

UNICEF Audit Advisory Committee

2021 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 2021. It presents an overview of the AAC, describes the key areas covered by the Committee and summarizes the advice given to the UNICEF Management during 2021.

The report is being made available to the UNICEF Executive Board at its annual session of 2022.

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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 through its annual report) in accordance with its Charter (Terms of Reference), which was approved by the UNICEF Executive Director on 17 March 2020.
2. In undertaking its duties, the AAC is mindful of the contextual environment (including the coronavirus disease 2019 (COVID-19) pandemic) 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 in the context of the aid funding environment; and (c) conduct itself in accordance with its core values of care, respect, integrity, trust, accountability and sustainability. The Committee appreciates the efforts of UNICEF staff globally in responding with courage, dedication and enthusiasm to serving its mandate amid the pandemic, while concurrently designing the organization’s quadrennial strategic plan and change management initiatives.
3. 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, sustainability, digital transformation, financial reporting, internal and external auditing, investigation and evaluation. At each meeting, all members declared the absence of any actual or potential conflicts of interest in exercising their responsibilities. (See the annex for the membership and meeting schedule in 2021.)
4. In 2021, the Committee continued to flexibly adapt and innovate while conducting fully remote operations to complete its workplan, which is aligned to the responsibilities in the Charter. The AAC held three regular meetings, in March, July and November 2021, and some ad hoc meetings were scheduled in order to render specific advice on time-sensitive matters to UNICEF Management. For each of the three regular sessions, shorter-duration meetings were organized over five days to accommodate AAC members and participants from the UNICEF Management based in different time zones. Notwithstanding the best efforts made to continue working remotely for two years, the AAC is of the view that in-person meetings remain more effective and hence proposes to hold future regular meetings in-person (travel conditions permitting).
5. The AAC met with the Executive Director and maintained regular engagement with the Deputy Executive Director, Management, as the key management liaison. The Committee also met with the other Deputy Executive Directors, a Regional Director and a country Representative, several Directors of headquarters divisions and the Chairperson of Global Staff Association, all of whom made useful presentations. The AAC continued to evolve and, in close dialogue with the Executive Director, took initial steps in 2021 to design and focus AAC meetings around fewer overall yearly themes. This new approach remained fully compliant with the AAC Charter but was better aligned to link directly into the leadership, business model and strategy of UNICEF (see section III).
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 her perspectives on the key advice provided. The AAC shared the positive results of its 2021 self-assessment. The Committee separately solicited feedback on its work for 2021 from the Office of the Executive Director and discussed such feedback with the Office of the Executive Director.
7. The 2021 annual meeting of 23 audit and oversight committees in the United Nations system covered the first-ever United Nations system-wide benchmarking exercise of the secretariats for the audit and oversight committees and enabling the sharing of good secretariat practices. In the context

of UNICEF, we are pleased to report that the AAC secretariat is clearly a leading pioneering function within the system.

8. Details of the key advice provided by the Committee to the Executive Director in 2021 are reflected in section IV of this report. Without prejudice to all the advice rendered in 2021, the areas of advice that have the most significance related to the following: the organizational accountability framework, 21 (b); the COVID-19 Global Access (COVAX) Facility, 21 (c); enterprise risk management, 23 (a); innovative financing, 23 (b); information technology and cybersecurity, 23(e); and internal audit and investigations, 25; evaluation, 26; and ethics, 27.

9. The Committee looks forward to discussions with Management in 2022 on key themes including, among others, the revised UNICEF Accountability Framework, change management initiatives, innovative financing, United Nations reform, the COVAX Facility, sustainability, climate, adoption of new technologies and the digital transformation of UNICEF.

II. Mandate of the Audit Advisory Committee

10. The UNICEF Audit Advisory Committee operates in accordance with its Charter (Terms of Reference), which was approved by the UNICEF Executive Director on 17 March 2020. The Committee is an independent advisory body, without management powers or executive responsibilities, which was established to advise the Executive Director regarding the discharge of his/her governance, management and oversight responsibilities.

11. The Committee also provides an annual report to the UNICEF Executive Board that summarizes its work during the reporting period and its advice to strengthen the robustness of the UNICEF management, audit and evaluation systems.

12. The primary responsibility of the Committee is to advise the Executive Director in fulfilling responsibilities in the following areas:

- (a) Governance and accountability;
- (b) Risk management and internal controls;
- (c) Financial management and reporting;
- (d) Ethics and integrity;
- (e) Internal oversight;
- (f) External oversight.

III. Audit Advisory Committee 2021 workplan

13. The Committee's rolling multi-year workplan that guided its 2021 activities is mapped to the responsibilities outlined in the Charter and supplemented by additional areas of interest outlined by the Executive Director. The workplan enabled the AAC to map its responsibilities to the concerned offices, assess the degree of engagement required and provide advice to strengthen organizational systems of governance, risk management and oversight.

14. The AAC held discussions with the Executive Director, Ms. Henrietta H. Fore, the four Deputy Executive Directors, the Regional Director for South Asia and country Representative for India, the Directors of several headquarters divisions, Regional Evaluation Advisers, and the Chairperson of the Global Staff Association. The Committee held discussions with Ms. Hannan Sulieman, Deputy

Executive Director, Management, at each of the three regular sessions¹ (as the liaison for the Executive Director) and appreciates her support, information and insights.

15. As in 2020, the Committee's 2021 workplan was implemented remotely through videoconferences. After two years of remote operations, the Committee is of the view that, despite the most pragmatic efforts made to adapt and innovate, the complete absence of in-person meetings and resultant dynamic interactions with the leadership group render the effectiveness of virtual meetings to be suboptimal. The Committee also noted that the increasing spectrum of the risk portfolio and the resultant expectation for advice on additional matters requires far greater time and involvement by the AAC. Shorter-duration meetings, spread over a higher number of days, were necessary, since full-day meetings were no longer possible due to time differences for members participating from different regions of the world. Nonetheless, the Committee continued to adapt and innovate its practices by enhancing the use of joint sessions for thematic areas such as field programmes, resource mobilization, partnerships and evaluations, as well as the methodologies used within such sessions.

16. Following the review of the quadrennial budget allocations for 2022–2025 and, in particular, the budget allocated to the Committee, the AAC advised UNICEF to ensure that adequate funding is allocated to service its functional requirements. As the members serve pro bono, the budget is meant to cover only the travel expenses to attend regular meetings and to participate in field visits every two years (to facilitate direct field understanding and feedback), and for professional secretarial support for the Committee. The AAC also expressed to the Deputy Executive Director, Management, and she concurred, that the current arrangements of the Office of Internal Audit and Investigations (OIAI) hosting the AAC secretariat provided the Secretariat the greatest independence with the least potential for conflicts of interest.

IV. Summary of the Committee's activities and advice

17. The Committee applauds the untiring efforts of UNICEF staff globally to deliver programmatic results, often under difficult conditions that have been exacerbated by the pandemic. The AAC recognizes the positive executive intent in spotlighting the significance of a healthy organizational culture and respectful workplace. UNICEF remains critical to the global outcomes of the COVAX Facility and the United Nations reforms. UNICEF stayed focused on organizational change initiatives for transformational impacts through reimagining the UNICEF business model and implementation modalities, together with innovations, new financing instruments and process efficiencies. The Committee took note of the actions taken and planned for reinforcing enterprise risk management, restructuring the human resources and information and communications technology functions, and strengthening the independence and effectiveness of the independent offices. The efforts of UNICEF Management in recent years for closer monitoring of the status of implementation of the recommendations made by the internal and external independent offices is also noteworthy.

18. Based on the information provided by Management, the organizational strategic priorities, structures and systems for governance, risk management and oversight appeared to be generally well established, articulated and functioning in 2021, except for the areas highlighted in the key advice in the paragraphs that follow. Paragraphs 19 to 21 of this document summarize the key advice provided (for the responsibilities defined in its Charter) as follows:

¹ In addition to the three regular sessions, several other ad hoc meetings were held to discuss special matters, including to provide advice on the UNICEF draft financial statements, the revised Charter of the Office of Internal Audit and Investigations (OIAI), the OIAI 2022 draft audit workplan, structured feedback from the Office of the Executive Director on the AAC, feedback on shortlisted candidates for the post of Director, Evaluation, and potential new members for the Committee.

- (a) Para. 20–21: Strategy, governance and accountability;
- (b) Paras. 22–23: Risk management, internal control, financial management and reporting;
- (c) Paras. 24–27: Internal oversight (internal audit, investigations, evaluations, ethics);
- (d) Paras. 28: External oversight (United Nations Board of Auditors, Ombudsman services, Joint Inspection Unit).

19. The paragraphs below are a consolidation of the advice rendered by the Committee at different points in time during 2021, i.e., after each regular session. While it is possible that UNICEF Management may have subsequently considered, taken action or have ongoing actions on the advice rendered, this report refers to the advice provided to the Executive Director immediately following the deliberations with Management. The AAC does not seek a response to each point of advice as if these were audit recommendations; rather, it expects that the advice provided will be considered by Management in the conduct of the work of UNICEF.

A. Strategy, governance and accountability

20. The Committee reviewed the UNICEF strategic priorities, structures and systems for governance. It was apprised of the key discussions at the Global Management Team (GMT), which is the highest forum for UNICEF senior management. The effectiveness of the GMT is pivotal for management assessment of governance effectiveness, clarifying accountabilities, building consensus on setting the organizational risk appetite and tolerance, reviewing the highest risk exposures (including those identified by the oversight offices), and exemplifying the culture and core values of UNICEF.

21. In 2021, the Committee advised UNICEF on matters of strategy, governance and accountability as follows.

(a) ***Development of the Strategic Plan, 2022–2025:*** The AAC advised UNICEF to take cognizance of the inherent challenges of setting ambitious yet realistic targets to meet the accelerated thrust for achievement of the Sustainable Development Goals. This assumes greater relevance as UNICEF staff (especially in the field) are operating under unprecedented contextual and resource challenges and will also be concurrently tasked with implementing a range of organizational improvement initiatives. UNICEF should also continue to strengthen United Nations system-wide collaboration and coordination to better leverage their collective strengths for improved results.

(b) ***Accountability framework:*** A clearly defined framework of accountabilities that is well-communicated and understood is key to effective organizational governance. The Committee acknowledges the management plans for deferring the time frame to present the revised accountability framework to the Executive Board to September 2022. This will rightfully provide the new Executive Director with an opportunity to inspire the exercise with her leadership vision. This exercise presents a seminal opportunity to clarify and restructure accountabilities and responsibilities that are fit for purpose to meet the needs of the next generation of UNICEF financing, partnerships, programmes and risk management. In formalizing the new framework, the Committee advised UNICEF to:

- (i) Maintain the prioritization of and momentum in the preparedness for this critical exercise to ensure the adequacy of the scope, rigour and depth of the review, and its timely completion.
- (ii) Review the existing organizational delegation of authority for decision-making linked to its regulatory framework and formalize it as part of the planned accountability review.

- (iii) Consider the definition of accountability in accordance with paragraph 8 of General Assembly resolution 64/259, and refer to the 17 elements from the [2011 Joint Inspection Unit report](#) on the same subject.
 - (iv) Target a new accountability framework that is unambiguous, disseminated with clear executive communication, and introduced with training programmes that will ensure a common understanding by staff and managers.
 - (v) Be cautious to avoid inadvertently increasing risk aversion through accountability frameworks and remove misconceptions of a one-dimensional negative connotation of risk by also focusing on its positive dimensions.
- (c) **COVAX Facility:** The Committee received briefings on the progress of the COVAX Facility and the efforts made and challenges encountered during 2021. The Committee advised UNICEF to:
- (i) Closely monitor the UNICEF-specific risks alongside the shared risks with the consortium of partners to monitor evolving developments at the global and national contexts in order to manage delivery and reputational risks, given its joint leadership role in the COVAX Facility.
 - (ii) Review the reputational risks to the COVAX Facility stemming from potential vaccine wastages and inequitable distribution of vaccines in country contexts owing to shortcomings in national delivery systems, while recognizing the boundaries and opportunities for the UNICEF supporting role in strengthening national systems for greatest impact.
 - (iii) Record the lessons learned from the ongoing COVAX Facility joint governance model, since it might be a longer-term framework and can help other global initiatives that UNICEF may champion or partner.
 - (iv) Consistently advocate for and maintain the ‘single audit principle’ in the context of the potential for increasing demand for audits of UNICEF by individual donors or alliances, owing to the UNICEF role in the COVAX Facility.
 - (v) Encourage open sharing of country and regional learning on good practices and on failures during the COVID-19 response through simple and collaborative communication channels.
- (d) **Programmes, innovations and advocacy:** The Committee advised UNICEF to:
- (i) Utilize its advocacy and communication modalities to communicate the organization’s excellent efforts and programmatic results achieved during the pandemic more impactfully.
 - (ii) Ensure tighter linkages between programmatic needs and innovation efforts through intra-divisional collaboration, and leverage resources and technical capacity of the United Nations Innovation Network.
 - (iii) Monitor the potential risks of lagging results on non-COVID-19 immunization programmes and enhance the emphasis on the regular immunization programmes for children to respond effectively to problems at country level (e.g., supply chain bottlenecks, and/or the decline in beneficiary participation for other vaccinations during the pandemic).
 - (iv) Review the modalities to ensure faster reviews of requests from regional and country offices for reimbursable emergency fund resources to enable more expeditious responses to meet staff and regional needs in an emergency.

(v) Manage the risks of fragmentation of sectoral technical expertise (headquarters and field), including through global technical teams and multifunctional technical teams, by also considering such risk as part of the proposed accountability review.

(vi) Document lessons learned from the experience of hosted funds to maximize benefits and contain risks.

(e) **Headquarters Efficiency Initiative (HQEI):** The Committee was apprised of the background, objectives and implementation timeline for the ongoing HQEI and its objectives to assess how the headquarters presence, resources and capacities across teams, functions and geographies could work better and more cost-efficiently to contribute to the achievement of results for children. To mitigate any potential adverse impacts from disruption, business continuity and, most importantly, staff morale, amid the background of the pandemic and a new strategic plan cycle, the Committee advised UNICEF to:

(i) Assess the risks associated with the implementation of the HQEI, especially those that have implications across the four functional cones that comprise headquarters offices led by the Deputy Executive Directors, with a timeline that coincides with changes in executive leadership.

(ii) Carefully review the risks versus benefits of the aggressive proposed timeline for the implementation of the HQEI.

(iii) Maintain continuous qualitative engagement with staff to build trust and confidence on the criteria that will be decided for implementation and ensure that the implementation is not a one-size-fits-all approach for all offices, but customized to help each office efficiently deliver on their mandated objectives.

(iv) Respect the independence of the oversight offices (Evaluation, OIAI and Ethics).

(f) **Sustainability, and environmental social safeguards:** The Committee advised UNICEF to:

(i) Prepare an integrated and investment support-aligned strategy and approach to sustainability and environmental, social and governance, considering the latest results from the twenty-sixth session of the Conference of Parties to the United Nations Framework Convention on Climate Change (COP26) and the expectations of the Executive Board and donors.

(ii) Carefully consider the global best practices, including within the United Nations system, while designing the grievance redressal mechanisms for UNICEF environmental and social safeguards, to ensure independent arrangements, clarity of accountabilities of the offices that will be entrusted with grievance redressal responsibilities, and that they are resourced with appropriate skills.

B. Risk management, internal control, financial management and reporting

22. At the request of the Executive Director, the Committee shared key principles for effectively communicating the organizational expectations and the ‘tone at the top’ to its staff. Among others, these included the need to go beyond the negative connotation of risks to recognize that an equal or higher sustainability risk exists from inaction in pursuing transformational opportunities, having a clear and common understanding for all staff and managers of what constitutes acceptable and unacceptable risks (risk appetite), that the principles of sound risk management should drive processes and not the other way around, and that accountability is important for trust in organizational governance.

23. The Committee noted progress in strengthening enterprise risk management and internal control, including the issuance of the first annual statement of internal controls (recurring advice from the AAC) and the institution of the Senior Management Risk Management Committee. In April

2021, UNICEF shared the draft 2020 UNICEF financial statements with the AAC for its review and comments, following which the Committee provided substantive formal feedback. The AAC is pleased to note that the 2020 financial statements received an unqualified audit opinion from the United Nations Board of Auditors. The AAC also received useful updates from the Comptroller, including on the financial overview, treasury operations, audited financial statements and report of the Board of Auditors. The Committee advised UNICEF as follows:

(a) **Enterprise risk management:** The AAC welcomes the Executive Director's decision acknowledging in principle the Committee's long-standing advice to establish a dedicated Chief Risk Officer function. Despite a difference in its operating design (with the Chief Risk Officer situated within the Comptroller's Office) compared to the Committee's proposal (of the Chief Risk Officer reporting to the Executive Director), the AAC acknowledges Management's desire to pilot the new design in next 12 to 18 months and to revisit it thereafter. The AAC will continue to monitor this during its regular meetings and provide its independent advice. Furthermore, based on deliberations with multiple offices during the session concerning risk management, the Committee advised UNICEF to:

- (i) Accelerate the development and application of the risk appetite statements to inform management decision-making, especially given the fast-changing contextual and operational realities and the pursuit of transformational, yet risky opportunities.
- (ii) Ensure the affirmation of the statement of internal control by the Executive Director, together with the Comptroller.
- (iii) Require the attesting managers in country and headquarters offices to report the open audit recommendations with material internal control implications to the Comptroller, to enable suitable assessments in the internal control assertions; and to consider these responsibilities as a component of the managers' performance management.
- (iv) Prioritize actions to complete the recruitments for key leadership vacancies.
- (v) Review the design of the Chief Risk Officer positioning and reporting, while formalizing the revised UNICEF accountability framework, in consultation with the Executive Director.
- (vi) Ensure that the Legal Office is represented on the Senior Management Risk Committee to contribute to the ongoing and proactive assessment of legal and reputation risks.
- (vii) Introduce a more dynamic and periodic key strategic and operational risk reporting system to the Executive Director and GMT (and the Executive Board and AAC). There is a need for timely escalation, deliberation and coherent management of risks at the highest levels of management.
- (viii) Ensure that the reputational risks related to the COVAX Facility about the clarity of UNICEF roles, accountabilities and responsibilities, and potentially disproportionate reallocation of UNICEF resources away from other programmatic priorities, are closely reviewed with reference to the UNICEF risk appetite, and by including the topic for deliberations by the Senior Risk Management Committee.

(b) **Innovative financing:** The Committee advised UNICEF to:

- (i) Create a robust system for tracking and monitoring the application of funds and the return on investments on the \$50 million World Bank financing bonds for accelerating fundraising investments. This will facilitate both exercising oversight over the effectiveness of this new financing instrument and serving as a sustainable monitoring blueprint for similar instruments with potentially higher liabilities in the future.

(ii) Base the decision-making on tapping alternative and innovative financing opportunities (e.g., insurance-linked securities or the Catastrophe Bond, Bridge Fund and securitization products) pursuant to a formal and robust risk assessment, in consultation with the international financial institutions and external independent financial and capital market experts. In the absence of organizational risk appetite and tolerance statements, the Committee is unclear about the internal impact assessment on reputation, liquidity, legal repercussions and financial management risks, and the extent to which it is consistent with the existing Financial Regulations and Rules.

(iii) Issue an organizational policy on anti-money-laundering and countering financing of terrorism based on a comprehensive risk assessment of UNICEF operations (in consultation with multilateral development banks and external experts), with a specific focus on risks from private sector fundraising, new financing instruments, direct cash transfers to beneficiaries via financial service providers, and procurement of goods.

(c) **Legal:** The Committee advised UNICEF to:

(i) Review the capacity needs (post and non-post) for the Legal Office, to ensure it has core capabilities and the resources to engage external professional legal services on an as-needed basis and advise UNICEF on the risks from the new and emerging areas of operations.

(ii) Consult the United Nations Office of Legal Affairs for in principle concurrence on legal positions in new areas (e.g., innovative financing, COVAX Facility risk sharing, use of varying host country agreements for headquarters post relocations) that can have wider implications for the United Nations system.

(iii) Consider the introduction of a one-stop document management system (indexed with intuitive search capabilities) just for legal contracts and donor agreements. This will provide visibility and easy access to the country and regional offices for all documents constituting legal commitments for UNICEF and thus enable better risk management and consistency in obligating documents.

(d) **Change management and knowledge management:** In view of several key ongoing organizational change management initiatives (Reimagine UNICEF, HQEI, streamlining and simplification, Information and Communication Technology Division (ICTD) Transition and Transformation, revised work modalities, etc.), the Committee advised UNICEF to:

(i) Design a coherent storyline, through a coordinated change management communication mechanism, that connects and explains the varying, yet important, change management initiatives, especially about their purpose and positive impacts for staff and the organization. This should help to encourage acceptance and ownership for implementation of the desired changes across the organization.

(ii) Review its corporate knowledge management strategy and evidence-gathering tools, especially from programmes, audit and investigations, evaluation and research, to incentivize open sharing of lessons and good practices and their use across headquarters, regional and country offices through simple and collaborative communication channels.

(e) **Information and communication technology and cybersecurity:** The Committee advised UNICEF to:

(i) Carefully and systematically monitor the change management process during the ICTD Transition and Transformation initiative during the next 12 to 18 months, particularly to manage the impacts of potential disruptions from staff turnover, knowledge and capacity transfer, and the relocation of data centre operations and the eventual related reputational risk.

- (ii) Prioritize timely and able recruitments to fill key existing and upcoming vacancies to minimize business continuity risks and disruption and maintain knowledge retention.
- (iii) Include an external independent expert on the Information and Communications Technology (ICT) Board to advise UNICEF Management, especially given the ongoing and expected leadership changes within ICTD, the potential for disruption from the transition of the ICT function and data centre out of New York, and the global threats and disruption from cybersecurity. Also strengthen the collaboration with reputed research institutions, renowned researchers/professors and academia on the subjects for ICT and innovations.
- (iv) Review the digital and investment road map, following a clearer strategy of the UNICEF future ICT model (software as a service (SaaS), infrastructure as a service (IaaS), data as a service (DaaS), hybrid with insight as a service, etc.), including exploring the creation of a one-time emergency fund for digital investments for agility in approval, implementation and deployment in order to maximize the benefits from such investment.
- (v) Closely monitor cybersecurity risks and obtain assurance on the effectiveness of its operational procedures, patch management, monitoring, end-point security, incident responses and dissemination of incident learnings to end-users. This is particularly relevant in country office operations, which may be the weakest link in the chain, in the time of working remotely from home using personal devices, etc. In addition to independent audits, Regional Chiefs of Information and Communication Technology should also periodically provide their cyberrisk assessments, issues and recommendations to the ICT Board for an effective and coherent organizational response.
- (vi) Assess the impact of the significant unfunded demand for digital investments for the Partnerships Cone. This may present a significant misalignment between the resource mobilization and programmatic goals for 2022 to 2025 and the resources available to achieve them.
- (vii) Initiate protocols for progressively stronger sanctions against repeat offenders for clickbait (e.g., training, denial of access, sanctions).
- (viii) Ensure availability of necessary data for all offices engaged in critical data analytics and research activities in a sustainable and secure manner during the period of the ICT Transition and Transformation.

C. Internal oversight

24. A strong system for independent internal oversight is critical to provide reasonable assurance, investigative services, evaluative assessments and ethical stewardship to help UNICEF to effectively respond to an evolving portfolio of myriad risks in a decentralized environment and a dynamic partnership-oriented business model. The AAC assessment of the UNICEF internal oversight system comprised reviews of the independence, objectivity and effectiveness of the internal audit, investigations, evaluation and ethics functions. The review was also informed by interactions with the executives responsible for financial, management and programme accountability. The Committee acknowledges the challenges and limitations of undertaking oversight activities remotely during the pandemic, and the ongoing attempts of the concerned offices to make the necessary adjustments. These are seen in the context of a second line of defence that is striving to achieve higher maturity levels. Overall, the oversight functions were generally well established and functioning, and the Committee provided specific advice to these functions as summarized in paragraphs 25 to 27 below.

25. **Internal audit and investigations:** The Committee met the Director of the Office of Internal Audit and Investigations at each of its regular sessions, including private sessions, and organized

special sessions to share its feedback on the revised OIAI Charter and annual workplans. The advice provided to UNICEF on the audit and investigations functions is summarized below.

(a) **Charter:** The Committee is glad to note that the revised OIAI Charter was approved by the Executive Director in June 2021, after it was presented to the Executive Board. This is a good governance practice, which is also required by the applicable professional standards for internal auditing. The Committee had reviewed the draft Charter and provided specific advice to strengthen the independence and effectiveness of OIAI, including on areas like barring the appointment of the OIAI Director at any time to another position in UNICEF. However, a few recommendations from the Committee that did not find a place in the revised Charter included a role for the Committee in informing the performance assessment of the OIAI Director, reviewing the adequacy of coverage by internal audit, and requiring OIAI to bring to the attention of the Committee any actual, potential, or perceived conflict of interest or impairment of objectivity in the performance of their functions.

(b) **Strategy for 2022–2025:** The Committee took note of the OIAI office management plan 2022–2025 and its strategic priorities and approaches. The Committee appreciated the emphasis for internal audit on closing the audit assurance coverage gap, leveraging data analytics and communications, and addressing the resources deficit for internal audit. Similarly, for investigations, it noted the proposed increased focus on fraud risks, and conflict resolution through the least intrusive response. The AAC was pleased to learn that most of the additional staff resources requested by OIAI for the quadrennium were made available by the UNICEF Management.

(c) **2022 annual workplan:** As the 2022 draft internal audit workplan had not been completed at the time of its last regular session for 2021, the Committee had advised OIAI to share its completed draft workplan, including information on the audit universe and audit assurance gap, for detailed feedback. The AAC sought clarifications during its last regular session and offered its interim suggestions on the preliminary version presented, covering the feasibility of the projected volume of audits given past trends for staff output ratios; the usefulness of time recording systems for budgeting; the availability of internal expertise for complex subjects like cybersecurity and innovative financing; the value-add of auditing; the benefits realization of the Global Shared Services Centre; the absence of information or risk assessments on key subjects like change management; United Nations reform; business continuity; sustainability and climate change; treasury; and the regulatory framework. The Committee also advised on piloting communication with some programme countries on the Executive Board to elicit their views on the annual audit workplanning, in addition to OIAI current engagement with some donors. The AAC advised with regard to timely approvals of the annual internal audit workplans and periodic risk refreshes (to be shared with the Committee for its reflections).

(d) **Annual opinion and coverage:** The AAC advised a careful assessment of the language of the internal audit annual opinion being shared with the Executive Board, by reflecting limitations and challenges, after considering the impact on the quality of assurance in view of a full year of remote auditing. The Committee also advised a robust degree of audit assurance, especially in the rapidly evolving and changing risk landscape globally, and the challenges of remote auditing.

(e) **Investigations:** The AAC advised of the need to first obtain a clear legal opinion regarding plans for restricted sharing of ongoing investigations with selected senior managers. With the opportunity for staff to approach various offices/functions (e.g., OIAI, Ethics, Principal Adviser, Organizational Culture, Ombudsman) to address grievances, there is a need to manage ‘forum shopping’ by staff with the partner offices. While respecting confidentiality, it is also important to effectively address grievances without duplication of efforts. The Committee advises UNICEF to provide simplified communication to staff on the distinct roles of the Ombudsman, Ethics and Investigation offices and establish and enhance a clear and effective referral system. The Committee was informed that the results of the peer review of the investigations function conducted in the last quarter of 2021 would be available in early 2022. The AAC looks forward to discussing its

recommendation to strengthen the investigation function, especially since the last external quality assessment for the investigations function was done in 2013.

(f) **Mobility and rotation for oversight functions:** The AAC was apprised of the policy revision plans to convert the non-rotational status of the staff posts in OIAI to highly specialized positions with fixed terms, which would require staff to reapply for the jobs at the end of the term. The Committee advised UNICEF to review the draft staff mobility policy revisions, especially against firm policy timelines on mandatory rotation or reapplying for posts, in order to preserve the independence of auditors and investigators, avoid conflicts of interest and remain an attractive employer for high quality resources. To maintain healthy turnover and enable career progression, UNICEF should make mobility optional for the independent oversight offices and incentivize mobility, including through transfer arrangements with oversight offices in other United Nations agencies.

(g) **Data analytics:** The AAC took note of a clear data analytics strategy for OIAI and the progress made in 2021 to use the strategy to support both the audit and investigations sections. The Committee advised OIAI to resource the data analyst as a staff position instead of using the current consulting modality, to ensure greater prospects for continuity (given the high demand for such services), and knowledge management for key areas of work that are leveraged by both audits and investigations, and thus have a deeper influence on the work of an office.

(h) **Communication:** The Committee appreciates the efforts to disseminate information on the work of OIAI through thematic cross-cutting reports and newsletters. The AAC provided advice on accelerating the formalization of a new internal audit report structure and messaging styles to make them lighter, more risk-oriented and visually appealing, and to increase the report's effectiveness and use for both management and external audiences (the AAC had provided suggestions in this regard in 2020). The Office was also advised to communicate the results and key outcomes of the advisory activities for which formal reports were not issued, to inform the Executive Director, the Executive Board and the AAC. Lastly, the Committee requested the office to resume the practice of providing formal periodic executive reporting both to the Executive Director and the AAC on the status of workplans, activities, key findings and insights, and performance on key performance indicators.

26. **Evaluation:** The Committee appreciates the progress made in recent years by the corporate evaluation office and regional evaluation teams on the independence arrangements, number and quality of evaluations, decentralized capacity and positive impacts of the pooled fund arrangements. In early 2021, the AAC provided feedback to UNICEF Management on the shortlisted candidates for the new Director of Evaluation. The AAC commends UNICEF for establishing the multi-country evaluation adviser posts on a sustainable basis in the institutional budget and highlights the need for programme funds to enable the advisers to support country offices and build partnerships within the United Nations system and with national evaluation authorities. Following the Committee's discussions with the Evaluation Office at each of its regular sessions and jointly with the seven Regional Evaluation Advisers, the Committee advised UNICEF to:

(a) Regularize Evaluation Adviser positions in the 2022–2025 quadrennial budget exercise and use pooled funds for additional and necessary initiatives such as real-time emergency evaluations, joint evaluations of the Sustainable Development Goals, national evaluation capacity-building and joint evaluations with national partners.

(b) Increase collaboration between the Evaluation Office and regional offices to improve the management response rate on recommendations from evaluation reports and include a role for the Deputy Executive Director, Programmes on oversight of progress in the preparation and implementation of management responses to evaluation recommendations with a view to improving performance, identifying problem areas and taking corrective action.

(c) Consider allocating seed funding (in addition to the progress in securing post costs) to enable regional and multi-country evaluation advisers to conduct operational activities, including joint work with other United Nations agencies and national partners.

(d) Present a clear case to the GMT and the Executive Board on the importance of sustainable funding, as reflected in the positive impacts of the existing 1 per cent target for evaluation spending, in order to ensure that the global evaluation function is adequately resourced beyond a compliance requirement.

(e) Continue to strengthen the accountability and commitment of Regional Directors, country Representatives and programme managers for using evaluation and building an evaluation culture in their offices; and clarify the accountabilities for underperformance and incentivize embracing evidence-based learning.

(f) Share the draft plan for global evaluations with the AAC on a regular basis.

(g) Enhance work on multi-method impact evaluation by building partnerships within UNICEF and beyond.

(h) Review the job descriptions of staff in country offices with titles involving evaluation to ensure the job descriptions are standardized across regions.

(i) Resolve inconsistencies in access for Regional Evaluation Advisers to platforms for engagement on regional strategy, decisions on budgets and posts for evaluations, and direct communication with country-level staff on evaluation matters.

(j) Identify a specific subject to pilot a collaborative initiative of the Evaluation Office and OIAI.

27. **Ethics:** The Committee had excellent deliberations with the Director of the Ethics Office since his appointment in early 2021 (after a year of the position being vacant) and takes note that the Ethics Office was designated as an independent office following its separation from the Office of Executive Director. The Committee advises UNICEF to:

(a) Define the charter of the Office and clarify the boundaries of its action, akin to the evaluation policy and the OIAI Charter.

(b) Include the independent Ethics Office under the oversight of the AAC (within the AAC Charter), similar to the arrangements for OIAI and the Evaluation Office. This is consistent with the Committee's past position on the matter, also reinforced by the Joint Inspection Unit in its upcoming report on ethics in the United Nations system (an issue raised by the Joint Inspection Unit at the December 2021 annual meeting of the Chairs of the United Nations system oversight committees).

(c) Review the Ethics Office structure (i.e., the absence of middle management) and resources for 2022–2025 (staff and non-post) to preserve its independence and strategic use of leadership time, and to mitigate succession risks.

(d) Conduct a strategic review of the trade-off of administering the Conflict of Interest and Financial Disclosure Programme exclusively through the core staff of the Ethics Office compared to alternative arrangements (including options pursued by other agencies and outsourcing), taking into account confidentiality considerations.

(e) Enhance the use of data and analytics for examining and analysing enquiries throughout handled by the Ethics Office by risk area, in order to escalate key themes for Management attention and render proactive support, including through frequently asked questions and advisory services.

D. External oversight

28. The AAC held meetings with key constituents of the UNICEF external oversight system to complement the review of the internal oversight system and inform its own assessments.

(a) **United Nations Board of Auditors:** The Committee had constructive discussions (including private sessions) with the United Nations Board of Auditors on the key observations from their 2020 audit report. The Committee noted their confirmation that there had been no impairment to their independence or any scope limitations and was pleased to note that UNICEF received an unqualified audit opinion for 2020. In November 2020, the Board of Auditors briefed the Committee on its workplans for the interim audit and the financial audit for 2021. The Committee looks forward to the Board's views on the newly introduced internal control assertions by the UNICEF Management. The Committee appreciates the candid discussions and emphasizes the importance of the Board of Auditors for independent oversight. The Board's recommendations and the status of their implementation were also regularly discussed with the Comptroller.

(b) **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.² The Office updated the Committee about the positive progress in its capacity-building efforts and presence in several regions, the increase in the number of global mediation panels, and the creation of e-learning content. The Committee took note of the landmark mediation pledge signed by the five organizations served by the office, which reflects a powerful spirit of inter-agency cooperation, a recognition of the value of mediation as part of a multifaceted conflict-resolution system and the joint commitment to enable resolution of workplace conflicts in an informal manner, to the extent possible, and to minimize escalations for litigation. The main issues addressed by the office continue to be evaluative relationships and job- and career-related matters. The Committee looks forward to greater regional and country participation in these efforts and the learnings from the efforts of the office to improve the ways of responding to grievances for consultants, individual contractors, interns and volunteers.

(c) **Joint Inspection Unit:** The Committee noted a robust management mechanism of following up on the implementation of external and internal audits. The Committee noted some progress in the implementation status of open recommendations of the Joint Inspection Unit as the total number of open recommendations decreased from 49 in April 2021 (14 older than two years) to 34 in November 2021 (8 older than two years). The Committee advised UNICEF to focus on the implementation and closure of the relevant older open recommendations of the Joint Inspection Unit.

V. Reporting to the Executive Director and the Executive Board

29. **Executive Board:** The Vice-Chair of the AAC attended the annual session of the Executive Board in 2021 and delivered the Committee's statement on its 2020 annual report. The Vice-Chair was available to respond to questions or comments from the Board related to the report. The Committee was glad to note the references to the AAC annual report in the deliberations of the Executive Board.

30. **Executive Director of UNICEF:** The AAC appreciated the open and frank discussions with the Executive Director, Ms. Henrietta H. Fore, and benefited from her insights. The Committee also records its appreciation of the leadership and vision of the Executive Director over the past four years when she presided over a tumultuous period for the organization involving, among others, two significant issues: addressing sexual exploitation and abuse, and responding to the COVID-19 pandemic. UNICEF made impressive strides in its response on both counts, even leading with its actions while pursuing newer opportunities and focusing on innovations. After each of its regular

² The Office of the Ombudsman for United Nations Funds and Programmes serves five United Nations entities: the United Nations Development Programme, the United Nations Population Fund, the United Nations Children's Fund, the United Nations Office for Project Services and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women).

meetings in 2021, the AAC submitted to the Executive Director a summary of strategic advice, together with the minutes of the meeting. The summaries focused on the most-pressing topics arising from each meeting and the Executive Director provided acknowledgement memorandums sharing management perspectives and updates on the Committee's key advice. The Committee also shared the results of its self-assessment, which was very positive in the areas of mandate coverage, adaptation to new remote working modalities, independence and openness, leadership, collective member expertise, interactions with the oversight functions, reporting and secretariat support. The self-assessment also identified areas for improvement, including the need for a review of the AAC responsibilities for the Ethics Office so that they are made similar to those pertaining to OIAI and the Evaluation Office, the need to consider returning to in-person meetings (pandemic conditions permitting), and strengthening consultation with the AAC on leadership changes within the independent offices. The AAC also acknowledges the Executive Director's feedback on the work of the Committee, and in particular to also consider three to four themes of high executive level interest in the Committee's work programme.

VI. Networking within the United Nations oversight committees

31. ***Joint meeting of the Chairs of the oversight committees of the United Nations system:*** The sixth annual meeting of the Chairs of the United Nations system oversight committees, hosted by the Independent Audit Advisory Committee of the United Nations, was held remotely in December 2021. The meeting was attended by 38 participants representing the oversight committees of 23 oversight committees from entities within the United Nations Secretariat, funds and programmes and the specialized agencies, and included Ms. Amalia Lo Faso, Chair, and Mr. Jayantilal Karia, Vice-Chair, of the AAC. The session covered briefings from the High Level Committee on Management, presentations from the Joint Inspection Unit on their key reports, implementation updates of the system-wide data strategy, human capital and future workforce, research report on the consistency and practices of the executive secretariats supporting oversight committees, and the methodology for the oversight committee's peer reviews and self-assessments.

32. Mr. Jayantilal Karia, Vice-Chair of the AAC, presented the first-ever system-wide benchmarking exercise of the secretariats for the audit and oversight committees. This exercise enabled the identification of good secretariat practices that could be replicated across the system organizations. In the context of UNICEF, we are pleased to report that the AAC secretariat is clearly a leading pioneering function within the system.

33. Together with colleagues from the audit and oversight committees of four United Nations sister organizations, Ms. Amalia Lo Faso, Chair, UNICEF AAC, also presented on the topic of considering peer reviews of United Nations system audit oversight/committees for enhancing their effectiveness (as an alternative to a Joint Inspection Unit recommendation for an external assessment). A pilot peer review exercise will be first undertaken by the International Labour Organization oversight committee in 2022 and the results from that exercise by 2023 will inform recommended practices for the United Nations system oversight committees.

34. The meeting acknowledged the importance of the reforms implemented by the Secretary-General during the crucial period of the pandemic, which, inter alia, enabled the United Nations organizations to adjust their business operations in order to ensure effective programme delivery around the world and to respond quickly to the needs of Member States and other stakeholders. Discussions referred to the need to expand the United Nations communication strategies and tools to reach a broader audience in order to combat disinformation and communicate success stories about the entire United Nations system. The meeting took note of the Data Cube Initiative, a joint project of the Chief Executives Board High Level Committee on Management and the Sustainable Development Goals and highlighted two continuing concerns worthy of system-wide action. One related to the challenge of ensuring comparability and consistency of data in financial statements across the United Nations system (e.g., varying revenue recognition standards), and that data

generated from the individual enterprise resource planning systems of organizations is not yet automatically transferred into the Chief Executives Board database. The meeting also emphasized the importance of the progress of the ongoing work on the data protection privacy programme.

35. The importance of the implementation of key recommendations of Joint Inspection Unit reports, including on cybersecurity relating to executive heads reporting the cybersecurity frameworks to their legislative and governing bodies, use of shared cybersecurity solutions, and exploring convergence between physical and cybersecurity, was underscored. The system oversight committees recognized the initiatives taken to strengthen the internal control and enterprise risk management frameworks while also emphasizing the importance of managing risk to improve accountability, effectiveness and efficiency in United Nations operations; and prioritized the need for an integrated look at United Nations system human capital and future workforce.

VII. Conclusion and acknowledgements

36. The Committee continued to adapt with flexibility and to explore ways to innovate within its remote working modalities and procedures in 2021. This allowed it to meet its mandate and deliver advice to the Executive Director that may be considered in management decision-making to strengthen the UNICEF systems of governance, accountability, risk management and oversight.

37. The AAC presented its 2020 annual report to the Executive Board and hopes that it was informative and useful for the Board's oversight.

38. The AAC looks forward to early engagement with the new Executive Director, Ms. Catherine M. Russell, so as to foster an open dialogue on the Committee's mandate and value expectations.

39. The AAC thanks Mr. Stephen Zimmermann, Director, OIAI, for facilitating the secretariat and budgetary support to its work. The Committee is also appreciative of all the UNICEF staff members who made presentations, provided information and/or facilitated its meetings.

40. Finally, the Committee is particularly grateful for the professional support it receives from Mr. Sunil Raman, Committee Secretary (OIAI), in managing the AAC secretariat and for the continuous improvements and innovations in the Committee's remote working modalities.

Annex

Audit Advisory Committee membership and schedule of meeting attendance in 2021

<i>Regular meetings in 2021</i>				
<i>Member Name</i>	<i>March</i>	<i>July</i>	<i>November</i>	<i>Comments</i>
Mr. Kamlesh Vikamsey	Attended	Attended	Not applicable	Former Chair until October 2021. Member since October 2015 whose second term ended in October 2021.
Ms. Amalia Lo Faso	Attended	Attended	Attended	Chair from October 2021 to February 2022. Member since February 2016; serving on second term, which ends in February 2022*.
Mr. Jose Urriza	Attended	Attended	Attended	Member since August 2016; serving on second term, which ends in August 2022*.
Mr. Jayantilal Karia	Attended	Attended	Attended	Chair from February 2022, Member since June 2017; serving on second term, which ends in June 2023.
Ms. Saraswathi Menon	Attended	Attended	Attended	Member since June 2017; serving on second term, which ends in June 2023.
Ms. Anni Haraszuk	Attended	Attended	Attended	Member since September 2020; serving on first term, which ends in September 2023.
Ms. Eney Quinones	N/A	N/A	Attended	Member since September 2021; serving on first term, which ends in September 2024.

* The Executive Director has identified and invited two new members to join the Audit Advisory Committee, from February 2022 and September 2022, respectively.

N/A = not applicable.