Statement on the 2012 annual report to the Executive Board of the Office of Internal Audit and Investigations (item 12 Annual Session 2013)

Mr. President,

This statement is made on behalf of Germany, Ireland, New Zealand, the UK and the Netherlands.

I thank the Director of OIAI Ms. Ndiay for her presentation and Mr. Mogwanja for the management response.

I would like to commend the OIAI for this informative and transparent annual report, and UNICEF for the overall swift implementation of the recommendations.

Allow me to make a couple of comments regarding the report.

First, in 2012, one third of UNICEF’s budget went to partners via cash transfers. Of the 18 high-priority recommendations 8 are related to implementation of ‘harmonized approach to cash transfers’ and fund use by seven offices. These are serious indications of shortcomings, which were also pointed out in the External Auditors Report. We consider the risk assessments and assurance activities related to cash transfers a priority area for UNICEF to address, also through interagency coordination. We are pleased to see that the UNICEF management has taken this matter up, and we could see added value in a follow up audit on the implementation of HACT in 2013.

Second, we request UNICEF to urgently address all the recommendations to strengthen controls in the five country offices with significant high risk recommendations, as they received 73% of all the high priority recommendations. We are particularly concerned about weaknesses in the area of administrative and operational support, as this could open the door to irregularities and malversation.
Third, we noted that there were key vacancies during 2012, notably the posts of Director and Deputy Director of OIAI, and welcome the appointment of the new Director from January 2013. It is important that senior-level posts do not remain vacant for significant periods.

Fourth, the OIAI review of the implementation of UNICEF’s Enterprise Risk Management suggested that some managers perceive risk management as a stand alone compliance exercise, not fully embedded into processes and procedures. We would appreciate to know how UNICEF will follow up on this.

Mr. President, my fifth comment is related to the administration of separation benefits and entitlements. We are concerned about the number of high priority recommendations, six in total, which is rather high for a process that should be routine. We are especially concerned about:
- the lack of consideration of the cumulative cost of termination indemnities, and
- the insufficient justification and documentation of indemnities in cases of mutually agreed termination.
As the first can lead to high costs for the organization and the second leaves room for favoring some staff members above others, we welcome the indication of UNICEF’s management that two priority recommendations have been completed, that others are being followed up and that by the third quarter of 2013 all recommendations will have been implemented. Because of the potential high costs involved for the organization if this is not addressed in a timely manner, we would welcome if the OIAI could verify by the end of 2013 whether all recommendations have been followed up.

Furthermore we would welcome some more clarification on the following issues, mentioned in the report:
First, we note that the OIAI completed 29 audit and advisory engagements, although no indication is made of how many engagements were initially planned or whether this rate of completion was deemed adequate. Second, the OIAI spent 224,000 USD on third-party consultants. We would welcome information on the reason for this.

Finally, five high priority recommendations were made regarding the joint audit of Delivering as One, which was led by UNDP. We would appreciate information regarding the follow up of these recommendations.

Thank you.