleased to know that the Office has presented a proposal revised charter to the Executive Board and that it is expanding its audit strategy to scale up advisory services, the use of technology and data analytics, including the launch of their website, accessible to all staff, that reports on open agreed actions.

7. Management recognizes the challenges in recovering fraud-related losses involving implementing partners, especially those in operating in humanitarian situations, given the difficulty of timely prosecutions in such contexts. UNICEF continues to undertake alternative measures to address such occurrences, including blocking implicated partners from further partnership with UNICEF, flagging them as applicable to other United Nations entities via the United Nations Partner Portal and further strengthening internal control measures.

II. Public disclosure of internal audit reports

8. Management values the continued public disclosure by OIAI of internal audit reports, pursuant to Executive Board decision 2012/13, with consideration for

requests to redact or withhold reports, under certain conditions, from the Executive Director and the Member States. Management continues to support this disclosure effort through timely clearance of reports for publication, thus facilitating continued accountability and transparency to stakeholders.

9. Management affirms that, as at 31 December 2020, 19 assurance reports issued in 2020 – 17 for country offices, 1 for a thematic audit and 1 for a joint audit – were published.

III. Management actions and plans to address the overall internal audit results

10. In implementing Executive Board decision 2017/10 on the prioritization of the implementation of actions in areas of recurring risks, management notes that 13 per cent of the actions agreed in the audit reports issued in 2020 were rated as high priority. This is an improvement compared with 16 per cent in 2019 and 21 per cent in 2018.

11. Management values the insight from OIAI and notes the following top four areas for the current reporting period, 2020, which constitute 82 per cent of all agreed actions stemming from the country offices audits: (a) programme management; (b) governance and accountability; (c) supply and logistics; and (d) resource mobilization.

12. Management welcomes the assessment by the Office that although these recommendations call for priority action to reduce the exposure to higher risks, OIAI was of the view that they did not adversely impact the organization's overall framework of governance, risk management and controls. Nonetheless, management continues to focus on the noted areas for improvement, highlighted in this report. Management has carefully reviewed the key themes and recurring matters emerging from the audits undertaken in 2020 to enhance the achievement of the current and future objectives of UNICEF.

13. During 2020, OIAI issued 17 audit reports for country offices and 1 thematic audit report, with a total of 166 recommendations. Management is pleased to note that 94 per cent of those reports resulted in generally satisfactory conclusions (“unqualified”, or “moderately qualified”), and 6 per cent (one report) was “strongly qualified”.¹ There was no report with an adverse conclusion. This is an improvement from 2019, when 89 per cent of reports were rated “satisfactory” and 11 per cent were rated as “strongly qualified”.

14. In its annual report, OIAI notes that unqualified or moderately qualified ratings are considered satisfactory and that these ratings assure management that relevant controls and processes are generally established and functioning as intended, with only relatively minor remediation actions needed.

15. The efforts of management to expedite remediation actions continue towards the closure of outstanding recommendations. Management notes that from the 15 agreed pending actions open for more than 18 months, 6 were closed at the time of issuance of the OIAI annual report for 2020. This report highlights the status, progress and specific actions related to the remaining recommendations open for more than 18 months.

¹ The “strongly qualified” conclusion relates to the audit of the Sudan Country Office.

IV. Management actions and plans to address the recommendations from internal audits of country offices

16. Management notes that the scope of the assurance audits conducted by OIAI in 2020 covered 17 country offices that accounted for 29 per cent of the allotted expenditure for country and regional offices in 2020. These audits resulted in 158 agreed actions. Management notes that at the end of 2020, implementation rates on agreed actions for the previous two years were 94 per cent for 2018 and 74 per cent for 2019. Noting that OIAI derives a certain level of confidence from the historically high rate of implementation of agreed actions, management continues to prioritize efforts to implement agreed actions, while coping with the shift of priorities resulting from the challenging context brought about by the coronavirus disease 2019 (COVID-19) pandemic.

17. Management further notes that 10 reports of the country office audits were issued in the last quarter of 2020. These reports contain 52 per cent of the high-priority agreed actions and 62 per cent of the 158 agreed actions for 2020. Plans to implement these recommendations are already in place. However, considering the timing of the OIAI reports in the last quarter of 2020 and the challenging global operational context, the implementation of the agreed actions is still in progress. The following provides a summary of the actions being taken.

A. Programme management

18. Management notes that actions related to programme management represented about 52 per cent of the 158 actions agreed to by country offices audited in 2020. Management appreciates the continued attention given to the adequacy and effectiveness of planning, partnership development, programme assurance, donor reporting and monitoring and evaluation, as incorporated in all 17 audits of country offices in 2020.

19. In 2019, UNICEF embarked on a journey to undertake organizational improvement initiatives. The organizational review is based on the principles that seek to: (a) empower country offices to deliver results for children through further decentralization and simplification of processes; (b) enhance accountabilities and complementarities across the organization, following the principle of subsidiarity in decision-making; (c) increase efficiencies in use of time and resources to support the achievement of results; (d) enhance organizational agility in systems, processes and organization design as well as in terms of ways of working; (e) improve the flow of ideas and learning cross-organizationally and encourage a more interactive, collaborative and networked way of working; and (f) build on opportunities created by the United Nations reform.

20. This reflection on key principles for organizational improvement coincides with a broader focus on the organizational improvements needed to ensure that UNICEF emerges from the COVID-19 pandemic stronger, more agile and better able to manage and recover from future shocks. It also comes alongside an ongoing effort to improve the organizational culture of UNICEF. The outcomes will inform the development of the UNICEF Strategic Plan, 2022–2025.

1. Planning

21. Management notes the opportunities for strengthening programme planning to enhance the alignment of the results structure, reducing gaps in key indicator data and establishing baselines in programme planning to inform performance measurement and related management decisions. Management has focused attention on the need for

early identification of reliable data sources and the establishment of baseline and key indicators, as well as enhancements to the work-planning process.

22. In country offices where planning-related recommendations were raised, management will ensure that Government partners are fully informed of the transparency of the UNICEF planning processes and the objectives of agreed programme activities. Management is working to enhance the quality assurance of workplan preparation to ensure alignment with approved budget resources and national development plans and objectives, which will in turn strengthen local ownership and mutual accountabilities.

23. Additionally, in November 2020, UNICEF transitioned to a new Results Assessment Module (RAM 3.0). RAM 3.0 provides offices and divisions with the technical capabilities to integrate and simplify results planning and reporting. RAM 3.0 automates work planning and supply planning in relation to country programme results and office management plans for regional offices and headquarters divisions. Management anticipates that the use of RAM 3.0 will increase the consistency of the information available on the results chain and that it will also rationalize the use of indicators across business areas. The use of RAM 3.0 will strengthen results planning and reporting at the country-office level and enhance collaboration with external users for workplan development.

2. Partnership

24. Management appreciates the recommendations of OIAI to enhance engagement and collaboration with partners, including civil society organizations (CSOs) and non-governmental organizations (NGOs). UNICEF management continues to strengthen the development of partnership cooperation agreements using a participatory and inclusive approach with partners. This approach includes the ongoing efforts to support the development of the capacities of selected implementing partners to improve collaboration.

25. In offices where opportunity for improvement was highlighted, management is strengthening the completion and clarity of partnership strategy for incorporation in respective workplans. Management is making efforts to (a) increase partners' contributions to direct programme costs, where feasible, and better reflect technical contributions from partners; (b) increase the pool of local NGOs available for potential implementing partnerships and to engage those with the best comparative advantage; and (c) ensure open and competitive selection as applicable, including through the United Nations Partner Portal. In other offices affected by this recommendation, management is working to build the capacity of the local NGO partners with which partnerships have already been established to strengthen their long-term sustainability and therefore further the rights of children.

26. The UNICEF implementation of eTools continues to enhance partnership management. eTools is an online platform that enables UNICEF country offices to strengthen and simplify programming and partnership implementation modalities with Government and CSOs throughout the partnership life cycle. Integrated with such existing systems as VISION and InSight, the eTools platform enables the consolidated capture of data regarding UNICEF partnerships with its implementing partners.

27. During the COVID-19 pandemic, UNICEF has faced operational challenges. Management continues to innovate in programme delivery and risk management approaches to work with partners in this context. In the second quarter of 2020, UNICEF issued a guidance note on implementing partnership management during the COVID-19 pandemic for application in conjunction with the UNICEF emergency

procedures for COVID-19 response. The guidance note considers pandemic-related access restrictions by national Governments and suggests approaches to partnership management.

3. Monitoring

28. Management acknowledges the recommendation to develop an organization-wide field-monitoring strategy and enhance the coverage and quality of programme monitoring visits in country offices. The UNICEF Strategic Plan, 2022–2025 will include the review of the programme monitoring system. Management considers monitoring to be fundamental to the achievement of planned results.

29. In the affected offices, management is further implementing an office-wide field-monitoring plan with integrated specialized monitoring activities (e.g., monitoring related to supplies, construction/civil works projects), to ensure appropriate and risk-based coverage, scale and frequency of field-monitoring visits. As applicable, management is considering the use of third-party monitoring services, especially in remote, inaccessible and insecure areas.

30. Additionally, management is updating standard operating procedures to clarify processes and the respective responsibilities of staff regarding the oversight of such field-monitoring activities as programmatic visits in country offices. Country management teams are further reviewing the adequacy of resources available for monitoring and are also working to strengthen staff capacity to increase the quality of field-monitoring activities. Management looks forward to collaborating with other United Nations agencies as applicable.

31. In the context of the COVID-19 pandemic, UNICEF management developed the COVID-19 Programme Monitoring and Analysis Framework to establish an overview of core output-level UNICEF programming contributions that are expected to support progress towards outcomes for children. The global standard indicators provided in this Framework support real-time, evidence-based decision-making and operational tracking, enabled by the eTools online platform.

4. Programme assurance

32. Management acknowledges the recommendations on improving processing times for disbursing cash transfers; the quality of reports on assurance activities; and the resolution and follow-up of resulting recommendations. In the context of the COVID-19 pandemic, management issued a guidance note on implementing partnership management to provide offices with the flexibility to allow remote monitoring and assurance and adopt a risk-based approach for the prioritization of activities. When pandemic-related access restrictions are lifted, offices will resume the regular execution of financial assurance activities.

5. Donor reporting

33. Management noted the recommendations related to donor reporting and is pleased to report, as a result of cross-divisional efforts to enhance donor reporting, the establishment of the Donor Reporting Portal (including the Donor Report Tracker) in the fourth quarter of 2020. The portal provides for quicker turnaround time for the delivery of donor reports; increased efficiency in creating donor reports, both within UNICEF and for partners; better transparency and trust with partners due to easier access to donor reports; and a comprehensive, functional repository of donor reports for easier retrieval for analysis and research, among other benefits.

6. Evaluation

34. Management acknowledges the recommendation to strengthen evaluations by allocating adequate financial resources and capacities. Management reiterates its commitment to supporting initiatives that enhance the evaluation function in terms of technology and coverage of evaluations. Management's establishment of an Evaluation Pooled Fund provides additional resources to help reach the 1 per cent of programme expenditure benchmark established by the Executive Board.

B. Governance and accountability

35. Management notes the view of OIAI that UNICEF organizational governance arrangements and risk management have room for improvement. Management anticipates that the implementation of the agreed actions resulting from the internal audits in 2020 will support the current organizational effort to enhance complementarity between regional offices and headquarters and their support to country offices.

36. This effort to realign regional office and headquarters support for country offices is one of the work streams in the UNICEF organizational improvement initiative. This initiative will clarify accountabilities and responsibilities among headquarters, regional offices and country offices and also among headquarters divisions. Management also envisions an enhanced accountability framework that fosters increased nimbleness, creates responsive decision-making and delegates and empowers managers at the field level to make decisions. It would also rationalize the number of people involved in decision-making based on risk and clearly align authority with responsibility and accountability.

37. In 2020, UNICEF management continued to improve on key oversight elements, including the risk management and internal control frameworks. Management successfully completed related efforts, including the development and issuance of the revised enterprise risk management policy, roll-out of the electronic governance, risk and compliance platform in 2020. Coupled with this were the enhancements in transaction level monitoring and efforts building on the issuance of a statement of internal control to be included in the 2020 financial statements in the first quarter of 2021. As part of ongoing management efforts, UNICEF will continue to strengthen its risk governance structure and work towards enhancing its level of risk maturity.

C. Supply and logistics management

38. Management notes the OIAI recommendation to strengthen procurement planning and forecasting, the assessment of implementing partners' capacity for supply management and the development of mechanisms to trace deliveries and obtain beneficiary feedback.

39. In the affected offices, management will strengthen supply procurement and management by revising its methodology to support sound forecasting, assumptions and targets; regularly reviewing procurement estimates in light of the changing operating environment, needs and priorities; and reviewing target delivery dates in purchase orders for their feasibility.

40. The offices will further strengthen the monitoring of the achievement of planned delivery dates. For the applicable office, this will include root cause analysis of late delivery of supplies to implementing partners and late receipt of supplies from suppliers. Management will reinforce internal processes and controls to mitigate noted risks. Efforts will include providing technical support to Government partners to increase their capacity to submit clear and timely specifications for supplies.

Offices will further explore opportunities to claim any agreed penalties for late delivery from suppliers.

41. In the context of the COVID-19 pandemic, UNICEF is the lead agency for the procurement and delivery of more than 2 billion vaccines, the largest single vaccine procurement effort in history. This initiative is being undertaken within the COVID-19 Vaccine Global Access (COVAX) Facility, the global vaccine partnership launched in July 2020 under the global response to COVID-19: Access to COVID-19 Tools (ACT) Accelerator, or ACT-A. ACT-A is a landmark collaboration initiative to accelerate the development, production and equitable distribution of vaccines, diagnostics and therapeutics for COVID-19. In addition to being the lead on procurement and delivery, UNICEF is the co-lead for country readiness.

42. The UNICEF Supply Division is engaged in oversight, advisory and operational elements of the UNICEF work on ACT-A across multiple workstreams, working groups and subteams of the COVAX Facility in the areas of procurement, international freight, market information, in-country logistics, fundraising and technical assistance on cold-chain equipment, among other areas.

D. Resource mobilization

43. Management notes the recommendations of OIAI to develop and enhance an evidence-based resource mobilization strategy, which will be key for designing advocacy and funding strategies that target shortfalls in specific programme areas and address the humanitarian development continuum. Management has put in place plans to increase investment in private sector fundraising in emerging markets to increase funding for country programmes.

44. The concerned UNICEF country offices are working to develop fundraising plans with concrete actions to address underfunded programme areas. This includes mapping donors to specific funding gaps in the country programmes where audit recommendations were raised. Management plans to adjust annual plans to adapt programmatic needs to evolving contexts, including the COVID-19 pandemic and other external situations.

V. Management actions and plans to address the recommendations from thematic audits and joint audits

A. Harmonized approach to cash transfers

45. Management notes the results and recommendations reported by OIAI in relation to audit of harmonized approach to cash transfers (HACT) at UNICEF. Since UNICEF launched the organizational HACT strategy in 2014 to strengthen the management, governance and oversight of HACT at all levels, the organization has made significant progress in key related areas. These include the development of digital capacities (eTools) to support offices in the management of partnerships; creating updated and risk-informed HACT and HACT assurance procedures and disbursements (ezHACT); capacity development of UNICEF staff and implementing partners; and strengthening resources for HACT management.

46. With an appreciation for the magnitude of funds channelled through HACT mechanisms through more than 9,000 implementing partners, which are in excess of \$2 billion, management places a high value on strengthening the application of the HACT framework at UNICEF. Management acknowledges the recommendations of OIAI to review and redefine accountabilities, particularly at headquarters and in regional offices; pursue the effective use of micro-assessments; and strengthen risk-

based assurance activities and enhance the use of technology for assessing and reporting on assurance activities and on the follow-up of resulting findings.

47. Management is pleased to report several notable improvements. In 2021, DFAM and the Division of Data, Analytics, Planning and Monitoring, in collaboration with the regional directors, will review and redefine roles, responsibilities and accountabilities for the governance and oversight of HACT. The objective is to provide country offices expert support at the regional level and leverage the governance and oversight advisory role of DFAM, considering its responsibilities for the overall management of UNICEF financial resources.

48. The implementation of eTools by UNICEF continues to further strengthen partnership management as well as financial and programmatic assurance activities related to HACT. The eTools online platform – with high adoption by UNICEF country offices globally and mandated in 74 medium-to-large country offices accounting for over 90 per cent of cash transfers – has strengthened and simplified programming and partnership implementation throughout the partnership life cycle. Among other modules, it includes the Financial Assurance Module, the Trips Management Module for programmatic visits and a Third-Party Monitoring Module. Additionally, with integration such into key systems as VISION and InSight, the platform enables data capture and consolidation on UNICEF partnerships and enhances the related management and monitoring of findings from assurance activities.

49. Having successfully implemented ezHACT, management is further exploring the digitization of the funding authorization and certification of expenditure (“FACE”) form via an electronic FACE (“eFACE”) form. eFACE would enhance the application of HACT at UNICEF both internally and with implementing partners to make the processing and liquidation of cash transfers more efficient and may include interface with other UNICEF systems and platforms, such as VISION and eTools.

50. In the context of the COVID-19 pandemic, UNICEF country offices have embraced the use of technology to perform remote monitoring and assurance, including through virtual meetings with partners and as a support to review supporting documentation and evidence of activities and results for assurance activities, among other uses. UNICEF is exploring ways to further automate processes and integrate sources of data to reduce the potential for errors or fraud in the management of partnerships through the HACT framework. Challenges remain in country contexts with weak digital infrastructure and with implementing partners that have low capacity or access to technology.

B. Joint report on United Nations humanitarian response in Yemen

51. Considering the scale of UNICEF programming in Yemen, management welcomes the report summarizing the results of the individual internal audits conducted in Yemen by selected members of the Representatives of Internal Audit Services of the United Nations Organizations. Management notes that UNICEF, the World Food Programme (WFP), the Office of the United Nations High Commissioner for Refugees (UNHCR) and the United Nations Secretariat (with respect to the operations of the Office for the Coordination of Humanitarian Affairs (OCHA)) performed individual audits through their internal audit functions, and together the audits cover 80 per cent of the United Nations funding received for the humanitarian response in Yemen.

52. With a strong appreciation for the challenging operational environment in Yemen, management acknowledges the results summarized in the UNICEF Office of Internal Audit and Investigations 2020 annual report to the Executive Board. Management

noted the recommended inter-agency efforts in streamlining the existing governance and coordination mechanisms, such as the standard coordination structures (e.g., the humanitarian country team) and those unique to Yemen (the emergency cell), as well as calls for improved risk management and internal controls and the assessment of the response with an inter-agency humanitarian evaluation.

53. Management highlights that since the issuance of the joint report, the inter-agency humanitarian evaluations steering group formed by evaluations directors of the United Nations, the International Federation of Red Cross and Red Crescent Societies and NGOs has approved an inter-agency humanitarian evaluation in Yemen. Additionally, the Humanitarian Coordinator is working with the United Nations country team in Yemen to manage and mitigate partner-related risks more effectively through a comprehensive risk management strategy, the United Nations system-wide anti-corruption strategy and the HACT framework.

VI. Management comments on Office of Internal Audit and Investigations advisory engagements

A. UNICEF accountability framework

54. Management welcomes the advice of OIAI to update organizational structures, reporting lines, functions, roles and responsibilities and accountabilities of country, regional and headquarters offices and key governance committees. UNICEF further notes the advice to revise, clarify and communicate the definition of accountability; to increase capacity and resources to support the revision and monitoring of the accountability framework; and to devise an assessment methodology and tools to help measure, monitor and report on progress in enforcing accountability in UNICEF.

55. In implementing the advice to incorporate the three lines model in internal control policies, management is pleased to report that this process has already begun. In 2020, UNICEF revised its enterprise risk management policy and incorporated the three lines model. An update of the internal control policy is also under way.

56. Additionally, management will continue to reinforce and strengthen internal controls and risk management (including for fraud risk) in country offices through training, guidance and other anti-fraud measures aimed at deterring, preventing and detecting fraud and misconduct. The Deputy Representatives, Operations and the Operations Managers have been designated as fraud focal points at the field level, and, effective in 2021, all Heads of Office are required to submit to the UNICEF Comptroller, on an annual basis, attestation regarding the status of internal controls in their offices. These efforts will help to enhance governance and accountability in offices.

B. UNICEF emergency procedures for the COVID-19 response

57. In March 2020, the UNICEF Executive Director declared an L3 emergency that encompassed all UNICEF offices. This was based on the scale, challenges and complexity of the rapid spread of the COVID-19 pandemic throughout the world. This was a monumental declaration as it was the first such proclamation in the history of UNICEF.

58. In March 2020, management moved swiftly to develop and activate new emergency procedures to respond to the global declaration of the COVID-19 pandemic, issuing revised procedures aimed at providing offices simplified processes to expedite the response to the crisis.

59. Management welcomes the results of the OIAI advisory review of the UNICEF emergency procedures for COVID-19 response and the evaluation of risks related to

its design, utilization and reporting on funds. The independent review has provided inputs to assess the added value of the procedures and an analysis of the related application across offices at UNICEF.

60. Management notes the OIAI call to strengthen the good practices identified in country offices regarding the systemic use of tools by the UNICEF Office of Emergency Programmes (EMOPS) and country offices. During the crisis, eTools has proven to be a powerful resource to maintain access to critical documents and to facilitate partnership management.

61. In addition to emergency response procedures related to UNICEF programming and operational elements, management put in place notable measures related to human resources management. These efforts included the following: simplification of emergency recruitment procedures; decentralized approval of accelerated recruitment to meet urgent staffing needs for the COVID-19 response; utilization of standby resource arrangements; implementation of a global surge tracking system for fast-tracking and managing surge human resources needs; and prioritization of remote support and flexible working arrangements, among other efforts. Special measures included the waiver of minimum tour-of-duty requirements for affected emergency posts, and a reduction of breaks-in-service for consultancies and temporary assignments to meet emergency needs.

62. Other good practices identified by the OIAI review included the evidence of joint work among divisions and offices including EMOPS, DFAM, the Division of Data, Analytics, Planning and Monitoring, the UNICEF Office of Innovation, Supply Division and regional offices to determine any difficulties by country offices in obtaining programme supplies and to assess the level of support these offices required. In this case, Supply Division and EMOPS defined the supply-related emergency procedures for the COVID-19 response.

63. Management further notes the opportunities for improvement in the emergency procedures in terms of design (with the need for accountability among offices and divisions and a clear definition of global risk appetite) and application (of risk management strategies, a multilingual corporate communication strategy, quality assurance and reporting). Management is working to enhance these areas.

VII. Management actions on investigations results, financial loss and recovery

64. Management supports the recent restructuring of the Investigations Section of OIAI, including the establishment of a Strategy, Intake and Analysis Unit to increase the focus on intake and assessment of new matters. This will also improve the guidance and advice provided to staff and managers on the various options for responding to and reporting possible prohibited conduct.

65. Management also welcomes the introduction by the Investigations Section of forensic audits for examining external parties' fraud-related allegations, as this will further strengthen the proactivity of fraud risk management in UNICEF.

66. Throughout 2020, the anti-fraud awareness activities and training continued. New staff were required to undertake the mandatory online course on fraud awareness as part of the onboarding process. During the year, UNICEF collaborated with six other United Nations agencies to develop fraud awareness training targeting implementing partners. This fraud awareness training for implementing partners is available in five languages (Arabic, English, French, Portuguese and Spanish).

67. The total financial loss on cases substantiated by OIAI in 2020 amounted to \$578,423, of which \$360,474 (62 per cent) was recovered. Further, through investigations conducted by contracted independent firms for project-specific cases in the Yemen Emergency Cash Transfer project, the substantiated loss due to fraudulent transactions amounted to an equivalent of \$74,968, of which \$72,245 (96 per cent) was recovered. During 2020, the total gross loss for cases closed by OIAI and cases investigated by the independent organizations was \$653,391, of which \$432,719 was recovered.

68. The mitigation measures and response to fraud cases implemented in the Yemen Emergency Cash Transfer project continue to show encouraging results in terms of recoveries over the past three years. As indicated above, 96 per cent of the confirmed fraud loss in 2020 (94 per cent in 2019) was recovered in line with the UNICEF efforts to deter, prevent and detect aid diversion and demonstrate zero tolerance towards fraud and corruption.

69. UNICEF remains committed and will take immediate appropriate measures with regard to implementing partners implicated in fraudulent activities by recovering substantiated losses and barring such partners from implementing further programmes and flagging them to other United Nations entities using the United Nations Partner Portal.

A. Disciplinary measures and other actions taken by UNICEF

70. As noted in its annual report, OIAI is responsible for conducting necessary investigations, while the Division of Human Resources, Administrative Law Unit or other relevant units are responsible for taking any appropriate action based on the OIAI findings.

71. Management notes that 64 matters were referred to either the Administrative Law Unit, the Office of the Executive Director or the Division of Human Resources for consideration of disciplinary or other action in 2020. These matters were acted upon and reported in the annual internal UNICEF report on disciplinary measures and other actions in response to misconduct. The specific actions taken in 2020 are summarized as follows:

- (a) Eleven staff members were dismissed or separated from service;
- (b) One staff member was demoted;
- (c) Seven staff members lost steps;
- (d) Three staff members were censured;
- (e) Three staff members had separated from UNICEF and had agreed to cooperate with a disciplinary process, and were found to have committed misconduct. Had they remained in service a disciplinary measure would have been imposed;
- (f) In 18 cases, misconduct was not established. In seven of those cases, managerial or administrative measures (which can include a written reprimand) were imposed after it was determined that the staff members' conduct had been inappropriate but did not rise to the level of misconduct.

VIII. Management actions to address the concluding observations in the UNICEF Audit Advisory Committee annual report for 2020

72. UNICEF appreciates the work of the Audit Advisory Committee, which contributes to the effective, independent advisory oversight of the organization. Management welcomes the Audit Advisory Committee 2020 annual report to the Executive Board, and appreciates the advice provided to the Executive Director. As

the world faces an unprecedented pandemic, UNICEF continues to be agile and adapt to the new circumstances and challenges. Management appreciates the Committee's remote working modalities and adjusted meeting schedule of staggering sessions that began in June 2020.

73. As highlighted in the Committee's meetings with the UNICEF Executive Director in July and December 2020, management has taken concrete actions to reprioritize UNICEF work to support the response to COVID-19 for children. In addition to reprioritization, management has undertaken efforts to enhance resource mobilization, along with organizational improvements and change management initiatives referenced in section IV (A) of the present report.

74. Management appreciates the Audit Advisory Committee's adjusted working modalities, during which the Committee met with key UNICEF stakeholders over multiple days, in lieu of the three regular consolidated sessions of the Audit Advisory Committee. This working modality enabled UNICEF management to provide the requested briefings, documents and presentations to the Committee despite the ongoing prioritization of the response to the pandemic alongside standing programmatic deliverables.

75. Management welcomes the three strategic memorandums issued by the Committee in 2020 and the advice therein as valuable contributions to enhancing oversight and management practices at UNICEF. Management appreciates the Committee's acknowledgement in its 2020 annual report of the consideration given by UNICEF in response to the Committee's advice.

76. In 2020, management finalized and signed the revised Charter of the Audit Advisory Committee and the terms of reference for the Secretariat of the Committee. The Charter comprehensively outlines the independent advisory role of the Committee, noting that the Committee was established to advise the Executive Director on the following: the discharge of responsibilities in governance, risk and financial management; oversight on the operation of UNICEF systems and structures, internal control and the accountability framework; compliance with the UNICEF Financial Regulations and Rules and the Regulatory Framework; and compliance with the Staff Regulations and Rules of the United Nations. The Charter further describes the role of the Committee in advising on internal audits and investigations, evaluations, ethics and external audits.

77. Management welcomes the Committee's advice in the following areas: governance and accountability; risk management, internal control, financial management and reporting; internal oversight; the ethics function; and external oversight. The following paragraphs highlight management's actions in response to a select set of the Committee's advisories:

78. The UNICEF Strategic Plan, 2022–2025, the organization's second since the launch of the 2030 Agenda for Sustainable Development, is being developed during extraordinary times. It will cover a period in which the implementation of the Sustainable Development Goals is inevitably delayed as the world is addressing the unprecedented COVID-19 health crisis and its far-reaching socioeconomic consequences. What's more, the full direct and indirect impacts of the pandemic on children are still unfolding. The broader socioeconomic implications of the pandemic include widespread challenges to the child rights framework and to public financing, including the UNICEF resource base. The main aim of the new Strategic Plan is to safeguard achievements made so far, accelerate progress towards the Goals for children in the context of the COVID-19 pandemic and promote and protect child rights around the world in accordance with the Convention on the Rights of the Child.

79. Management has put in place the structure for the development of the Strategic Plan, 2022–2025 that includes a Steering Committee chaired by the Deputy Executive Director, Programmes. The development of the Plan has been operationalized by four interdivisional workgroups, each co-led by Directors of two headquarters divisions and including Deputy Directors to ensure linkages with the Strategic Plan Coordination Committee. Moreover, the development process is further informed by an extensive and ambitious internal and external consultation process that includes the Executive Board, Member States, other United Nations entities, National Committees and CSOs. These consultations are taking place through structured multi-stakeholder platforms and via bilateral discussions and workshops. Management is additionally undertaking external engagement with children and young people to ensure that their voices are heard and considered in the development of the Plan.

80. UNICEF is working to finalize its revised accountability framework, which is also tied to the regulatory framework, defining framework accountabilities with the assistance of OIAI. UNICEF will also take into consideration recommendations from the planned 2021 review of accountability frameworks in the United Nations system organizations.

81. Building on the work done in 2019, management continues to focus on transforming the organizational culture of UNICEF in three priority areas that will drive change to achieve the desired workplace culture. These are as follows: living our core values and embedding them in all our work; revamping people management; and promoting accountability for behaviours. Internal communications and staff engagement underpin all of these. UNICEF is measuring and monitoring progress through a set of indicators.

82. In 2020, management established a Task Force on Anti-Racism and Discrimination, which aims to create safe spaces for difficult and courageous conversations of staff as it strives to develop an action plan on these issues for UNICEF. While UNICEF takes pride in and celebrates its rich diversity, the organization is aware that there is a need for bold, meaningful, and deliberate steps to address the status quo vis-à-vis racism and discrimination. The Global Management Team has identified several action items in this area of work.

83. Management's vision for organizational improvements embraces innovation and applies it creatively to deliver tangible and durable results for children. This vision is built on the notion of an agile, forward-looking and resilient organization that continually works to learn and improve, for and with children and young people, and strives to ensure the rights of every child are fully realized. The objective of these improvements is to enhance the ability of UNICEF to accelerate results for children through programme acceleration, cutting-edge business innovation, strengthened partnerships and investments in people and culture.

84. Management strives to uphold the functional independence of internal oversight services and adherence to related policies and standards. Management will continue to engage with the Audit Advisory Committee on the appointment of Directors in oversight functions, as provided for in the Charter of the UNICEF Audit Advisory Committee. Management welcomed the Committee's reflection on positive actions taken by the Evaluation Office in 2020, such as the issuing of technical guidance in response to the COVID-19 pandemic, the use of learning-oriented real-time evaluation approaches and the completion of the recruitment of multi-country evaluation specialists for all seven regions, to name a few.

85. Management notes and appreciates the Audit Advisory Committee's recognition of the progress made on strengthening the UNICEF enterprise risk management and internal controls, including the issuing of the revised UNICEF enterprise risk

management policy in November 2020. Management valued the Committee's feedback during the development of the policy and will keep the Committee updated on the implementation of the policy, as relevant.

86. Management is focused on strengthening risk management and integrating risk management into programme delivery strategies and performance at the country level. While a Chief Risk Officer reporting directly to the Executive Director is not envisioned in the revised UNICEF accountability framework, management is finalizing the terms of reference for the proposed Senior Management Risk Committee, anticipated to be completed ahead of the annual session of the Executive Board in June 2021. In addition, management is finalizing risk appetite and tolerance statements and principles to enhance the practical and effective implementation of the revised enterprise risk management policy. These risk management efforts, coupled with annual risk assessments conducted by all offices globally, and along with the statement of internal controls anticipated in 2021, will enable risk-informed decision-making and timely risk reporting.

87. Noting the Committee's advice to engage independent expert advising on the medium- to long-term strategic approach to treasury operations, management is pleased to report that currently two independent external experts serve on the Financial Advisory Committee. The guidance provided by these experts is similar to the advice envisioned by the Committee and helps to ensure that the treasury is adequately protected in the short term from liquidity and capital risks and is managing emerging risks and opportunities.

88. Management is committed and actively working to realize the full potential of the budget formulation tool and is continually exploring opportunities to maximize the benefits of the transactions-level monitoring tool implemented in 2019.

89. OIAI plans to submit a revised Charter, after consultations with the Executive Director and the UNICEF Audit Advisory Committee, at the 2021 annual session of the Executive Board. In 2020, UNICEF allocated additional resources to OIAI with a focus on strengthening resources for the investigation function.

90. Acknowledging the vacancy of the position of Director, Ethics, between March 2020 and February 2021, in whose place an Officer-in-Charge was appointed, management highlights that the Ethics Office remained operational and available for meetings and/or briefings as requested during this period without a Director. Management welcomes the continued engagement of the Committee with the Ethics Office.

91. Additionally, management is pleased to report that, effective June 2020, the tenure parameters and budget management of the Ethics Office are in line with those of the Evaluation Office and OIAI.

92. Management appreciates the engagement of the Committee with key constituents of the UNICEF external oversight system, including the United Nations Board of Auditors, the United Nations Ombudsman and the Joint Inspection Unit of the United Nations system. Management values the observations and recommendations of these oversight functions and continues to prioritize the implementation of related recommendations.

93. Management welcomes the unqualified audit opinion issued by the United Nations Board of Auditors on the financial statements for the year ended 31 December 2019. While an unqualified audit opinion has become the norm for UNICEF, management wishes to highlight the importance of this achievement and the effort that goes into achieving such an opinion, including the Committee's feedback and advice to the UNICEF 2019 draft financial statements and management letters.

94. Management appreciates the valuable insight and advice provided by the Committee throughout 2020 and looks forward to continued engagement.

IX. Draft decision

The Executive Board

1. *Takes note* of the UNICEF Office of Internal Audit and Investigations 2020 annual report to the Executive Board ([E/ICEF/2021/AB/L.3](#)), its addendum ([E/ICEF/2021/AB/L.3/Add.1](#)) and its management response ([E/ICEF/2021/AB/L.4](#)), as well as the UNICEF Audit Advisory Committee 2020 annual report to the Executive Board, and welcomes the overall opinion of the adequacy and effectiveness of the organization's framework of governance, risk management and control;

2. *Also takes note* of the revised Charter of the UNICEF Office of Internal Audit and Investigations ([E/ICEF/2021/AB/L.5](#));

3. *Requests* UNICEF to provide information on the additional resource needs for the Office to address coverage gaps, as part of the submissions for the UNICEF Strategic Plan, 2022–2025 and integrated budget, 2022–2025, and to ensure that adequate human, financial and technology resources are provided to the Office.

Annex

Progress update on audit recommendations that remained unresolved for more than 18 months as at 31 December 2020

Agreed action in the OIAI 2020 annual report

Progress update

Audit of the Turkey Country Office, issued in December 2018 (one recommendation)

One recommendation (medium priority) agreed by the Public Partnerships Division (PPD) is to review, in coordination with the Division of Financial and Administrative Management (DFAM), the Office of Emergency Programmes (EMOPS) and any other necessary division, the current contribution requirements and coding system, and identify a solution that could more accurately code, track and report on the contributions that fall within the humanitarian-development continuum.

In progress: Management, through the PPD Humanitarian Team, has undertaken cross-divisional discussions with DFAM, the Division of Data, Analytics, Planning and Monitoring (DAPM), the Information and Communication Technology Division (ICTD), EMOPS, Programme Division (PD), and Private Fundraising and Partnerships Division (FPD). Implementation has been delayed due to the limited staff capacity and competing deadlines. Considering the complexity and cross-divisional effect of the recommended action, a proposed solution has been identified and the consultation process of consultation with applicable offices is under way, with a decision anticipated in Q2 2021.

Audit of vendor master data management in UNICEF, issued in 2018 (four recommendations)

(a) One recommendation (high priority) agreed by DFAM is to issue a policy in consultation with Supply Division (SD), the Global Shared Service Centre (GSSC) and DAPM, along with a policy and supporting procedures on master data management covering all issues identified by the audit.

(a) **Implemented:** DFAM issued a policy on management of financial master data to set UNICEF overarching policy for master data management. This policy defines roles and responsibilities, vendor groups and their owners and links the existing regulatory documents in force for SD, the Division of Human Resources and DAPM. The policy elaborates on the MDM role already described under UNICEF Financial and Administrative Policy 1: Internal Controls Supplement 1, Roles; and UNICEF Financial and Administrative Policy 1: Internal Controls Supplement 2, Segregation of Duties for vendor master data.

(b) One recommendation (high priority) agreed by DFAM in consultation with SD, DAPM and GSSC is to review the need for the use of the one-time master vendor record and consider discontinuing its use and reflect this in policies.

(b) **In Progress:** DFAM, in cross-divisional consultation with GSSC, SD and DAPM, has evaluated the need for the use of one-time vendors. This effort has been in the context of a wider review of the policy on master data management in recommendation (a). Having issued the overarching policy for MDM, DFAM is further enhancing this area by elaborating a procedure specifically to regulate the use of a one-time master vendor record. This effort is under way and is planned for completion by June 2021.

(c) Medium priority: Clarify the requirement for vendor registration in the United Nations Global Marketplace (UNGM) in policy and procedures on the management of vendor master data.

(c) **Implemented:** The draft UNICEF procedure on vendor registration and management strongly encourages vendor registration in UNGM. The procedure does not require such registration, considering that GSSC is already monitoring registration as part of MDM. GSSC and SD have planned joint activities to provide feedback to divisions and country offices on progress having vendors registered.

(d) Medium priority: Review the need to provide the master data management (MDM) role to staff members who are not MDM processors as defined in the MDM policy and procedure, and revoke access where it is found unnecessary.

(d) **Implemented:** DFAM and GSSC have performed the required review of MDM roles assigned to staff members who are not MDM processors. The review resulted in the identification of one exception in DAPM for a staff member who is required to support offices with the updates to implementing partners information. Without the possibility of

having a separate user role to update implementing partners information in VISION, the function of supporting offices in this capacity has been moved from DAPM to GSSC.

Audit of immunization activities in UNICEF, issued in December 2018 (three recommendations)

- (a) High priority: Share with donors and key partners (preferably in the relevant proposals and grant agreements) detailed information on how the harmonized approach to cash transfers operates and its limitations, including the risks, responsibilities and accountabilities for the management of funds channelled through UNICEF; provide guidelines to country offices on the additional risks involved in implementing immunization activities in countries with very weak capacities and systems; and agree on UNICEF responsibilities and accountabilities in such countries.
- (b) Medium priority: Use available data to identify countries with weak capacities for preparing accurate and reliable vaccine forecasts and implement a targeted strategy and action plan to help improve their forecasting.
- (c) Medium priority: Clarify responsibility and accountability for implementation of immunization activities.

(a) **In progress:** Management is finalizing a strategy and action plan to support countries in improving forecasting of vaccine requirements. The delays are due to the refocus of work to address the coronavirus disease 2019 (COVID-19) pandemic response.

(b) and (c) **In progress:** Management, via PD, has identified six countries based on public health indicators (Afghanistan, Chad, the Democratic Republic of the Congo, Ethiopia, Nigeria and Pakistan, that require a more focused approach, with more clarity on the nature of support to be provided by headquarters and the regional offices. PD, in collaboration with the respective regional offices, is currently developing a template to capture this information and will engage SD and DAPM going forward to help finalize the approach and monitor progress on a regular basis. Though delayed due to response to the COVID-19 pandemic, management looks forward to completing implementation as noted.

Cyber security and data privacy, issued in March 2019 (two recommendations)

- (a) Medium priority: Review the cloud service providers' security recommendations and implement those deemed relevant, and monitor them in the operational risk register; and review and adjust the mobile device management policies in light of the security enhancement recommendations.
- (b) Medium priority: Implement security awareness trainings for end-users, informed by security incidents such as phishing and unauthorized takeover of staff email accounts.

(a) **Implemented:** Management has reviewed and implemented the recommendations related to the security of cloud environments and other cloud deployments, including consideration of cloud security in relation to mobile devices. Relevant risks and actions are being monitored in the operational risk register accordingly. Implementation action and closure of this recommendation was confirmed by OIAI in March 2021.

(b) **Implemented:** Management is of the view that these components are already included in the mandatory information technology security awareness training for all users. To supplement existing mandatory training for users, management evaluated an enterprise-level security awareness solution and conducted various actions, including inter-agency security events, webinars extensive security awareness educational communications, and continued to make use of the current security awareness training. Incrementally, UNICEF undertakes function-specific training and awareness sessions.

(c) Beyond the scope of the recommendation, management is enhancing the sustainability of security awareness efforts by developing related training in partnership with United Nations International Computing Centre. Implementation action and closure of this recommendation was confirmed by OIAI in March 2021

Audit of the Nepal Country Office, issued June 2019 (two recommendation)

- (a) Medium priority: Review the theories of change and revise them as necessary to fully reflect the federal context of operations in this country.

(a) **In progress:** The Nepal Country Office is developing a current situation analysis, which will inform the revision of the theories of change to reflect the current operational context in the country.

(b) **Implemented:** UNICEF completed integration of cold chain functionality into the field visit monitoring checklist.

Agreed action in the OIAI 2020 annual report

Progress update

(b) Medium priority: Improve the performance of the district-level cold-chain storage operations by working with the Government.

Discussions with the Government (also accountable for the monitoring of the cold chain equipment functionality) were undertaken, for incorporation in the government's monitoring schedule as well. Management has also completed substantial implementation, with all 290 pieces of cold chain equipment having been delivered to dedicated sites and 286 (99 per cent) of them installed. Implementation action and closure of this recommendation was confirmed by OIAI in March 2021.
