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### United Nations Children's Fund

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### **UNICEF management response to the annual report of the Office of Internal Audit and Investigations for 2012**

#### *Summary*

The present report is submitted in response to Executive Board decisions 2010/17, 2011/21 and 2012/13. It presents the management response of UNICEF to the annual report to the Executive Board of the Office of Internal Audit and Investigations for 2012 (E/ICEF/2013/AB/L.2).

A status update on implementation of recommendations from earlier audits that have remained unresolved for 18 months or more is provided in the annex.



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## **I. Introduction**

1. The present report has been prepared by the management of UNICEF in response to the Office of Internal Audit and Investigations (OIAI) annual report for 2012. The report outlines the steps that management has taken to address each of the key issues identified in the audits and investigations undertaken by OIAI in 2012.
2. The management of UNICEF is committed to having an effective internal audit and investigations function and to having OIAI carry out its activities in accordance with its Charter. UNICEF management notes the changes in senior-level positions of OIAI, and acknowledges interim arrangements to assure completion of planned audit and advisory activities.
3. Management appreciates the quarterly reporting by OIAI on the status of the implementation of its annual workplan and on follow-up to its recommendations. The quarterly reporting enhances the capacity of management to monitor the implementation of audit recommendations in a systematic manner.
4. UNICEF welcomes the valuable contribution of the UNICEF Audit Advisory Committee (AAC) in reviewing and commenting on OIAI workplans and reports and in providing general advice.
5. Pursuant to Executive Board decision 2012/13, all internal audit reports are subject to public disclosure, as of 1 October 2012. Therefore, all five audit reports issued by OIAI from 1 October to 31 December 2012 were publicly disclosed via the UNICEF website. Between 1 January and 30 September 2012, 24 audit reports were disclosed to specific Member States upon request. UNICEF management notes that OIAI has developed standard operating procedures and internal guidelines for public disclosure of its audit reports, which are uploaded on the OIAI web pages on the UNICEF website.
6. Management notes that, in order to ensure consistency with the list of internal audit reports made public from 1 October 2012, the OIAI annual report will no longer list as “completed” those audit reports that are still in draft form. Starting with 2012, only completed audit reports are included in annual reports. As a result of this change, seven audits in draft form that were recorded in the 2011 annual report as completed have been included again in the present 2012 report.

## **II. Management actions and plans to address country office audit recommendations**

### **A. Overview**

7. UNICEF management appreciates the continued attention given to governance, programme management, and administrative and operations support in the audits of country offices. UNICEF appreciates the findings reported by OIAI and is committed to improving performance in all audited areas. The management of UNICEF notes that each audit report included a plan developed by the audited office and agreed with OIAI, which specifies the action to be taken to address each audit recommendation.

8. The OIAI annual report describes all 33 high-priority recommendations issued in the 15 country office engagements during 2012, including those involving two zone offices. The report also confirms that 11 of the high-priority recommendations issued in 2012 had been closed as of 31 December 2012. It is noted that one issue pertaining to the harmonized approach to cash transfers (HACT) in programme management has resulted in the issuance of high-priority recommendations in seven offices, indicating an important issue that requires global action (please refer to paragraph 14 and following). In all other cases, the high-priority recommendations relate to country-specific issues.

9. UNICEF management continues to address the risks identified in the audits of country offices in a timely manner. By 31 December 2012, all the recommendations made in 2010 or earlier had been closed, as were 96 per cent of the recommendations issued to field offices in 2011. For audits completed in 2012, field offices have already taken actions, resulting in closure of 55 per cent of the audit recommendations as of 31 December. Management is pleased to report that as of 15 April 2013, 64 per cent had been closed.

10. The OIAI annual report lists three audit recommendations unresolved for more than 18 months, as of 31 December 2012. Management notes that follow-up actions have since led to closure by OIAI of one of the recommendations. Two recommendations remain outstanding because: (a) action can only be undertaken together with the United Nations country team in one case; and (b) action is required by the host Government in the other. Efforts to expedite the resolution of these issues continue.

## **B. Governance**

11. In 2012, OIAI audited 15 field offices and issued 5 high-priority and 27 medium-priority recommendations in the area of governance. The high-priority recommendations related to four different areas: vacant posts, hub offices, sustainability of UNICEF presence, and implementation of Delivering as One. OIAI has confirmed that the recommendations relating to vacant posts and hub offices have since been closed.

12. A review of the issue of the sustainability of UNICEF presence in one particular country was carried out because of the extremely high cost of doing business there. Short- and long-term options on cost-cutting and cost-saving measures were identified. National authorities have been approached to lend their support to advocating for government-paid premises in order to reduce the operating costs of UNICEF in that country.

13. UNICEF regional and country office leadership made concerted efforts with other United Nations agencies in country offices to address issues relating to Delivering as One. Significant progress has been made in a number of areas. These include the active joint participation in the development of United Nations Development Assistance Frameworks and review of common country programme documents. Within the framework of the United Nations Development Group (UNDG), UNICEF has contributed to the development of draft standard operating procedures (SOPs) to facilitate implementation of Delivering as One in country offices. The objective of the SOPs is to provide United Nations country teams with an integrated package of clear, straightforward and internally consistent guidance on

programming, leadership, business operations, funding and communications for country-level development operations. The draft SOPs specifically respond to the concerns highlighted by this audit. The implementation of SOPs, once they are approved by UNDG, is planned for 2013 with the help of training and guidance to be given to field staff.

### **C. Programme management**

14. In 2012, OIAI issued 18 high-priority recommendations and 50 medium-priority recommendations in the area of programme management. Eight of the high-priority recommendations to seven offices addressed assurance activities for HACT; and three recommendations were issued to strengthen monitoring processes for the liquidation of cash transfers. Two high-priority recommendations were also made in each of the following areas: management of construction projects; programme supply planning and delegation of procurement responsibility to partners without assessing capacity for such functions; inadequate capacity for programme implementation and monitoring; and programme fundraising and donor reporting. One high-priority recommendation, which has already been implemented, related to direct payments made to staff members of partners.

15. HACT continues to remain an area of high-priority audit recommendations for many countries. Causes vary from lack of coordination among United Nations agencies in a country to inadequacy of guidance and training of field staff. UNICEF led an inter-agency assessment of HACT, on behalf of the inter-agency HACT Advisory Committee, which resulted in the identification of a broad range of issues and challenges to HACT governance, implementation and accountability frameworks at the global, regional and field levels. Based on the global assessment and recommendations of joint United Nations audits by multiple agencies, the HACT framework, procedures and tools are being revised by the inter-agency HACT Advisory Committee. The revised UNICEF HACT guidance, procedures and tools will be provided to field offices in 2013. In a 2012 memorandum, the UNICEF Deputy Executive Directors for Programmes and for Management called upon heads of regional and country offices to strengthen the overall adoption of HACT, including the implementation of audit and assurance plans, and reiterated the accountabilities that pertain to HACT actions.

16. In 2012, cash transfer management practices were strengthened by the introduction of additional controls through the new Enterprise Resource Planning (ERP) system. These included checks in the direct cash transfer payment process so that appropriate approval is obtained for all payments to partners with long-outstanding balances, in accordance with policy. Another control involved making additional details available in the Virtual Integrated System of Information (VISION) ERP system for regular monitoring of direct cash transfers to partners. In 2012, training was also conducted for field and regional office staff, and further training sessions are planned for 2013.

17. A fully updated and web-based Programme Policy and Procedure Manual was released in 2012 to enhance the guidance to staff on programme planning, management and implementation, including annual and midterm reviews, and monitoring. Based on the content of the Manual, a learning package to strengthen staff capacity to design, implement, monitor and evaluate programme results was

developed and is now in use. Having conducted skills-gap analyses and skills-development assessment exercises, UNICEF is implementing staff training and capacity-building in 2013.

18. The UNICEF Supply Manual was updated in 2012 to highlight the link between supply planning processes and programme workplans. These efforts focused on the supply planning process as one involving formalized annual forecasting process for essential supplies of vaccines, immunization devices, cold chain equipment, mosquito nets and insecticides. In view of OIAI recommendations and feedback from field offices, the sections in the Supply Manual pertaining to monitoring of implementation and on working with partners on construction to achieve programme objectives will be reviewed and further strengthened. In addition to continuing to provide guidance and promoting the sharing of good practices among country offices, Supply Division will also explore other options to optimize the supply planning process. One such option is a system enhancement to VISION to enable supply plans to be automatically consolidated from the information entered in VISION from different Programme Sales Orders, Funds Reservations, and the like.

19. UNICEF redesigned and improved relevant parts of its intranet site in 2012 in order to increase the online resources and guidance available for public sector resource mobilization undertaken by country offices. This is expected to improve capacity in offices for fundraising analysis, planning, strategy development and implementation, and monitoring and reporting. Among the new materials were guidance for offices on developing a resource mobilization strategy, donor mapping and tools for analysing country-specific information on donor priorities, presence and ongoing support. A review of the quality of UNICEF donor reports was also undertaken to provide recommendations for their improvement. These recommendations will be integrated into the organizational guidance on donor reporting by June 2013.

#### **D. Administrative and operational support**

20. In 2012, OIAI issued 10 high-priority recommendations and 41 medium-priority recommendations in the area of administrative and operational support. The 10 high-priority recommendations were issued to five country offices. Of the 10 high-priority recommendations, 4 were issued to one office, and implemented and closed in 2012. The issues in the high-priority recommendations included: financial controls; contracts for services; vehicle and travel management; budget management; lack of compliance with Minimum Operating Security Standards (MOSS); supply logistics and warehouse management; maintenance of vendor master records; and record management of office assets.

21. Roles and workflows were built into VISION to strengthen financial controls. To enforce compliance and allow monitoring, a software tool, APPROVA, was added in April 2012 to analyse user access for the segregation of duties and the control of access to sensitive records. Reports from APPROVA are used to make sure that all offices are complying with segregation of duties in accordance with internal control policies. Where needed, country offices will conduct refresher training for staff to increase effective application of financial controls.

22. To meet the requirements for the International Public Sector Accounting Standards, in 2011 and 2012, Supply Division performed risk assessments of country office warehouse management capacity and capabilities, and supported field offices in the areas identified for improvement. Supply Division also worked with field offices so that all transactions were uploaded in VISION and adequate material numbers were available, and supported segregation of duties and user roles. Webinars to train field-based warehouse staff were also conducted. The support culminated in a count of all controlled programme supplies. During the inventory count process, issues and errors were tracked and used to create a toolkit. The toolkit is currently being validated by the UNICEF Information Technology Services and Solutions Division, which is providing solutions to the most commonly encountered issues in the VISION warehouse module. A Warehouse and Inventory Management Training course is being developed for logistics staff in country offices in order to harmonize the approach to warehouse and inventory management. The first training session is planned for September 2013.

23. As part of data migration work for VISION, country offices worked with different divisions to cleanup vendor master data. Supply Division is supporting country offices with marked potential for duplicate reports. Supply is also updating the Supply Manual section on Supply Master Management and developed a “Vendor Master Good Practices” guide, which was shared with all country offices in November 2012.

24. For the improved management of assets, policy and guidance were supplemented by detailed accounting instructions issued during the year. So that asset records were as accurate as possible, physical counts for inventory property, plants and equipment were mandated for all field offices. Out of a total of 149 country offices, 104 have completed counting over 90 per cent of assets, 39 have completed counting 30-90 per cent, and the remaining 6 countries have counted under 30 per cent of their assets, as of March 2013.

25. UNICEF is fully committed to the safety and security of its staff in field offices. For country office management, compliance with MOSS is a high priority. In the specific case cited as the high-priority recommendation, the country office shares its premises with a number of agencies as well as with some commercial entities. UNICEF has implemented a number of measures on its own initiative in the area of controls related to premises. These include the installation of controls on access to offices and parking lot areas, a revised fire plan and the installation of firefighting equipment, and the installation of a closed-circuit TV camera system, among other measures. Noting that the security situation in the country has improved significantly, on 31 January 2013, the Designated Official, in consultation with the country security management team, recommended lifting family restrictions in the country. As part of this process, MOSS will undergo a review, and its requirements will be adjusted accordingly. UNICEF will take appropriate actions to comply with all requirements following the review.

## **E. Actions to strengthen controls in field offices with significant high-risk recommendations**

26. A total of 5 of the 15 country offices audited in 2012, in India, Pakistan, Papua New Guinea, Rwanda and Swaziland, received 73 per cent of the high-priority

recommendations and 51 per cent of the field office recommendations issued by OIAI in 2012. The support provided by the respective regional offices has resulted in expedited action on the implementation of OIAI recommendations. All audit recommendations for the Pakistan country office were implemented by 31 December 2012. Though the audit report for the Papua New Guinea country office was issued only in the last quarter of 2012, a full 40 per cent of all recommendations were implemented by 31 December 2012.

27. The regional offices continued to participate in audit exit meetings in person or by video/teleconference so that: (a) the regional perspective is taken into consideration in the finalization of audit reports; (b) there is a clear understanding of audit findings and issues to facilitate support provided to the audited office; and (c) there is oversight of the management implementation plan included in each final audit report. The regional offices closely monitor the implementation of audit recommendations through reports on key performance indicators to keep track of the timely closure of audit recommendations and of the sustained actions to address the issues raised.

28. UNICEF headquarters provided support to regional and field offices to address audit recommendations. The scope of such support included: (a) conducting training programs; (b) organizing webinars; (c) updating and revising guidance notes, manuals and instructions; (d) re-designing intranet sites; (e) developing quality assurance tools and alerts; and (f) supporting offices in data clean-up and migration to VISION. All of these measures were required in order to support field staff in addressing audit issues related to HACT, direct cash transfer to partners, fundraising and donor reporting, programme supply planning and procurement, construction projects, supply logistics and warehouse management, minimizing vacant posts, and strengthening financial controls, etc.

### **III. Management actions and plans to address recommendations regarding headquarters, regional office, thematic, system and joint audits**

#### **A. Audits undertaken during 2010-2011**

29. The OIAI annual report notes that 95 percent of all recommendations made in 2010 and 97 percent of all recommendations made in 2011 were closed by the end of 2012. Also, all recommendations made prior to 2010 were closed.

30. The annual report also notes that, as of 31 December 2012, there were seven outstanding recommendations from two headquarters and thematic audits that have remained open for more than 18 months. One of those has since been closed. The remaining six recommendations, and progress updates on these, are presented in the annex to the present report.

#### **B. Audits and advisory services undertaken in 2012**

31. In 2012, OIAI conducted 13 audits of headquarters, regional offices, thematic and joint areas. OIAI also provided resources, as part of its advisory services, to the Enterprise Risk Management focal point in the Change Management Office to support a risk and control self-assessment of the Polio Programme.



### **Joint audits**

32. OIAI participated in four joint United Nations audits in 2012:

(a) Joint audit of HACT in Indonesia. The audit was conducted with United Nations Development Programme (UNDP) and made three high-priority recommendations. The draft report was included in the OIAI annual report for 2011, with the final report issued in March 2012 (hence it is also included in 2012 annual report);

(b) Joint audit of HACT in Pakistan. The audit was conducted with UNDP and the United Nations Population Fund (UNFPA) and made two high-priority recommendations;

(c) Joint audit of Delivering as One in the United Republic of Tanzania. The audit was led by UNDP, and included the United Nations Educational, Scientific and Cultural Organization, UNFPA, United Nations Industrial Development Organization, the Food and Agriculture Organization of the United Nations, and the World Food Programme. The audit made five high-priority recommendations in the area of HACT and Delivering as One.

33. In addition, UNICEF contributed to the audit of the governance for HACT conducted by UNDP and UNFPA. The audit report made one high-priority recommendation related to the need to revisit HACT for redesign or replacement. The recommendation was not addressed to UNDG only.

34. HACT issues highlighted by the joint audit reports correspond to the concerns stated by OIAI in audits of UNICEF country offices and high-priority recommendations in programme management. These have been covered in section II above.

### **Audit of Enterprise Risk Management**

35. The audit of ERM made three high-priority and five medium-priority recommendations. On 1 January 2012, UNICEF adopted the Internal Control Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission to strengthen controls and to provide a risk control methodology and terminology. This framework is now applied consistently across all parts of UNICEF. In 2012, the risk and control self-assessment system was revised and simplified to give it a more substantive and strategic connection with the management plans of each country, regional and headquarters office. ERM was discussed at the Global Management Team meeting in February 2013 at which there was a consensus that the Global Management Team should regularly review and discuss significant and emerging risks. All recommendations in the audit of ERM have since been closed.

### **Audit of management of travel services in New York headquarters**

36. The audit of management of travel services made one high-priority and four medium-priority recommendations. The high-priority recommendation was related to the audit's inability to verify that sampled airline tickets were procured at the lowest fare for the most direct and economical route available at the time of ticketing. The contract with the new travel service provider (which started in 2012) has a clause whereby the service provider submits evidence confirming that each

ticket has been issued at the lowest fare and for the most direct and economical route. Another clause allows UNICEF to conduct a “real-time” audit of fares, with the intent of establishing whether tickets were issued for the lowest fare and using most direct and economical route. Such a “real-time” audit, conducted in 2012, found that all sample fares tested were the lowest available. The high-priority recommendation was closed in 2012.

#### **Audit of private sector fundraising activities**

37. The audit report made four high-priority recommendations. The first related to the ambiguities in the provisions of recently signed cooperation agreements with National Committees for UNICEF. UNICEF developed four policy and guidance notes to clarify and strengthen the cooperation agreements. They were endorsed by the Standing Group of National Committees in November 2012. The guidance addresses the issues of advocacy; the use of the UNICEF name and logo; regular resources conversion; and National Committee visits to the field.

38. The high-priority recommendation on the lack of oversight over the establishment of foundations and other bodies by National Committees was closed by OIAI in November 2012. Action had been taken by the Division of Private Fundraising and Partnerships to identify the number of National Committee-related entities in existence; to review all relevant statutes of these entities; and to incorporate the related entities successively into new Joint Strategic Plans (JSPs) and annual reviews of those plans as they occur with the relevant National Committees.

39. The audit also made two high-priority recommendations on a number of the National Committees that either had no strategic plans or had developed them late, and on the review of National Committee performance through the JSPs. By February 2013, a total of 28 JSPs had been signed and another 7 were being finalized in the first quarter of 2013. In addition, a new JSP document and streamlined process for annual review was developed by the Division of Private Fundraising and Partnerships. The new JSP document and process were shared with the Standing Group of National Committees in February 2013. It is expected that these will be approved by the Chairs and Executive Directors of the National Committees at their annual meeting in May 2013. The plan is for all National Committees to have JSPs in the new format by the beginning of 2014. In accordance with the new process, all National Committees will have annual reviews within the established timeframe, with clear steps identified and follow-up actions taken.

#### **Audit of Information-Security Governance**

40. The audit of Information-Security Governance made four high-priority and two medium-priority recommendations. Management is actively addressing those recommendations with a view to: (a) establishing a dedicated framework to deal with information-security governance; (b) clarifying accountability for information-security activities; (c) completing the suite of information-security policies, procedures and standards and presenting these to stakeholders in an easily accessible manner; and (d) establishing and monitoring performance and risk indicators (including indicators relating to training on relevant policies, procedures and standards). Management’s actions are taking place within the framework of the continuing assessment of accountabilities within the organization. They are building

on existing policy instruments. These include the Information Disclosure Policy governing the public availability of UNICEF-held information, and the relevant standards of conduct expected of staff members, consultants, and others having access to UNICEF information, including through access to UNICEF electronic infrastructure assets. In addition, these actions take into account the increased access to information that is now possible through the VISION system. In completing the suite of policies, procedures and standards, UNICEF will draw on best practice from within the United Nations system and similar organizations. Management anticipates completion of these response activities by the end of 2013.

#### **Audit of Eastern and Southern Africa Regional Office**

41. The audit made six high-priority and nine medium-priority recommendations. The high-priority issues include the need to clearly define the responsibilities and accountabilities of regional offices; undefined accountabilities and procedures for managing emergency thematic funds; inconsistent reflection of agreed performance indicators in workplans and lack of regular monitoring of indicators; and difficulties and discrepancies in the management of the segregation of duties due to the delay in the release of tools for managing the delegation of duties in VISION. UNICEF management notes that some of the issues highlighted in the audit, in particular those relating to the roles and accountabilities of the regional office, are similar to the issues highlighted in the 2011 audit report of the West and Central Africa Regional Office. UNICEF acknowledges the significance of the recommendations in the audit report and notes that the issues highlighted (for both regions) are common to all the regional offices. UNICEF is addressing these recommendations in the context of organization-wide actions (such as updating accountabilities and the Efficiency and Effectiveness Improvement Initiative), aiming for implementation during 2013-2014, in consultation with the headquarters and regional offices.

#### **Audit of the Framework for Managing Policies, Procedures and Guidance**

42. The Audit of the Framework for Managing Policies, Procedures and Guidance made three recommendations: two high-priority and one medium-priority. A concept note developed by the Change Management Office, and discussed with UNICEF senior management, addresses the high-priority recommendations on the lack of a defined organization-wide process for coordinating development and management of policies as well as the lack of uniform minimum standards to guide policymakers in the development and communication of policies, procedures and guidance. A task force has been established to identify approaches, models, hierarchy, definitions, structure and templates for the review of the UNICEF Regulatory Framework, and also to support the work of the Effectiveness and Efficiency Improvement Initiative. The task force has a workplan to implement the audit recommendations by the end of June 2013.

#### **Audit of Administration of Separation Benefits and Entitlements**

43. The Audit of the Administration of Separation Benefits and Entitlements made six high-priority and five medium-priority recommendations. The audit highlighted the need to strengthen coordination among different working units of the Division of Human Resources and addressed issues of security and confidentiality of staff personnel files and weaknesses in the management and guidance of practices relating to special leave with full pay and termination indemnities. Actions on two

of the high-priority recommendations have already been completed. For the remaining four, actions are underway and their progress is regularly monitored. All the recommendations are planned for implementation by the third quarter of 2013.

#### **Audit of the Budgeting Process**

44. The Audit of the Budgeting Process made two high-priority and seven medium-priority recommendations. The audit recommended revisions to the budget policy in order to clearly define roles, responsibilities, authorities and accountabilities of headquarters divisions and regional and country offices so that they would cover all aspects of the budgeting process. The audit also recommended an implementation strategy for results-based budgeting (RBB) covering both institutional and country programme budgets. The revised budget policy has been circulated by the Division of Financial and Administrative Management (DFAM) in draft form for comments and will be issued by the second quarter of 2013. The revised policy will supersede previous guidance in order to avoid confusion, gaps and overlaps. The Division of Policy and Strategy (DPS) will make an assessment of the newly introduced practice of RBB and allocation for programmes in VISION. DPS will also issue relevant guidance on the results-based management (RBM) and RBB strategy for programme budgets, for implementation of the new UNICEF Strategic Plan, 2014-2017.

#### **Audit of Programme Division — Technical Assistance**

45. The audit of Programme Division made one high-priority and eight medium-priority recommendations. The high-priority recommendation was to develop mechanisms and standards for prioritizing technical support and guidance to regional and country offices. As part of Programme Division's Office Management Plan to guide its technical support and guidance work in 2013, each section/cluster in the division is reviewing existing guidelines to identify critical gaps for analysis and consolidation. In consultation with other offices, particularly DPS, the Office of Emergency Programmes (EMOPS), and regional offices, Programme Division will develop a plan to monitor and report on field-level application of relevant guidance and lessons learned. This process will feed into the conclusions of the ongoing review and simplification of the regulatory framework. Programme Division has also developed a more structured field engagement strategy. In close consultation with the regional offices, the division is developing a workplan for supporting and participating in country programme formulation.

### **IV. Management actions to address the findings of investigations**

46. UNICEF has a policy of zero tolerance of all forms of fraud and corruption and is fully committed to ethical practices. The organization strongly encourages reporting of misconduct and will protect staff from all forms of harassment and from reprisals for whistleblowing. A guidebook has been issued to help staff to understand their rights and the availability of recourse, and to further promote prevention of wrongdoing and misconduct. The Executive Director issues an annual memo to all staff reporting the disciplinary actions taken by UNICEF to address proven wrongdoings by staff.

47. A dedicated Investigations Unit in OIAI carries out investigations in accordance with the Uniform Principles and Guidelines for Investigations, and in conformity with due process principles, as laid out in Chapter X of the United Nations Staff Regulations and Rules. The established channels, including a dedicated anonymous email address (known as Integrity 1) are being used to bring concerns and allegations of wrongdoings to the attention of OIAI.

48. Management notes that 62 allegations of wrongdoings were reported and investigated in 2012. In addition, 25 allegations were carried over from 2011, making a total of 87 allegations managed in 2012. All 25 of the allegations carried over from 2011 and 41 of those reported in 2012 were closed in 2012.

49. In 20 of the 66 cases closed in 2012, the preliminary assessment concluded that allegations were not substantiated. In 10 of the closed cases, no offenders were identified in the allegations, and in another 11 closed cases, staff members left the organization during the course of investigation. In 21 closed cases, investigation reports were submitted to the Policy and Administrative Law section of the Division of Human Resources for consideration of appropriate disciplinary actions. Of the cases closed, 74 per cent were closed within six months of receipt of allegations.

50. The majority of the cases in 2012 involved medical insurance fraud (24 per cent), followed by inappropriate staff conduct (22 per cent), burglary/robbery/theft of UNICEF funds or assets (16 per cent), and harassment or abuse of authority (10 per cent). The majority of the allegations originated from West and Central Africa (44 per cent) and Eastern and Southern Arica (24 per cent). UNICEF pursues and seeks recoveries of all identified financial losses. The total quantified loss from the investigated cases in 2012 amounted to \$56,444. This amount includes \$13,800 due to cases of theft by unidentified offenders. In 2012, the organization made recoveries amounting to \$6,776.

51. All the cases submitted to the Policy and Administrative Law section in 2012 for disciplinary actions have been closed. Disciplinary actions against staff members arising from OIAI investigations led to the following actions: seven dismissals; seven cases of written reprimands (including two given by the country office, and two with loss of steps in grade); and five demotions (including two cases with deferment of eligibility for promotion for varying periods). In four cases, no further action was taken, as the staff members resigned before the disciplinary procedures concluded.

52. To raise staff awareness and also to support prevention of misconduct, the Ethics Office provides training, outreach and advisory services to staff and management to contribute to the strengthening of the ethical culture and practices of the organization. The Office focuses its interaction with managers on the value of considering ethical components of decision-making and relationships with staff. It does this by fostering, through provision of tools and training, more explicit discussion on ethical concerns as they manifest in programme implementation, personal engagements, administrative decisions and staff interrelationships. In 2012, training programmes conducted by the Ethics Office (including web-based interactive courses) covered about 1,500 staff members. In 2013, an online awareness training course will be made mandatory for all senior officers and those supervising operations functions and zone offices. The Ethics Office, together with the Division of Human Resources, will prepare a new online course to be mandatory for all staff starting 2014.

## **V. Management actions to address observations in the 2012 annual report of the UNICEF Audit Advisory Committee**

53. UNICEF management greatly appreciates the important contribution of the UNICEF Audit Advisory Committee (AAC) to the effective and independent oversight of the organization. As noted in the 2012 annual report of the AAC, the Committee members regularly interacted with the Deputy Executive Director for Management and other senior managers, and met with the Executive Director during the year.

54. While the 2012 annual report does not include specific recommendations made to OIAI and UNICEF management during the year, it documents the valuable guidance and advice provided to both.

55. UNICEF notes that during 2012, the AAC revised its Charter, changing the term of office of its members from two years to three years, with a two-term limit and a rotation scheme to assure continuity. In addition, the AAC introduced the requirement of a time gap of at least one year before former UNICEF staff and Executive Board members could be appointed to the Committee. The changes in the AAC Charter were approved by the Executive Director.

56. UNICEF management acknowledges with appreciation the AAC review of, and comments and observations on, several aspects of the work of UNICEF: the functioning of the UNICEF oversight systems; the quality and integrity of UNICEF accounting and reporting practices; compliance with applicable regulations and rules; and the effectiveness of internal and external audit processes, which included revision of the Charter of OIAI. UNICEF management is pleased to report that the previous vacancy in the AAC has been filled.

## Annex

### Progress update on audit recommendations that remain unresolved for more than 18 months, as of 31 December 2012

<i>Audit observations for the two country offices addressed in paragraph 9 of this report</i>	
<b>Audit: Vehicles in support of operational and programme objectives (report issued in 2010)</b>	
<i>Recommendations</i>	<i>Progress Update</i>
<p>(a) DFAM to provide guidance on developing vehicle management performance measures in country offices and on conducting an assessment of the risks and constraints to the efficient and effective use of vehicle resources;</p> <p>(b) DPS to revise the Programme Policy and Procedure Manual to include a vehicle plan as part of the country programme management plan; and country offices are to include in their annual management review an assessment of vehicle management performance against the planned results, indicators and targets;</p> <p>(c) The Office of the Executive Director to provide guidance to country offices on including all pertinent issues such as taxes and duties in the new basic cooperation agreements; and on revising existing loan agreements and transfer of title guidance.</p>	<p>(a) The audit made nine recommendations, eight of which were closed by the end of 2012. DFAM has revised the existing guidance by drafting a comprehensive fleet management manual based on existing UNICEF policies. In early 2013, the draft manual was shared with headquarters divisions and field offices for feedback. The finalized manual is planned to be issued by the second quarter of 2013;</p> <p>(b) Upon finalization of the fleet management manual by DFAM (noted above), DPS will update the Programme Policy and Procedure Manual, for release in 2013.</p> <p>(c) Action was taken and the recommendation was closed in March 2013.</p>
<b>Audit: Staff Rotation (report issued in June 2011)</b>	
The Division of Human Resources to: (a) update the policy and procedures for staff rotation and develop a strategy for implementation; (b) establish a process for periodic evaluation of rotation policies.	<p>An initial draft of a new rotation policy is under review prior to undergoing a consultation phase. The audit recommendation is planned for implementation in 2013.</p> <p>A report from the previous pilot rotations has been prepared and submitted for review.</p>
<b>Audit: West and Central Africa Regional Office (report issued in June 2011)</b>	
The Division of Policy and Strategy to establish policies and procedures for the regional office to discharge its function.	This recommendation has now been closed.