Mr. President and distinguished Members of the Executive Board, I am pleased to introduce the Office of Internal Audit and Investigations 2012 annual report to the Executive Board.

I would like to start with the results of the Office, and first with internal audit results

OIAI’s audit reports focus on problems and risks found in the business units and processes audited. The quality of OIAI’s reports in 2012 owes much to the full access provided to us by our auditees, and to their continued openness in sharing critical information and knowledge to improve systems and processes for better results for children.

OIAI completed 28 audits and one advisory engagement in 2012. Transition in OIAI leadership and turnover in some staff positions, together with the need to use some of our limited resources to develop the procedure for disclosure of internal audit reports, did not allow reaching our initial goal of 33 audits. Still, we have included in the 2013 OIAI work plan the audits that had started but could not be finalized in 2012, or had not started in 2012 but we felt important to retain.

The 28 audits completed in 2012 resulted in a total of 236 recommendations, about a third of which were rated as high priority, which means we considered action imperative to address the risks identified. Of the 71 high priority recommendations, 33 were addressed to country offices and 38 to headquarters units and regional offices.

The high priority recommendations in the 13 headquarters and regional office audits indicated the need to continue prioritizing the development and formalization of UNICEF internal control framework. Several recommendations aimed at strengthening the policies for Enterprise Risk Management, Harmonized Approach to Cash Transfers and partnership with National Committees respectively. These are all critical areas for UNICEF to achieve its goals for children. Other recommendations - for example, those pertaining to the audits of the Framework for managing policies, procedures and guidance, Eastern and Southern Africa Regional Office, Budgeting process and Programme Division - aimed specifically at improving the system of delegation of authority, and therefore accountability, of UNICEF.

Recurring high priority issues in the 15 country office audits primarily related to weaknesses in UNICEF management of programmatic, financial and reputational risks of doing business with implementing partners. While we issued specific recommendations to country offices
to correct problems and mitigate risks immediately, we also expect that the systemic improvements in Enterprise Risk Management and Harmonized Approach to Cash Transfers, which are driven from UNICEF headquarters, will go a long way to strengthening country offices’ management of agreements with implementing partners.

I am pleased to report that, as of 31 December 2012, of all recommendations open in OIAI’s database, only 10 were older than 18 months. Three related to country office audits and seven related to headquarters, regional offices and thematic areas. All, but one, have now been closed.

I would now like to go to investigations results

OIAI has exclusive responsibility for conducting investigations within UNICEF. With four professional investigators, we managed a total of 87 cases in 2012. This included 25 cases carried over from the previous year and 62 new cases. The majority of the cases in 2012 (24 per cent) involved medical insurance fraud. This is followed closely (22 per cent) by cases of other inappropriate staff conduct. Cases of burglary, robbery and theft of UNICEF funds or assets by unknown parties represented 16 per cent; and harassment or abuse of authority cases, 10 per cent.

We closed 66 cases during 2012, and referred 21 of these cases to the Policy and Administrative Law Section of the Division of Human Resources for review and further action as they related to staff members who were subject to disciplinary action. By 31 December 2012, all except three of the reports referred had been processed.

At the request of management and starting with the 2012 annual report, we report the quantified losses and recoveries known to OIAI. Of the quantified loss of US$ 56,444 from investigation cases in 2012, almost half of that amount resulted from one case of medical insurance fraud.

Let me now turn briefly to OIAI office management

First, I would like to confirm that OIAI was free from interference in determining the scope of its audits and investigations, performing its work and communicating its results, and as such enjoyed organizational independence during 2012.

The Office continued to be classified as generally compliant with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing, and to follow the Uniform Principles and Guidelines for Investigations adopted by United Nations organizations.

OIAI continued to use a risk-based audit work planning to ensure that our resources focused on the most important areas for improving results. The planned work of the Board of Auditors was taken into account to minimise duplication of work and optimise audit coverage for UNICEF.
The ratings used in internal audit reports continued to evolve through 2012. The simplified four-tier rating used at the end of 2012 (i.e., unqualified/satisfactory conclusion, qualified conclusion/moderate, qualified conclusion/strong, and adverse conclusion) continues to be in place in 2013.

For the disclosure of internal audit reports, OIAI implemented a web portal and the necessary procedure. As of 31 May 2013, OIAI had disclosed 12 reports, including one which was redacted, and withheld another five, in accord with the established procedure. We continue to carefully monitor the circumstances of reports withheld, for consideration of subsequent disclosure. In tandem with the full public disclosure system, we also maintain a remote legacy ‘limited’ disclosure system, which allows disclosure of reports to Member States and approved non-Member State donors, for reports released between 10 June 2009 and 30 September 2012. As expected, the number of requests for limited disclosure has declined in 2013 since full public disclosure.

The UNICEF Audit Advisory Committee, consisting of five independent external experts, reviewed OIAI’s annual work plan, quarterly activity reports, resources, and audit reports as well as investigation reports. It gave valuable advice to improve the effectiveness of internal audit and investigation in UNICEF, and Management and OIAI have followed that advice. The Committee’s activities are summarized in its 2012 annual report, which has also been made available to you and is on the Executive Board’s website.

It is equally important to acknowledge UNICEF Management’s responsiveness to the work and requirements of my office. This is consistently manifested in the quality of my interactions with the Executive Director and the Deputy Executive Director for Management, and with other senior managers in New York and in the field. The comprehensive management response to the OIAI and Audit Advisory Committee reports is further evidence of the strength of UNICEF control environment in that regard.

Mr. President and distinguished Members

This concludes my opening remarks.

I thank you for enabling us to carry out our mandate, and remain at your disposal for any clarifications you may wish.