Joint statement

Agenda item 8 Internal audit and investigations

Madame President,

I deliver this statement on behalf of Canada, United Kingdom, Sweden, Italy, New Zealand, Japan, Finland, Ireland, Australia, The United States, Germany, Ireland, France, the Netherlands, Denmark and my own country Norway.

Let me start by recognizing the full worth of the annual reports of UNICEF’s Office of Internal Audit and Investigation and its Audit Advisory Committee, and thanking UNICEF for the accompanying management responses.

The Office of Internal Audit and Investigation (OIAI) has for the second time provided an overall assurance opinion of the effectiveness of the agency’s governance, risk management and control frameworks, and concluded they are generally satisfactory.

This overall assurance opinion is valuable to Member States and we would encourage OIAI to build upon this in future years, and offer further analysis of the key organisational level issues and risks, how effectively these are being addressed by the agency, and how these have informed the overall opinion.

We appreciate the office’s continued conformity with IIA standards, as well as its continued collaboration with other UN audit service bodies, as demonstrated by the inter-agency audits regarding pooled funding, the ‘Delivering as one’ initiative and Central Emergency Response Fund operations.

We commend UNICEF for the considerable reduction in the number of outstanding recommendations older than 18 months, with the remaining actions due to be completed by the end of this month. We would, however, ask the reason for the much lower number of
completed internal audits in 2016 – only 22 compared to 38 in the previous year.

Management explained how several recommendations in internal audits with adverse ratings have been implemented. We would however urge UNICEF to look into the reasons for the strongly qualified and adverse ratings of as many as five audits, and address the identified gaps or weaknesses, so that we may have much fewer unsatisfactory ratings of internal audits in the future. We believe they may find the Audit Advisory Committee’s suggestion for UNICEF to map and strengthen its second line of defence helpful in this regard.

President,

The OIAI reports that the main risk areas remain the same as previous years, namely results-based management and reporting, governance and accountability, and supply and logistics. While recognizing progress in these areas, we note that they still constitute 63% of agreed actions, and we urge UNICEF to continue prioritizing and improving them.

The weaknesses have been identified as control and compliance gaps in key processes, and we would recall last year’s report giving special importance to the harmonised approach to cash transfers (HACT).

We also note an increase with regards to the risk area ‘Funding and stakeholder relations’, corresponding to 12% of agreed actions, and would ask UNICEF for clarification of what this area entails and reasons for this development.

OIAI further reports that in 2016 in total some USD 1.2 million of potential losses were identified through its investigations, of which only USD 114 thousand had been recovered as of 31 December. Whilst we recognise recovery action can take time, we are concerned with the continued low level of recovery, and we encourage UNICEF to especially continue strengthening the control of third parties to minimise such losses and to strengthen recovery processes, including
to maintain attention and progress on the quality of HACT implementation.

More generally, we would recall last year’s Joint Inspection Unit report on fraud prevention, detection and response in the UN system, and encourage UNICEF to continue its efforts to implement that report’s recommendations. UNICEF’s plans to finalise and implement an enhanced anti-fraud strategy is a positive step in that regard, and should be progressed as a priority. We also appreciate and support OIAI’s increased focus on fraud risk management.

Nevertheless, we would like to draw the attention to the relatively low number of reported cases for investigation given the scale, complexity, and often high-risk contexts of UNICEF’s activities, and would ask possible reasons for this figure.

The Joint Inspection Unit’s report last year referred how, generally, external and internal oversight bodies within the UN system have repeatedly highlighted that the level of reported fraud is unusually low. Underreporting constitutes a concern. We therefore urge UNICEF to continue and indeed intensify its efforts to detect and report fraudulent actions and suspicions on misuse of funds for further investigation, and to secure a strong whistle-blower protection and an internal culture of speaking up.

President,

A strong and independent audit and investigation function is paramount to the transparency and accountability of UNICEF. The new strategic plan may create a need to revise the work program and staffing of the Office of Audit and Investigations. Here we welcome the reflection the office has been giving of their strategic direction and their intention to enhance their focus on key risks and issues, and call upon UNICEF to make sure sufficient resources are made available for this office in the coming years.
Thank you.