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### **Management response to the UNICEF Office of Internal Audit and Investigations 2022 annual report to the Executive Board**

#### *Summary*

This document presents the management response to the UNICEF Office of Internal Audit and Investigations 2022 annual report to the Executive Board. The report summarizes the various actions that UNICEF has taken to implement the recommendations related to risk areas at headquarters, regional and country offices. 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 the 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.

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\* Reissued for technical reasons on 19 May 2023.  
\*\* [E/ICEF/2023/9](#).



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## I. Overview

1. This report has been prepared by the management of UNICEF in response to the UNICEF Office of Internal Audit and Investigations (OIAI, or the “Office”) 2022 annual report to the Executive Board (E/ICEF/2023/AB/L.4) and its addendum (E/ICEF/2023/AB/L.4/Add.1). The report includes updates on actions taken or planned by UNICEF management to address the risks and main recommendations identified in the audits undertaken by OIAI during 2022. It also elaborates on the efforts being made to improve internal controls and recovery of losses related to reported cases of fraud or presumptive fraud, in line with Executive Board decisions 2018/3, 2019/6 and 2021/4.

2. The internal audit work conducted by OIAI in 2022 concluded that the UNICEF framework of governance, risk management and controls is generally adequate and effective. Management welcomes the satisfactory opinion, sustained over the past seven years, and is committed to further enhance the UNICEF governance, risk management and control environment.

3. Management notes that a total of 27 audit reports on UNICEF activities were issued in 2022, including 2 advisory reports. Of the 25 audit reports issued by OIAI, 92 per cent resulted in generally satisfactory conclusions (i.e., “satisfactory”, or “partially satisfactory, improvement needed”), which demonstrates management’s sustained commitment to improving processes and maintaining a robust control environment in UNICEF.

4. Management continues to support offices in ensuring prompt implementation of OIAI audit recommendations. Management is pleased to report that, as at 31 December 2022, no agreed actions had been outstanding for more than 18 months.

5. Management takes note of the decentralization strategy of OIAI and welcomes its efforts to strengthen its audit and investigations capacity, including the plan to open a new office in Nairobi in 2023.

6. Management recognizes the challenges of increased donor conditionalities in agreements that may impact OIAI activities and independent mandate. Management confirms that discussions are ongoing with the concerned UNICEF divisions and offices on consultations with donors on setting reasonable expectations on additional reviews, where justified, and the imperative need to preserve the independence of OIAI.

7. Management notes the increase in the proportion of investigations closed in 2022, with a 21 per cent increase over the number closed in 2021, and advocates for OIAI to continue improving investigation turnaround times to support management efforts for early initiation of recoveries. Management requests that OIAI also consider comparison to the data prior to the coronavirus disease (COVID-19) pandemic, as the period 2020 to 2021 was significantly impacted by the pandemic and reporting may not have been a true representation of the norm. In the meantime, management has redoubled efforts to support offices and redesigned control systems and governance for a proactive analysis of root causes and remediation of systemic weaknesses.

## 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 that demonstrates accountability and transparency to stakeholders.

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

9. In implementing Executive Board decision 2017/10 on the prioritization of the implementation of actions in areas of recurring risks, management values the insight from OIAI and notes the four areas for the 2022 reporting period that constitute 92 per cent of all agreed actions stemming from the country offices audits, as follows: (a) programme management; (b) governance and accountability; (c) supply and logistics; and (d) financial management.

10. Management acknowledges that 20 per cent of the actions agreed in the audit reports issued in 2022 were rated as high priority and require immediate action to reduce exposure to higher risks that may adversely impact the organization's overall framework of governance, risk management and controls. This is a slight increase from previous years (2021: 15 per cent; 2020: 13 per cent; and 2019: 16 per cent).

11. Although OIAI has identified areas of improvement and good practices, management continues to focus its efforts on the areas needing improvement.

12. During 2022, OIAI issued 16 audit reports for country offices and 9 thematic audit reports, with a total of 184 recommendations. Management is pleased to note that no reports were rated as "unsatisfactory" and that 92 per cent were generally satisfactory (i.e., ratings of "satisfactory", or "partially satisfactory, improvement needed"). This is generally consistent with the trend of satisfactory results in recent years (100 per cent, 94 per cent, and 89 per cent in 2021, 2020 and 2019 respectively).

13. These "satisfactory" and "partially satisfactory, improvement needed" ratings assure management that the relevant controls and processes have generally been established and are functioning as intended, with only minor remediation actions needed.

14. Management has maintained efforts to expedite the closure of outstanding recommendations. In 2022, the Division of Financial and Administrative Management sustained its strategy of close monitoring of outstanding agreed actions and supported offices to promptly implement such actions. These positive efforts resulted in no agreed actions outstanding for more than 18 months as at 31 December 2022, a significant reduction from 15 in 2020 and 2 in 2021.

### **IV. Management actions and plans to address the recommendations to country offices**

15. Management commends OIAI for the increased scope of the internal audit activities conducted in 2022, which covered 16 country offices across six regions. This exceeded their 2022 workplan of 11 country offices and provided audit coverage of 16 per cent of the allotted expenditure for country and regional offices in 2022.

16. Management's efforts to prioritize the implementation of agreed actions are demonstrated by the high implementation rates of 100 per cent and 85 per cent of agreed actions for 2020 and 2021, respectively. In addition, a significant number of all the outstanding recommendations (95 per cent) had been opened for less than 12 months by the end of 2022. Most of the audit reports for country offices issued in the second semester of 2022 account for 73 per cent of the 135 agreed actions in 2022. Plans to implement these recommendations are already in place and the implementation of the agreed actions is in progress. The following section provides a summary of the actions being taken.

## **A. Programme management**

17. Agreed actions related to programme management represent 48 per cent of the 135 total actions from country offices audited in 2022. Management welcomes the attention given to the adequacy and effectiveness of humanitarian cash disbursements, donor relations, implementing partnerships and the harmonized approach to cash transfers (HACT) and monitoring and reporting, as incorporated in all 16 audits of country offices in 2022.

18. In 2022, in pursuit of the recommendations resulting from the Reimagine Business Models exercise, UNICEF launched a new country programme management package that simplifies procedures, guidance and tools to help country offices to drive forward the ambitious outcomes set out in the UNICEF Strategic Plan, 2022–2025. This was developed for the first time in UNICEF to provide an holistic conceptualization of how programme management is an interconnected workflow. The package covers country programme planning, annual management plans, organizational performance management, and programme implementation and monitoring. Cross-divisional efforts are under way to harmonize and cross-reference procedures and to roll out new digital programme systems and tools that support programme effectiveness, efficiency and field monitoring.

### **1. Humanitarian cash disbursements**

19. Management welcomes OIAI recommendation on the need to establish an effective humanitarian cash transfer process characterized by appropriate segregation of duties and oversight. Management also notes the opportunities in two of the audited offices to strengthen humanitarian cash disbursements with improvements to the safeguarding of beneficiary data for transfer processing and the contracting of financial service providers. Management is committed to reinforce the process of humanitarian cash disbursements by leveraging lessons learned from other United Nations entities and introducing the necessary changes into key processes.

20. Regarding safeguarding beneficiary data, the concerned offices have adopted the systematic use of passwords, encrypted messages and deletion of private information, including exploring the type of support that could be given to implementing partners beyond the signature of data protection clauses. Further, headquarters and the Humanitarian Cash Transfer Beneficiary Data Management team plan to incorporate these data safeguarding programmes into the Humanitarian Cash Operations and Programme Ecosystem, which is a UNICEF corporate management information system solution.

### **2. Donor relations**

21. Management recognizes that there is an opportunity for improvement regarding the efficiency and effectiveness of communication with donors on the coordination for grant management processes. Offices have committed to enhance their advocacy and communication strategies, guided by the UNICEF advocacy tool kit, and to update their partnership action plans. Meanwhile, good practices identified could also be leveraged, such as the establishment of a donors and grant management task force.

### **3. Implementing partnerships**

22. Management welcomes the recommendations of OIAI to improve accountabilities for implementing partners, promote sustainable interventions and enhance collaboration with non-governmental organizations, including the management of partnership risk and an increase in the open selection process of civil society partners.

23. In 2022, offices committed to use more detailed workplans to outline the roles and responsibilities of government agencies, implementing partners and country offices. Similarly, efforts continued to strengthen partnerships by selecting partners that have the capacity to achieve the agreed results, including using properly documented competitive processes. The concerned offices are also developing partnership strategies to foster an holistic approach to all levels of engagement and capacity-building.

#### **4. Monitoring and reporting**

24. Management acknowledges the recommendations to improve the programme monitoring approach, and to incorporate feedback received to strengthen programme monitoring and ensure consistency and alignment of the planned country programme results with the joint workplans.

25. In 2022, the audited offices committed to establish a more systematic mechanism to monitor programme implementation and to analyse and agree on results achieved, constraints and priorities for each programmatic year. Offices plan to leverage the midyear and annual review monitoring activities for discussions on results achieved, bottlenecks and constraints and ensure that monitoring and planning involve participation by partners, which will be documented.

26. Management continues to support offices to strengthen the quality assurance process to ensure consistency and alignment of results with joint workplans, including reflecting the country programme results framework in workplans and programme documents and ensuring they are uploaded to the Results Assessment Module, which is the UNICEF primary source of programme planning and reporting data.

#### **5. Harmonized approach to cash transfers**

27. Management acknowledges the recommendations on prioritizing the recording, monitoring and timely implementation of minimum HACT assurance activities, and identifying indicators of fraud or questionable expenditures and their root causes and ensuring that recovery of refunds is pursued in a timely manner. In 2022, offices committed to assigning responsibilities for quality assurance and ensuring action points resulting from assurance activities are appropriately captured in eTools and monitored for timely implementation.

28. Management has observed good practices from UNICEF offices that could be leveraged, for example the establishment of a HACT task force at the country level chaired by the Deputy Representative, Operations; and reinforced HACT teams with dedicated staff to follow-up on actions in relation to HACT assurance recommendations.

29. In 2022, UNICEF finalized the review of the implementing partnerships management procedures, guidance and tools, which resulted in the revised UNICEF programme implementation procedure that consolidates several sources into one reference source. The document has been published officially and is available as part of the UNICEF regulatory framework. This new procedure includes a handbook that provides quick reference to the guidance on the follow-up of action points and is available to all staff.

### **B. Governance and accountability**

30. Management notes that actions related to governance and accountability represented 24 per cent of the 135 actions agreed to by the country offices audited in 2022. Management draws special attention to the recommendations to improve UNICEF risk management and appropriate arrangements for risk monitoring and oversight, including risk identification and assessment. Management actions to

address these recommendations and those from the thematic audit of the enterprise risk management (ERM) function are included in section V of this document.

31. Management further notes that OIAI recognizes that some offices have prioritized protection from sexual exploitation and abuse through the development of more focused interventions and reporting. Management confirms that the concerned offices have agreed to further improvements, including streamlining and updating the tools used for the management of remediation activities and expediting the establishment of community-based grievances mechanisms across all interventions.

### **C. Supply and logistics management**

32. Management notes the increase in actions related to supply and logistics management, procurement and contracting, which represented 15 per cent of the 135 actions agreed to by the country offices audited in 2022. Management also welcomes OIAI recognition of several good practices in some audited country offices, such as transparent sourcing and selection processes for institutional and individual contractors, and compliance with applicable procedures and with regular objective performance assessments.

33. Management acknowledges the opportunities to further strengthen supply and distribution planning and revision of the supply end-user monitoring framework, as well as to improve contract management and capacity-building in several offices. In the affected offices, the country management teams have agreed to strengthen supply planning protocols through annual analysis of transactions and lead times; and to ensure that distribution plans are prepared for all programme supplies held in UNICEF warehouses.

34. Similarly, the concerned offices are reviewing their supply end-user monitoring frameworks to ensure adequate planned coverage and to boost resource capabilities, while other offices have agreed to complete implementation of the framework to ensure that feedback from final beneficiaries is obtained and is sufficient.

### **D. Financial management**

35. Management welcomes the reduction in the number of actions related to financial management, which represented only 5 per cent of the 135 actions agreed to by the country offices audited in 2022, as compared to 9 per cent in 2021. Management takes note that the agreed actions relate to the impact of the COVID-19 pandemic on compliance with requirements for approvals of cash transfers when using delegated authority for payments; updates to information on custodians for all assets; and completion of funding authorization and certificate of expenditure forms.

36. The concerned offices agreed to reinforce staff responsibility and accountability for approving and certifying cash transfer requests by ensuring approvals at the right level for all funding authorization and certificate of expenditure forms. In addition, there is a plan to conduct regular monitoring of the implementation and accountabilities of the officer-in-charge roles; and to expeditiously update custodian information for all assets in the Virtual Integrated System of Information (VISION).

37. In 2022, management started roll-out of the new ezHACT 2.0 application to simplify the cash transfer system and provide end-to-end management of HACT transactions. The new system has received positive reviews from the pilot users, with feedback including that it is user-friendly and simple to use; that several transactions can be conducted with one click; and that it has transposed a lot of offline tracking of operations into online modalities, including setting up the system for electronic funding authorization and certificate of expenditure forms. This new system was created to prioritize data quality and protection, business value and user experience,

and is therefore expected to alleviate many of the concerns currently experienced in many offices regarding approvals of forms and tracking of operations.

## **V. Management actions and plans to address the recommendations of the thematic and joint audits**

### **A. Enterprise risk management**

38. Management values the results and recommendations reported by OIAI in relation to the thematic audit of the UNICEF ERM and the related recommendations from the audits of country offices. Management appreciates OIAI acknowledgement of several ERM processes that are adequate and working well. For example, the integration of risk assessment and mitigation as part of activities that underpin country offices' planning and programme delivery, as well as processes like the situation analysis and development of programme strategy notes. Other processes considered adequate include the guidance on risk-informed programming, the UNICEF emergency procedures, the discussions around risk management as a routine part of senior management meetings in some country offices, and the development of risk management tools for local analysis.

39. The OIAI has recognized the value of the role of the ERM secretariat in recent years in moving ERM in UNICEF towards maturity, with the development of a strategy and policy, the establishment of the Senior Management Risk Committee, and the roll out of the enterprise governance risk and compliance tool to harmonize the identification and categorization of risks and capture mitigating measures at all levels of the organization.

40. UNICEF management also welcomes the value of the observations made by OIAI to improve the design and effectiveness of UNICEF ERM activities in supporting staff, senior leaders and other stakeholders in their roles for organizational risk management. UNICEF management has acknowledged OIAI findings and, in conjunction with the recommendations from the Global Risk Management workshop held in May 2022, expects to adopt an holistic approach to the risk management function.

41. In late 2022, UNICEF appointed its first Chief Risk Officer in the Office of the Executive Director, with the aim of enhancing risk management within the organization and developing a multi-year road map to further advance the function globally. This will bring the necessary contributions and involvement of UNICEF executive leaders to designing the ERM vision for delivering results for children, including the integration of the existing programmatic and operations risk management mechanisms; and embedding risk management in strategy-setting, decision-making and review of the roles and responsibilities of offices, divisions and governance structures.

### **B. Supply systems strengthening and management of key supply areas**

42. Management values the results and recommendations reported by OIAI in relation to the audit of the UNICEF support to the strengthening of national governments' supply systems and management of UNICEF key supply chain areas, which was published in December 2022. Management welcomes the identification of several areas that are working well, like the development of the UNICEF supply chain maturity scorecard, which identifies strengths and weaknesses in governments' supply systems to advise them on appropriate measures to be taken, with technical support from UNICEF. Among other good practices highlighted was the issuance of technical



guidelines to strengthen national supply chains in areas such as data analytics, stock management, workforce development, network optimization, vaccine forecasting and procurement and end-user monitoring of certain commodities.

43. Management acknowledges that OIAI has also identified areas of improvement related to clarification of accountabilities for working with national Governments in the allocation of funds to address child wasting. The UNICEF Programme Group, with the support of the Public Partnerships Division and Private Fundraising and Partnerships Division, is committed to developing and implementing a partnership and resource mobilization strategy with clearly defined accountabilities of relevant offices and communication channels with national Governments for their allocation of funds for the procurement of essential nutrition commodities.

44. The OIAI also identified the need to develop consolidated guidance for the procurement and distribution of supplies. The Supply Division has agreed to the creation of a compendium and repository of tools and guidance that would be used by offices to engage government-led supply chains relevant to the procurement and distribution of supplies for children.

45. Management further acknowledges the need for improvement in the implementation of appropriate monitoring for consistent procurement and distribution plans and timely delivery of supplies. UNICEF regional offices have committed to implement appropriate monitoring, oversight and reporting of supplies to support those country offices that have the largest volumes of supplies and significant supply-related risks.

46. Furthermore, in October 2022, UNICEF launched its procedure on monitoring, which provides global instructions on monitoring of supplies and their end use and, among other key interventions and outputs, establishes regular tracking and responding to progress towards the end-users of supplies.

47. Management is also developing a proof of concept to enable visibility of supplies at the end-user level, which will bring digitalization to the monitoring of supplies.

## **VI. Management comments on advisory engagements**

### **A. Digitization**

48. Management welcomes OIAI 2022 review of the adequacy of digitization and automation across UNICEF.

49. Management considers that the good practices identified and recommendations made will provide valuable insights for further digitization and automation across UNICEF towards achieving the organization-wide digital transformation, as outlined in the UNICEF Strategic Plan, 2022–2025.

50. Management appreciates that OIAI noted commendable progress made by UNICEF towards greater digitization and automation of its business processes across the organization, including significant investments in foundational infrastructure. UNICEF has migrated to the online Microsoft 365 and its integrated products (i.e., Teams, SharePoint online) to equip staff with collaborative office administration solutions; case management is now collaborative and simplified through the use of the ServiceNow platform; fundraising and donor relationship management has been consolidated in the Salesforce platform; and UNICEF teams are fully leveraging the development of integrated applications (e.g., Fiori, ezHACT 2.0) that simplify access and analyse the data in the core enterprise resource planning platform.

51. Management welcomes the opportunities identified by OIAI related to the full and consistent utilization of the available information and communications technology platforms' collaborative and co-working capabilities; limited interaction of platforms with external stakeholders; the need for further integration of processes such as planning at the country and headquarters levels; and the transformation of manual or paper-based processes, such as talent acquisition.

52. UNICEF management, through the Information and Communication Technology Division, attests to the significant reduction in print media entering the organization's processes. UNICEF has a policy clearly defining the requirements for the use of corporate digital solutions for enterprise content. However, management recognizes there are challenges to assign ownership to respective office managers for processes that are defined at the local level. Management is exploring ways to engage local and regional information and communications technology teams in identifying opportunities for digitization (i.e., conversion of information into digital format), digitalization (i.e., using technology to enhance corporate processes) and digital transformation.

53. UNICEF management confirms that the transformation from manual to automated processes is a work in progress. In 2023, management will start an inter-divisional project for a new talent management system, based on scalable breakthrough human resources technology, with configurable functionalities and features, on a foundation of artificial intelligence and mobile app accessibility. Management is also planning to roll-out new digital programme systems and tools supporting programme effectiveness and efficiencies, including electronic workplans, programme documents and funding authorization and certificate of expenditure forms, in addition to launching the field monitoring module in eTools as the new country programme planning platform.

## **B. Afghanistan Country Office**

54. The Afghanistan Country Office requested OIAI assistance with a review of the office's risk management structure and framework to ensure identification of key risks and adequacy of controls, and to provide suggestions to enhance the overall risk management culture.

55. The outcomes of the advisory engagement have equipped the country office with a list of suggested actions to address key opportunities for enhancement, including: the management of risks related to frequent changes in leadership; the articulation of the office risk appetite and risk tolerance; the need to reinforce the structure and skills for risk management; and the mapping of donor conditionalities.

56. Management acknowledges the risks associated with frequent changes in substantive in-country leadership. The Afghanistan Country Office has made efforts to manage the transitions of key senior leadership such as the Representative, the Deputy Representative, Programme and the Deputy Representative, Operations, by mandating a period of at least two months' overlap between the outgoing and incoming management.

57. UNICEF management confirms that the Afghanistan Country Office has articulated its risk appetite as part of the office risk strategy and a dedicated position for a Senior Operations Manager (Risk Management) has been established. In addition, the terms of reference for the Risk Management Committee have been finalized and the members have been holding meetings on a quarterly basis. Similarly, a risk management technical team has been constituted in the country office to ensure that all staff in risk management positions exchange information on emerging risks and escalate critical items to the Committee.

58. Management appreciates that OIAI notes the significant challenges of operating in Afghanistan, as well as the limits that restrictive donor conditions impose on the ability of UNICEF to assist the most vulnerable. Regarding donor conditionalities, an initial mapping was completed in April 2022 and the office also assessed the impact of those conditionalities on programme delivery. The resource mobilization unit is engaging regularly with headquarters, including the Public Partnerships Division, Private Fundraising and Partnerships Division and Office of Emergency Programmes, for updates on the resource mobilization context dominated by those conditions.

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

59. Management welcomes the approach adopted by OIAI to collaborate, in some cases, with other United Nations investigation services for support with its investigations at the country level.

60. Management takes note of OIAI efforts to resolve assessments within 90 days and investigations within nine months, and at the same time avoiding hasty closure of investigations. However, management continues to advocate for a more timely resolution of assessments and conclusion of investigations by OIAI, which would allow management to initiate and/or take prompt and necessary remedial actions. Delayed resolutions may continue to expose UNICEF to engagement with high-risk third parties during the period of investigation.

61. The total financial loss on the 17 cases substantiated by OIAI in 2022 amounted to \$374,304.01. Of this amount, \$230,000.00 (61 per cent) relates to cases concluded in the second half of 2022. To date, management has recovered approximately \$49,000 and, as of the drafting of this document, another \$44,000 was in the process of being recovered, as the concerned entities and individuals had agreed to repayment plans.

62. Further, through investigations carried out by contracted independent firms for project-specific cases in the Yemen Unconditional Cash Transfer project, the substantiated loss due to fraudulent transactions amounted to an equivalent of \$31,879, which was fully recovered. The mitigation measures and response to fraud cases implemented in this project remain robust and will help to ensure that the project funds are not lost. The communities and beneficiaries of the Yemen Unconditional Cash Transfer project have continuously been sensitized about reporting suspected fraudulent activities, with an emphasis on the project's zero tolerance towards fraud and corruption.

63. In 2022, management continued the implementation of anti-fraud awareness activities, ensuring that offices conduct fraud awareness training, staff and implementing partners are trained and collaborated with other United Nations agencies, where applicable, to share experiences and best practices.

64. Management welcomes the advisory services and engagement by OIAI in various matters raised by management, including participation in the Global Risk Management workshop and in several anti-fraud-related organizational initiatives. These services and supports contribute to further improvements and strengthening of the UNICEF risk management framework.

### **Disciplinary measures and other actions taken by UNICEF**

65. As noted in its annual report, OIAI is responsible for conducting necessary investigations, while the Division of Human Resources, the Administrative Law Unit

in the Office of the Executive Director, or other relevant units, are responsible for taking any appropriate action based on OIAI findings.

66. Management notes that 44 new matters were referred to either the Administrative Law Unit in the Office of the Executive Director, or the Division of Human Resources for consideration of disciplinary or other action in 2022. Thirteen cases were carried over from 2021 and 3 cases were received from sources other than OIAI. These matters were acted upon and reported in the UNICEF periodic report on disciplinary measures and other actions in response to misconduct. The specific actions taken in 2022 for 33 cases are summarized as follows:

- (a) Eighteen staff members were dismissed or separated from service.
- (b) One staff member was demoted.
- (c) Thirteen staff members lost steps in grade.
- (d) One staff member was censured.

67. In addition, 10 staff members had separated from UNICEF during or prior to the investigation or disciplinary process, and appropriate action was taken to record these cases for accountability purposes. Management continues to take strong action to ensure accountability for current and former staff members, the latter generally being informed that a disciplinary measure would have been imposed had they remained in service.

68. Management takes very seriously the value of OIAI investigations, which enable UNICEF to take appropriate action against all those who are found to engage in misconduct. Management reiterates the organizational zero-tolerance for any form of sexual exploitation and abuse, as well as for sexual harassment.

## **VIII. Management comments on the UNICEF Audit Advisory Committee annual report for 2022**

69. UNICEF appreciates the work of the Audit Advisory Committee and welcomes the Committee's 2022 annual report to the Executive Board and the advice provided to the Executive Director throughout the year.

70. Management welcomes the three strategic memorandums issued by the Committee in 2022 and the advice therein as valuable contributions to enhancing oversight and management practices at UNICEF. It should be noted that the Executive Director formally responds to the Committee on the key advice provided in these strategic memorandums.

71. The Executive Director, along with Management, continued to be actively engaged with the Committee through regular sessions and, as needed, via various other communication channels. As part of its annual self-assessment, the Committee sought the Executive Director's feedback on its work and priorities for 2022.

72. As highlighted in the Committee's meetings with the UNICEF Executive Director in June and December 2022, accountability and transparency continue to be at the forefront of all UNICEF programme interventions, partnerships and operations. In September 2022, the report of the accountability system of UNICEF was presented to the UNICEF Executive Board ([E/ICEF/2022/24](#)) and a compendium is being consolidated based on an internal review of the functions, roles and responsibilities of offices at different levels.

73. Management appreciates the Committee's focus on strengthening UNICEF risk management. Management confirms that a new Chief Risk Officer has been appointed in the Office of the Executive Director, following the Executive Director's decision,

and in accordance with the Committee's long-standing advice to establish a dedicated Chief Risk Officer function in the organization.

74. Based on recommendations from recent internal and external audits on ERM, the Joint Inspection Unit report on ERM and insights from a Global Risk Management workshop held with UNICEF operations leadership in 2022, the Chief Risk Officer will develop a multi-year road map to embed risk management further into strategic planning, decision-making and governance structures. As part of the road map, there will be a focus on reorienting the Senior Management Risk Committee and adoption of a risk appetite statement.

75. Management welcomes the unqualified audit opinion issued by the United Nations Board of Auditors on the financial statements for the year ended 31 December 2021. 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 on the UNICEF 2021 draft financial statements and management letters.

76. Management appreciates the valuable insights and advice provided by the Committee throughout 2022 and looks forward to continued engagement.

## **IX. Draft decision**

### *The Executive Board*

*Takes note* of the UNICEF Office of Internal Audit and Investigations 2022 annual report to the Executive Board ([E/ICEF/2023/AB/L.4](#)), its addendum ([E/ICEF/2023/AB/L.4/Add.1](#)) and its management response ([E/ICEF/2023/AB/L.5](#)), as well as the UNICEF Audit Advisory Committee 2022 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.

## **Annex**

### **Update on open agreed actions older than 18 months as at 31 December 2022**

There were no audit recommendations that remained unresolved for more than 18 months as at 31 December 2022.

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