

UNICEF Audit Advisory Committee

2020 Annual Report to the Executive Board

Summary

The present report provides information on the activities of the Audit Advisory Committee (AAC) of UNICEF for the calendar year 2020. It presents an overview of the AAC, describes the key areas of coverage and summarizes the advice given to UNICEF Management during 2020.

The report is being made available to the UNICEF Executive Board at its annual session of 2021.

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I. Overview

1. The UNICEF Audit Advisory Committee (AAC, or “the Committee”) is an independent advisory body, without management powers or executive responsibilities, that advises the Executive Director (and informs the Executive Board through its annual report) in accordance with its new Charter, which was approved by the UNICEF Executive Director on 17 March 2020.
2. The AAC comprises six members who are independent of both UNICEF and its Executive Board, and serve on the Committee on a pro bono basis. The Committee collectively possesses expertise in governance, risk management, internal control, oversight, finance, financial reporting, internal and external auditing, investigation and evaluation. All members have declared the absence of any actual or potential conflicts of interest in exercising their responsibilities. In 2020, the Executive Director appointed a new member to fill a vacancy (which was caused by the resignation of a member for personal reasons) and renewed the membership of two members for a second term of three years. (See the annex for the membership and meeting schedule in 2020.)
3. In undertaking its duties, the AAC is mindful of the contextual environment in which UNICEF is required to: (a) respond and deliver results for children in an effective and efficient manner, with a focus on equity; (b) respond to several global humanitarian crises, managing partnerships for results and in the context of the aid funding environment; and (c) conduct itself in accordance with its core values of care, respect, integrity, trust and accountability. In addition to these, the global coronavirus disease 2019 (COVID-19) pandemic that began in 2020 presented a unique set of challenges and responsibilities for the development and humanitarian communities.
4. Due to the onset of COVID-19 and in the context of the first year of the new AAC Charter, the Committee adapted with flexibility to new working modalities. The original 2020 workplan was revised to include remote operations and to meet the new Charter requirements, while minimizing disruptions to UNICEF Management as it responded to the challenges posed by the pandemic. The AAC did not hold any regular meetings until June 2020, to allow UNICEF Management to focus on its priorities in the immediate aftermath of the pandemic. The Committee held five remote regular sessions in June, July, September, October and December 2020. To account for members working across different time zones, shorter-duration meetings were scheduled over several days. The AAC is pleased to report that the revised workplan was completed, except in the area of Ethics, as the post of Director, Ethics Office had been vacant since March 2020. It is anticipated that the AAC will continue to function remotely for most of 2021.
5. The AAC met twice with the Executive Director and maintained regular engagement with the Deputy Executive Director, Management, who is the key management liaison. The Committee also met with the other Deputy Executive Directors, one Regional Director and several Directors of headquarters divisions/offices, who made valuable presentations.
6. The Committee issued memorandums containing strategic advice to the Executive Director, which were appended to the minutes of each Committee meeting. The AAC did not seek a response to each point of advice as if these were audit recommendations; rather, it expected that they would be considered by Management in the conduct of the work of UNICEF. The Executive Director acknowledged these memorandums and provided the UNICEF perspectives on the key advice provided. The AAC also shared the positive results of its 2020 self-assessment and sought the Executive Director’s feedback on its work and priorities for 2021.
7. In 2021, the Committee looks forward to discussions with Management on important initiatives for UNICEF, including Reimagine UNICEF, simplification and change management programmes, the COVID-19 Vaccine Global Access (COVAX) Facility and the Access to COVID-19 Tools Accelerator (ACT), and development of the UNICEF Strategic Plan, 2022–2025.
8. Details of the key advice provided by the Committee to the Executive Director in 2020 are reflected in section IV of this report. Without prejudice to all the advice rendered in 2020, the areas of advice that have the most significance were related to the organizational accountability framework, 14 (b); succession planning, 14 (d); grant conditionalities, 14 (g); National Committees for UNICEF, 14 (h); risk management,

15 (a); cybersecurity, 15 (e); contracts, 15 (f); data analytics, 15 (i); internal audit and investigations, 16 (a); evaluation, (16 (b)); and the independence of the internal oversight offices, 16 (b)(i) and 16 (d).

II. Mandate of the Audit Advisory Committee

9. The UNICEF Audit Advisory Committee operates in accordance with its Charter (Terms of Reference), which was revised and approved by the UNICEF Executive Director on 17 March 2020. The Committee is an independent advisory body, without management powers or executive responsibilities, which was established to advise the Executive Director regarding the discharge of his/her governance, management and oversight responsibilities. The Committee also provides an annual report to the UNICEF Executive Board that summarizes its work during the reporting period on the robustness of the UNICEF management, audit and evaluation systems.

10. The primary responsibility of the Committee is to advise the Executive Director in fulfilling governance, risk management and oversight responsibilities in the following areas:

- (a) Governance and accountability;
- (b) Risk management and internal controls;
- (c) Financial management and reporting;
- (d) Ethics and integrity;
- (e) Internal oversight;
- (f) External oversight.

III. Audit Advisory Committee 2020 workplan

11. The Committee's rolling three-year workplan, which is mapped to the responsibilities outlined in the Charter, guided its 2020 activities. The workplan enabled the AAC to map its responsibilities to the concerned offices, assess the degree of engagement required and provide advice to strengthen governance, risk management and internal controls. In previous years, the Committee held three regular meetings (each lasting three days) in New York. The 2020 workplan was fully implemented remotely, through videoconferences. This was, however, not optimal as shorter-duration meetings, spread over a significantly greater number of days, were necessary, since full-day meetings were no longer possible due to time differences for members participating from different regions of the world. The AAC strived to maintain a balance between ensuring flexible coverage of the assigned responsibilities and reducing the administrative demands on Management for the regular meetings (including the use of joint sessions for such thematic areas as enterprise risk management, resource mobilization, partnerships and communication), to allow Management to focus on the pandemic response. The AAC is pleased to report that the revised workplan was completed, except in the area of Ethics, as the post of Director, Ethics was vacant since March 2020.

12. The AAC appreciated the opportunity to meet with the Executive Director, Ms. Henrietta H. Fore, twice in 2020, and the Deputy Executive Director, Management, Ms. Hannan Sulieman, both in her own capacity and as a representative of the Executive Director. The Committee is grateful for the support, information and insights shared by Ms. Sulieman, especially as she served as the most senior management liaison for the AAC. The Committee also appreciated the quality of interactions with the Deputy Executive Directors (Programme, Partnerships, and Field Results and Innovation), the Regional Director for the Middle East and North Africa, and the Directors of several headquarters divisions and offices.

IV. Summary of the Committee's activities and advice

13. Based on the information provided by Management, the organizational strategic priorities, structures and systems for governance, risk management and oversight appeared to be generally well established, articulated and functioning in 2020, except for the areas highlighted in the key advice in the following

paragraphs. Paragraphs 14–17 of this document summarize the key advice provided (for responsibilities defined in its Charter) as follows:

- (a) Para. 14 – Governance and accountability;
- (b) Para. 15 – Risk management, internal control, financial management and reporting;
- (c) Para. 16 – Internal oversight (internal audit, investigations, evaluations, ethics);
- (d) Para. 17 – External oversight (United Nations Board of Auditors, Ombudsman services, Joint Inspection Unit).

A. Governance and accountability

14. The Committee reviewed the UNICEF strategic priorities, structures and systems for governance. It also reviewed management updates from the discussions at the Global Management Team (GMT), which is the highest forum for UNICEF senior management. The effectiveness of the GMT remains pivotal in clarifying macro-level accountabilities, setting the organizational risk appetite and tolerance, reviewing management of the highest risk exposures (including those identified by the oversight offices), and exemplifying the UNICEF culture and core values outlined by the Executive Director. In 2020, the Committee advised UNICEF as follows:

(a) **Strategic Plan, 2022–2025 development:** Adequately consider the lessons learned from the current Strategic Plan, the latest impacts on the Sustainable Development Goals indicator framework following the pandemic, United Nations reforms, new partnerships and programming modalities in country settings, the resource mobilization outlook, the innovation landscape, digitalization opportunities and organizational maturity on risk management. (In 2021, the AAC looks forward to learning about the formulation of the UNICEF Strategic Plan for 2022–2025, including collaboration with the United Nations system).

(b) **Accountability framework:** Review and clarify the organizational accountability framework (which is tied to the regulatory framework) given multiple restructuring exercises over the past decade and the organization’s significant growth over the same period. A clearly defined framework of accountabilities that is well-communicated and understood is key to effective organizational governance. The AAC noted that the Office of Internal Audit and Investigations (OIAI) had recently conducted an advisory engagement on the same subject. The Committee also noted that the Joint Inspection Unit (JIU) had issued a report on accountability frameworks in the United Nations system (JIU/REP/2011/5), which UNICEF should take into consideration in this endeavour.

(c) **Culture:** Assess the positive outcomes and effectiveness of the multiple ongoing efforts towards improvements in the organizational culture and how they are being mainstreamed, to inform future decisions on decoupling the pivotal central culture function.

(d) **Succession planning:** Ensure timely planning and completion of recruitments for existing and imminent leadership vacancies (e.g. Director, Ethics Office¹; Director, Human Resources; Principal Legal Adviser; Director, Evaluation) to avoid a leadership vacuum in several key functions. The Committee also looks forward to being consulted on the appointment of the directors of the independent offices, as stipulated by the Charter.

(e) **Oversight and independence:** Protect the functional independence of the internal oversight offices (Evaluation, OIAI and Ethics) by adhering to the policies, norms and standards on the appointment and reassignment of the Directors of these offices to other leadership positions in the organization, either during or at the end of their terms, to avoid any real or perceived infringement of functional independence.

¹ The Director, Ethics Office, was appointed in early 2021.

(f) **Change management:** Prioritize and calibrate the pace of implementation and timelines of essential corporate-level initiatives that are under way, considering the absorption capacity in view of the unprecedented pressures on staff in the pandemic environment (and to deprioritize activities to allow space for key changes that can be owned and accepted by the staff).

(g) **Grant conditionalities:** Promote the need for coordinated resistance to unreasonable grant conditionalities across the United Nations system (especially by the funds and programmes based in Geneva, Nairobi, New York, Paris, Rome and Vienna), including through such channels as the United Nations System Chief Executives Board for Coordination, to ensure consistency in system-wide positions on key issues (especially to manage the risks from conditionalities that may obligate the return of funds for perceived non-contraventions, or those that may adversely affect the independence of the oversight offices).

(h) **National Committees for UNICEF:** Strengthen internal systems for intelligence and early warning in UNICEF management and oversight architecture of National Committees governance to better manage reputational risks and leverage the key partnership with the Committees.

(i) **Leveraging digital opportunities:** Prioritize digital investments across the organization, spanning the areas of innovation, resource mobilization, service delivery, communication and advocacy; augment digital campaigns for private sector and pledge donor fundraising while effectively communicating UNICEF accomplishments and potential to influence change; and identify tools to more effectively advocate and engage with internal and external audiences on UNICEF work products on its insights and research.

(j) **Matrix management:** Review the operational effectiveness of the matrix reporting arrangements in recent years, looking across functions and considering external factors (e.g., United Nations reforms, new partnerships, the COVID-19 pandemic) and lessons learned from the completed internal reorganization initiatives.

(k) **Insight and research accountabilities:** Evaluate the potential to explore greater synergies, complementarities and distinctions between the Office of Research and the Office of Global Insight and Policy in their respective quadrennial office management plans; strengthen the effectiveness of the governance mechanisms for the organizational research function (including the internal Standing Committee on Research and the external Global Research Advisory Board); and clarify the end-users for the thought products generated by Office of Global Insight and Policy and assess the best ways to influence the actual use of such products in informing UNICEF programming, strategy or advocacy.

(l) **Information Technology:** Strengthen the Information and Communication Technology Board to include external functional experts or thought leaders who can foresee risks in the rapidly changing horizon, challenge established thinking and offer advice on how to manage new and emerging risks.

B. Risk management, internal control, financial management and reporting

15. The Committee reviewed the progress of the initiatives taken towards strengthening enterprise risk management (ERM) and internal control, and concluded that there were opportunities to strengthen the operating effectiveness of ERM, while noting that the long-awaited revised ERM policy had been issued in November 2020. The Committee had a joint session on ERM with the Deputy Executive Director, Management, the Comptroller and the Director, OIAI, to consider the principles, policy and preparedness of UNICEF to administer an effective ERM programme. The AAC also received useful updates from the Comptroller, including on the 2019 financial report and audited financial statements and report of the Board of Auditors, the estimated financial impacts of the COVID-19 pandemic in 2020 and 2021, treasury operations and the status of Joint Inspection Unit recommendations. In April 2020, UNICEF shared the draft 2019 UNICEF financial statements with the AAC for its review and comments, following which the Committee provided substantive formal feedback. The AAC is pleased to note that the 2019 financial statements received an unqualified audit opinion from the United Nations Board of Auditors. The Committee advised UNICEF as follows:

(a) **Risk management:**

(i) Communicate with the Executive Board to obtain its views and expectations on ERM and learn from the experiences of other multilateral development institutions to promote agile risk analysis, especially in the present environment where change is occurring at a rapid pace.

(ii) Communicate the tone from the top (Global Management Team) about the desired risk culture to incentivize measured risk-taking and disincentivize excessive risk aversion.

(iii) Clearly articulate the organizational risk appetite and tolerance statements and principles to make the revised UNICEF policy on enterprise risk management (issued in November 2020) practical and effective to implement.

(iv) Articulate the terms of reference of the proposed senior risk committee (and the role of the risk secretariat), including its accountabilities, composition, responsibilities and reporting expectations (as these matters are unclear in the new ERM policy).

(v) Reconsider the Committee's suggestion to establish a Chief Risk Officer function, reporting directly to the Office of the Executive Director (as a senior risk committee is instead envisioned by the UNICEF Management) to enable a systematic and comprehensive process for recording, monitoring and reporting on enterprise risks based on likelihood, impact and velocity.

(vi) Periodically submit incisive and informative risk reports to the Executive Director and the AAC on the most significant risks to the organization (including strategic, operational, financial, reputational and emerging risks) and better leverage the investments made in the new risk system (Enterprise Governance, Risk and Compliance (e-GRC)). Also review implementation of e-GRC to ensure that it is not considered merely as an administrative risk-recording tool, but also as a facilitator for transparent, risk-informed decision-making and risk reporting (bottom up and horizontally for different risk groups).

(vii) Build metrics for assessing risk management attributes as part of the performance management of senior staff initially, before they are gradually introduced for other staff.

(b) **Statement on internal control:** Accelerate and strengthen preparedness efforts towards the management statement on internal control; and consider formalizing the end-to-end process ownership together with documentation and flow chart mappings signifying 'key risks' and 'key controls' for significant processes, to both identify crucial vulnerabilities as well as opportunities to eliminate inefficient activities.

(c) **ACT Accelerator and COVAX Facility:** Consider a proactive management review (with advisory support from the internal oversight offices) to strengthen the design of the risk and control framework for vaccine distribution, in view of the implementation of critical ACT Accelerator and COVAX initiatives co-led by or involving UNICEF participation in 2021.

(d) **Human resource strategy for humanitarian settings:** Review the human resource strategy and policies for developing and increasing adequate leadership and operational-level capacity, especially for humanitarian settings (considering gender, donor versus programme country nationals, language and sectoral expertise). This capacity should be commensurate with the organization's humanitarian portfolio (which is more than 50 per cent of the total portfolio at present) to ensure fairness to staff in terms of postings and to maintain morale.

(e) **Cybersecurity:** Remain vigilant in tracking, mitigating and preventing cybersecurity incidents through intelligence-sharing and coordinated assessments, particularly since global cyber risks have continued to increase exponentially.

(f) **Contracts:** Institute a single institutional repository for legal agreements signed globally, which will facilitate document search, better contractual risk management and cross-learning across the organization's decentralized operating environment. This will also allow monitoring on a sample basis (by

legal or compliance functions) to ensure that contract templates are adhered to, or any exceptions (where applicable) have been duly approved to better protect UNICEF assets and interests.

(g) **Treasury:** Obtain independent expert advice on the medium- to long-term strategic approach to treasury operations, considering the evolving post-COVID-19 global impacts on the banking and financial sectors. This will ensure that the UNICEF treasury portfolio is adequately protected in the short term from liquidity and capital risks and concurrently prepared to better manage the risks and opportunities that emerge in the medium to longer term in other areas (including related to foreign exchange, counterparty, liquidity, interest, cybersecurity and hedging).

(h) **Budgeting:** Closely monitor the relaunch of the new budgeting system (budget formulation tool) planned in 2021 (as the Committee is concerned about the delay in its full implementation, following issues with its initial launch) to ensure alignment to the Strategic Plan, 2022–2025 implementation, and prepare a report on the lessons learned, covering project design, costs and causal factors for its initial failure.

(i) **Data analytics:** Review the effectiveness of the current transaction-level monitoring analytics and exception scripts, and continuously design newer scripts, including those based on the control deficiencies identified by the first, second or third lines of defence. In addition, explore greater organizational synergies for maximum results in the realm of the work on data analytics (preventive and detective) for compliance and fraud risks by the offices in the first and second lines of defence, and complementing similar efforts within OIAI for maximum results.

C. Internal oversight

16. The AAC assessment of the UNICEF internal oversight system comprised reviews of the independence, objectivity and effectiveness of the internal audit, investigations, evaluation and ethics functions. The review was also informed by interactions with the executives responsible for financial, management and programme accountability. Overall, the oversight functions were generally well established and functioning, and the Committee provided specific advice to these functions as summarized below.

(a) **Internal audit and investigations:** The Committee took note of the revised internal audit strategy for 2020 and beyond (informed by the advisory recommendations from Deloitte) and cleared by the UNICEF senior management during the midterm review process in 2020, although additional resources for internal audit were not approved in the immediate aftermath of the funding constraints induced by COVID-19. The AAC took note of the reorganization and restructuring exercises within the Audit and Investigations Sections of OIAI. The Committee appreciates the new initiatives prioritized by OIAI, especially on the gradual uptake in advisory services, considering an agile auditing approach, and creating and implementing a data analytics strategy with an approach to scale up pilot interventions. Broadly, the Committee appreciates the modernization efforts for the audit and investigations functions that are currently under way. Overall, the Committee is of the view that the OIAI assurance and advisory services can be scaled up (by building its resource complement commensurately). This is necessary to respond to the UNICEF portfolio of risks in a decentralized environment, a complex and partnership-oriented business model, remote auditing under a constantly evolving risk profile (including for fraud risk), a COVID-19-induced revision of programme and work modalities, and a second line of defence that continues to be strengthened. Following multiple discussions with the Director, OIAI, the Committee advised UNICEF as follows:

(i) **Assurance and advisory services:** Ensure that a healthy balance is maintained between assurance and advisory services (while appreciating the shift to increasing advisory services); that there are no adverse impacts on assurance obligations or gaps; and that due care is taken while undertaking advisory engagements such that independence or objectivity is not compromised.

(ii) **Minimum assurance versus annual opinion:** Carefully review and assess the concept of ‘minimum assurance’ that the office ought to provide to the Executive Director and the Executive Board, as distinct from the compliance with the Executive Board decision requesting an opinion on the adequacy and effectiveness of the organization’s framework of governance, risk management and

control “based on the scope of work undertaken”. The AAC is of the view that, in order for the opinion to be both meaningful and relevant for the Executive Board, Executive Director and donors, OIAI should be able to both sufficiently cover a wider range of key risks and equally specify the areas of key risks that are not covered in the opinion. The extent of the OIAI assurance gap for 2020 and the non-coverage of risks for 2021 due to resource gaps needs to be highlighted to the Executive Director and Executive Board in the office’s annual report and upcoming office management plan for 2022–2025.

(iii) **Annual workplan:** The Committee reviewed both the 2020 workplan (original and revised) and the 2021 draft workplan, and monitored the delivery of the 2020 OIAI workplan. The key advice rendered to the Executive Director on the draft 2021 workplan included the following:

- Leverage opportunities to strengthen the process of systematic risk analysis undertaken by OIAI, including by developing its sustainable risk intelligence programme (which will be partially dependent on the organizational risk management maturity), to ensure that the emerging risks for the organization can be part of the audit universe and are assessed during periodic risk refresh exercises.
- Present a forward-looking, multi-year coverage assurance plan for key risks (covered and gaps) to be refreshed periodically, alongside an assurance map with a clear and active collaboration strategy with other assurance providers such as the United Nations Board of Auditors and the UNICEF Evaluation Office (beyond sharing the respective workplans).
- Clearly establish the internal audit risk assurance gap tied to the quantitative and qualitative resource deficit as part of the workplan, to enable the Committee to objectively opine on the adequacy of resources (both in-house and co-sourced) and the quality of the coverage and opinion.
- Consider opportunities to shift from the current coverage, which is predominantly vertical (entity/country office-based) towards greater horizontal assurance coverage (by cross-cutting processes and risks) for better risk coverage.

(iv) **Resource and skill gap assessment:** Undertake a comprehensive resource assessment and skill gap exercise for OIAI to inform its office management plan, 2022–2025 and apprise the Executive Director and the Executive Board of the resource gaps and risks of an associated assurance deficit. This follows the request from OIAI in the 2020 midterm review to increase its audit staffing by about 70 per cent, which was not approved due to funding constraints following the start of the pandemic). Also allocate dedicated resources for the periodic quality assurance and improvement programme activities to ensure conformance with Institute of Internal Auditors’ Standards for 2020 and beyond.

(v) **Change management:** Follow the principles of effective change management in implementing the restructuring and reorganization changes (especially as relates to staff); and explore the possibility of conducting performance auditing in 2021, including jointly with the Evaluation Office.

(vi) **Monitoring:** Regularly review the implementation status of older open audit recommendations to ensure timely closure, especially where they are still fully relevant (i.e., the 15 agreed actions older than 18 months at the end 2020); and ensure sustainability of management actions in accelerating clearances for timely public disclosure of internal audit reports.

(vii) **Impact of COVID-19 limitations:** Closely monitor and formally record in individual audit reports the limitations caused by full remote auditing (since the start of the pandemic) on the audit scope, coverage, testing and opinions; and review the impacts on OIAI total assurance and the annual opinion to be provided to the Executive Board for 2020 and beyond.

(viii) **Reporting effectiveness:** Review the structure and messaging style of the internal audit reports (especially the Executive Summary) to make them lighter and more risk-oriented, user-friendly and visually appealing. (During the year, the Committee shared an illustrative template for

consideration by OIAI.) Also, consider sharing common audit issues observed in more than one country office across all offices, to enable interregional learning and improvement of controls.

(ix) **Investigations:** Undertake an external quality assessment or peer review for the investigations function in 2021 (as the last such review was done in 2013), taking into consideration any relevant aspects of the recent JIU report on investigations.

(x) **Data analytics:** Continue to invest in scaling up data analytics capabilities to enable OIAI to enhance the effectiveness of coverage for audits and investigations. Prioritizing the performance of periodic procedures through data analytics to identify red flags or data that do not comply with previously defined criteria allows checking the universe of such data sets. It also contributes to wider coverage not only of high-risk units, but also of medium and low risk ones, and allows a more targeted use of human resources. (The Committee has been informed that a consultant has been engaged to develop the requisite tools.)

(b) **Evaluation:** The Committee appreciates the positive actions taken by the Evaluation Office towards the issuance of technical guidance soon after the COVID-19 outbreak; the use of learning-oriented, real-time evaluation approaches through rapid reviews and assessments; strengthening of the quality assurance and accountabilities at the regional and country levels; completion of recruitment of Regional Evaluation Advisers for all seven UNICEF regions; and the use of multi-country evaluation resources in regions. Following multiple discussions with the Evaluation Office and the seven Regional Evaluation Advisers, the Committee advised UNICEF to:

(i) **Independence:** Ensure that provisions of the revised evaluation policy of UNICEF (2018) and the AAC Charter are adhered to in the appointment, re-entry and replacement of the Director of Evaluation (including consultation with the AAC, in accordance with the Charter).

(ii) **Funding:** Review the impact of the significant reductions in evaluation pooled funds in 2020, especially given their arterial linkages with staffing and conduct of decentralized evaluations. These reductions have raised concerns related to sustainability and morale, as well as the implications for maintaining the governance and independence of evaluation, as stated in the policy (including meeting the 1 per cent target for evaluation expenditure set by the Executive Board). The potential impact on donor confidence and programme country learning should also be taken into account. New and innovative financing models for evaluation should be explored, including strategic or sectoral earmarking of funds for evaluation in donor agreements at the global and local levels, and covering evaluation post costs in the institutional budget in the next budget cycle.

(iii) **Evaluation culture:** Promote the culture of evaluation and the use of evaluation by regional and country offices by expediting the completion and implementation of the commitments expressed in management responses. Senior management in regional and country offices should be held accountable for the implementation of management responses and the use of learning from evaluations in country offices to inform programmes. The strong technical capacity of the Regional Evaluation Advisers should be leveraged by freeing them from the uncertainties of pooled funding and providing an enabling environment to further enhance the culture of evaluation.

(iv) **Self-assessment:** Explore the option of conducting a robust self-assessment against the 2018 evaluation policy to obtain a midterm assessment of the health and robustness of the evaluation function. This would be particularly informative in the COVID-19 response environment and would include obtaining an understanding of the areas that are working well and those needing improvements across each region, thus enabling cross-learning, as well as an understanding of the effectiveness of matrix management arrangements.

(v) **Use of evaluations:** Share technical guidance drawn from evaluations with programme staff to aid the adoption and use of lessons identified from evaluations back into programmes, and share the best practices noted from evaluations in one country or region more widely across the organization and horizontally across programmes.

(vi) **Pandemic implications:** Review and revise expectations on the extent of standard evaluation coverage that is feasible given the ongoing pandemic and real access in national contexts, and supplement the gaps through the use of real-time reviews.

(vii) **Evaluation report format:** Review the form and structure of evaluation reports and executive summaries to make them more user-friendly, visually appealing, concise and informative.

(c) **Collaboration between the Office of Internal Audit and Investigations and the Evaluation Office:** The AAC is concerned that, despite continuing discussions between OIAI and the Evaluation Office, the nature and manner of concrete collaboration between the two offices is yet to be clearly defined and finalized (this has been long-standing advice from the Committee).

(d) **Ethics:** Owing to the vacant position of Director, Ethics since March 2020, the Committee was unable to cover the area of Ethics in 2020. The Committee reiterated its advice to maintain consistency in the arrangements for the independence of the Ethics Office, like that for the other internal oversight offices (e.g., leadership tenure, budget management and AAC oversight).

D. External oversight

17. The AAC held meetings with key constituents of the UNICEF external oversight system to complement the review of the internal oversight system and inform its own assessments.

(a) **United Nations Board of Auditors:** The Committee had a constructive discussion (including private sessions) with the United Nations Board of Auditors in July 2020 on the key observations from their 2019 draft audit report. The Committee noted their confirmation that there had been no impairment to their independence or any scope limitations, and was pleased to note that UNICEF received a clean unqualified opinion for 2019. In December 2020, the Board of Auditors briefed the Committee on its workplans for the interim audit and the financial audit for 2020. The Committee appreciates the candid discussions and emphasizes the importance of the Board of Auditors for independent oversight. The Board's recommendations and the status of their implementation were also regularly discussed with the Comptroller.

(b) **Ombudsman's services:** In addition to the aforementioned oversight offices, the Committee also met with the Office of the Ombudsman for United Nations Funds and Programmes.² The AAC learned about its plans to recruit Ombuds service specialists in three locations outside New York, the establishment of a panel of external mediators and enhancements to case management systems. The Committee looks forward to learning more about the impact of the new fee system for providing support to country offices. The Committee also took note of the opportunities mentioned for adoption of pro-mediation policies to reduce the burden on the formal system of justice in UNICEF.

(c) **Joint Inspection Unit:** In April 2020, the AAC reviewed the 2019 UNICEF report to the Executive Board on the status of recommendations of the JIU and on the pace of implementation. The AAC advised closer monitoring of the six old open JIU recommendations from reports up to 2016, as well as timely implementation of the 21 that were under implementation from the 2017 to 2018 reports.

V. Reporting to the Executive Director and the Executive Board

18. **Executive Board:** The Chair of the AAC attended the second regular session of the Executive Board in 2020, at which the 2019 annual report of the Committee was presented. The Chair was available to respond to questions or comments from the Board related to the report. The Committee was glad to note the references to the AAC annual report and reflections from the report in the decisions adopted by the Executive Board.

² The Office of the Ombudsman for the United Nations Funds and Programmes serves five United Nations entities: the United Nations Development Programme, the United Nations Population Fund, the United Nations Children's Fund, the United Nations Office for Project Services and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women).

19. **Executive Director of UNICEF:** The AAC appreciated the opportunity to have open and frank discussions with the Executive Director twice during the year (July and December 2020), and benefited from her vision and insights. After each of its regular meetings in 2020, the AAC submitted to the Executive Director a summary of strategic advice, together with the minutes of the meeting. The summaries focused on the most-pressing topics arising from each meeting and the Executive Director provided acknowledgement memorandums sharing management perspectives and updates on the Committee's key advice. Following its December 2020 meeting, the AAC provided a summary of the year's most important observations and received inputs from the Executive Director on her priority areas where the Committee could render additional advisory support. The Committee also shared the results of its self-assessment, which was very positive in the areas of mandate coverage, independence, leadership, collective member expertise, interactions with the oversight functions, reporting and secretariat support. The self-assessment also identified areas for improvement, including the adequacy of the consultations with the Committee on changes in leadership of the internal oversight functions and the Ethics Office.

VI. Networking within the United Nations oversight committees

20. **Joint meeting of the oversight committees of the United Nations system:** The fifth meeting of the representatives of the United Nations system oversight committees, hosted by the Independent Audit Advisory Committee (IAAC) of the United Nations, was held remotely in December 2020. The meeting was attended by 29 participants representing the oversight committees of 22 United Nations system entities, and included Ms. Amalia Lo Faso, Vice-Chair, and Mr. Jayantilal Karia, Member of the UNICEF Audit Advisory Committee. The meeting highlighted the need for new models of digital risk management and risk-sharing (including cybersecurity risks), with greater collaboration and trust, not just across the United Nations system, but also with partners and suppliers. Underscoring the importance of ERM for organizational effectiveness, the IAAC agreed to take a critical look in 2021 because, while most United Nations system entities have established policies and processes for ERM, they have often struggled to fully embed this critical strategic process at all levels and to ensure it has a meaningful impact on the management of their activities. The IAAC pointed to the need for an integrated look at the management of United Nations system human capital, including how the workforce is planned, developed and managed considering the significant and fast-paced changes and disruptive impacts being driven by technological advances and other external pressures, including the COVID-19 pandemic.

VII. Conclusions and the way forward

21. The Committee adapted with flexibility to new working modalities and procedures in 2020 following the onset of the pandemic, and met its mandate in providing advice to the Executive Director and submitting its 2019 annual report to the Executive Board. It is anticipated that the AAC will continue to function remotely for the majority of 2021.

22. The AAC thanks Mr. Stephen Zimmermann, Director, OIAI, for facilitating secretariat and budgetary support to its work and is also appreciative of all of the UNICEF staff members who made presentations, provided information and/or facilitated its meetings.

23. Finally, the Committee is particularly grateful for the professional support it receives from Mr. Sunil Raman, Committee Secretary (OIAI), in managing the AAC secretariat and especially in enabling and enhancing the Committee's revised working modalities in 2020.

Annex

Audit Advisory Committee membership and schedule of meeting attendance in 2020

<i>Member name</i>	<i>Meetings held in 2020</i>					<i>Comments</i>
	<i>June</i>	<i>July</i>	<i>September</i>	<i>October</i>	<i>December</i>	
Mr. Kamlesh Vikamsey	Attended	Attended	Attended	Attended	<i>Absent</i>	Current Chair. Member since October 2015; serving on second term, which ends in October 2021.*
Ms. Amalia Lo Faso	Attended	Attended	Attended	Attended	Attended	Current Vice-Chair. Member since February 2016; serving on second term, which ends in February 2022.
Mr. Jose Urriza	Attended	Attended	Attended	Attended	Attended	Member since August 2016; serving on second term, which ends in August 2022.
Ms. Saraswathi Menon	Attended	Attended	Attended	Attended	Attended	Member since June 2017; serving on second term, which ends in June 2023.
Mr. Jayantilal Karia	Attended	Attended	Attended	Attended	Attended	Member since June 2017; serving on second term, which ends in June 2023.
Ms. Sherene Moodley	N/A	N/A	N/A	N/A	N/A	Member since February 2019; resigned for personal reasons in March 2020.
Ms. Anni Haraszuk	N/A	N/A	<i>Absent</i>	<i>Absent</i>	Attended	Member since September 2020; serving on first term, which ends in September 2023.

*The Executive Director has identified and invited a new member to join the Audit Advisory Committee from September 2021.