



## Economic and Social Council

Distr.: Limited  
10 July 2000

Original: English

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### United Nations Children's Fund

*For information*

Executive Board

**Second regular session 2000**

18-20 September 2000

Item 9 of the provisional agenda\*

### **Internal audit activities in 1999**

#### *Summary*

The present report from the Office of Internal Audit (OIA) is the third annual report to the Executive Board. It presents a synthetic and analytical consideration of the findings of OIA based on the audits completed in 1999, in line with a proposal made by the Executive Director to the Executive Board at its third regular session of 1997.

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\* E/ICEF/2000/14.

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## **I. Summary**

1. This third annual report of the Office of Internal Audit (OIA) to the Executive Board summarizes the findings of the audits completed in 1999. Building on the experience of the previous two years, this year's report further advances the synthesis and analysis of key issues and the actions taken by management in response to the audits completed.

2. Field locations remain the priority focus of OIA audit efforts, and OIA again exceeded its annual coverage target of 30 per cent of field offices. This year's report shows that overall control in almost all locations continues to be satisfactory, although it does note that some offices experienced transitional challenges in the introduction of the Programme Manager System (PROMS).

3. The year 1999 witnessed important advances in OIA effectiveness and efficiency. There was a 29 per cent reduction from 1998 in the average time required to finalize and issue audit reports, following the completion of an assignment, and, partly as a result of this improved efficiency, there was virtually universal acceptance of issued recommendations by field and headquarters offices. These changes reflect the strengthened capacity of OIA to provide relevant and timely support to management.

## **II. Accountability, strategy and resources of the Office of Internal Audit**

### **A. Accountabilities and oversight**

4. The fulfilment of OIA accountabilities (as defined in document E/ICEF/1997/AB/L.12) and decision 1997/28 (E/ICEF/1997/12/Rev.1) was guided in 1999 by a management plan, which provided clear direction on priority initiatives to further improve OIA performance, and the audit plan, which established the locations and issues to be audited during the year. Achievement of the management plan objectives was reviewed by an interdivisional team at the end of the year, and performance was found to have been strong. The audit plan was reviewed by the audit committee at the outset of the year and at each meeting of the committee throughout the year.

5. Oversight of OIA is the function of the United Nations Board of Audit, which included internal audit in its review of UNICEF headquarters functions in 1999. To further strengthen OIA performance, the division subscribed to an assessment service offered by the Institute of Internal Auditors (IIA) to profile UNICEF internal audit functions in relation to those of organizations of similar scope and function. The results of the profile are being used to advance OIA effectiveness and are an important component in the quality assurance review commissioned by OIA, to be implemented by IIA in 2001.

### **B. Audit strategy and approach in 1999**

6. Consistent with the field-based emphasis of the UNICEF structure, the majority of OIA audit efforts in 1999 was directed towards the assessment of risks and controls in field offices. The selection of specific locations continues to be determined through the application of a risk model. While the mix of variables within the risk model include total financial expenditure, number of staff, and value of local transactions, increased weight was allocated in 1999 to the period of time since the last audit, following the identification of elevated risks in several field offices that had not been visited for more than four years.

7. While maintaining the strategy of annual audits in the 10 largest field offices, OIA also reached 77 per cent of the 26 offices that had not been audited in the preceding 4 years (the remaining offices in this category are being audited in 2000, along with the other offices that passed the 4-year interval this year).

8. OIA continued to expand its capacity to review UNICEF electronic-based data through the application of a commercial audit software. In 1999, OIA developed applications for the review of PROMS-based data. This review was assessed by a specialist consultant, who validated the direction of the strategy. Initial efforts were also made to harmonize these applications with the risk and control focus of the audit guidelines that OIA applies, although this remains an area for additional attention in 2000.

9. The division released two summary audit reports in 1999 that provided policy and procedural analysis and recommendations on issues associated with contracting for consultancy services and programme management. Summary analyses of the information

collected from field audits and reviews of policies and procedures will continue to be featured in the OIA audit strategy. The capacity for summary analysis has been greatly advanced through the development of an electronic information base, which provides ready access to completed audit reports, and through the UNICEF Intranet, which facilitates the review of policy and guidance documentation.

10. OIA further developed its efforts to advance field office capacity for self-assessment. Most field audits included an office-level control self-assessment session with senior staff, which provided an opportunity for field offices to review issues of overall management style and attention to ethical principles. In many instances, copies of the audit guidelines were provided to country offices at the end of the audit to promote future application by the offices themselves. In India, where self-assessment practices are already very strong, a project-management audit was implemented as training for five country office staff, so that they could gain familiarity with the methodology.

11. In 1999, OIA issued its second annual digest of key positive and cautionary risk and control issues, drawn from the previous year's field audits. This year, the digest was issued in English, French and Spanish. A readership survey gave a positive endorsement to the publication, which was reported to have led to useful actions in close to 100 per cent of the responding offices.

### C. Resources

12. OIA concluded the year with all 17 audit posts filled, for the first time. The successful recruitment effort significantly strengthened the range of capacity and experience in the division. While four of the five auditors recruited in 1999 were new to UNICEF, a strong orientation course and the detailed audit guidelines on the major aspects of UNICEF work greatly accelerated the orientation process and the capacity of new staff to successfully implement field audits.

13. To enlarge the transaction sampling in the audit of major country offices, OIA continued to contract consultancy support to provide technical assistance to staff auditors on major assignments. This approach, using qualified consultants working under the direction of an OIA auditor, has proven to be a very cost-

effective and efficient means of further advancing audit coverage.

## III. Results of work undertaken in 1999

### A. Audit coverage

14. In 1999, OIA again exceeded the annual coverage target of 30 per cent of all field offices by completing 38 field audits. The increased attention to locations overdue for audit resulted in expanded coverage of zonal offices and small country offices, while the continued focus on major country offices included the audit of state-level offices and suboffices. The following table presents a quantitative view of OIA activities for the year, with comparative figures from 1998.

Table  
OIA macro-performance indicators — 1998-1999

	1998	1999
Total audits	42	44
Field offices	36	38
Recommendations issued	1 689	1 942

15. As a result of revised audit management practices, which strive to ensure that a completed draft report is presented and discussed before the auditors depart from a field location, there was virtually universal acceptance of OIA recommendations in 1999. The issue of a draft report at the end of the audit has dramatically reduced the time from the completion of the audit to the release of the final report. In 1999, there was a 29 per cent reduction in the average number of days to finalize and release a report, compared to the previous year.

16. UNICEF is committed to ensuring that accepted recommendations result in concrete actions. Reports from auditees on the implementation status of audit recommendations are reviewed by OIA, and in almost all cases the first responses show adequate action and detail to carry out the recommendation. When responses are inadequate, the office is queried and the recommendation remains open until satisfactory action is demonstrated. Field audits include an assessment of the implementation of the previous audit's

recommendations. In 2000, OIA will conduct on-site follow-up visits at selected locations six months after the completion of significant audits. A summary review of the actions secured through OIA programme audits is presented in the following section.

## **B. Field offices**

### **Programme management**

17. OIA conducted programme audits in six countries in 1997 and 1998. By the end of 1999, all six had completed their mid-term reviews (MTRs) and reported the results to the Executive Board. The audit responses, MTR reports and annual reports of the audited offices established that the programme audits provided important direction and support, which is having sustained effects on programme management. The key elements of the audit methodology can now be implemented by all UNICEF offices, through use of the self-assessment tool that is included in the Programme Policy and Procedure Manual issued by Programme Division.

18. The audited offices reported that identification of the principal risks to the achievement of country programme objectives served as an important first step in the MTR process and provided a clear rationale to more carefully target interventions and refine programme objectives.

19. The programme audits significantly contributed to offices' increasing attention to monitoring and evaluation. Most of the offices reported that the programme audits assisted them to strengthen their approaches to monitoring the status of country programme implementation, and helped advance the use of programme and operational performance indicators. Following the programme audit, one of the largest UNICEF offices expanded its use of performance indicators to regularly chart overall programme progress, and it credits this approach in helping produce one of its highest implementation levels in more than a decade.

20. In 1999, OIA issued a summary report of key issues and findings of the six programme audits. The findings were presented to senior programme and operations staff on a number of occasions, and they had an important effect on the content of the new programme training programme.

21. OIA also launched a new project-level audit methodology, which targets the critical juncture between project planning and outcomes to be secured. It works to strengthen the capacity of offices to translate their programme objectives into concrete actions. The initial results of the new approach have been very positive. In two of the three countries where it was implemented in 1999, the approach led to important changes in the specific audited projects, and the field offices have adopted OIA methodology to review other projects.

### **Input management**

22. In 1999, OIA continued to focus the majority of its field office audit effort on the management practices for the planning, commitment, procurement and utilization of inputs financed with UNICEF funds. The audit process at each field location includes an initial assessment of the controls over each of the five following input categories, and an in-depth review of a selected number of input types, as appropriate for each location: contracts for the services of consultants; cash assistance to Governments and non-governmental organizations (NGOs); supply assistance; staff management; and travel.

23. The work process approach established in the audit guidelines facilitated the analysis of management practices and controlled weaknesses in a manner which field office staff could readily understand. In 1999, an increasing number of field audits included the facilitation of work process review sessions with field office staff, to improve the effectiveness and efficiency of their control practices. This supportive approach draws on OIA technical expertise, not only to identify uncontrolled risks, but also to assist offices to better understand the concepts and strengthen their own risk management practices.

24. **Contracts for services.** In 1999, the contracting of consultants was assessed in 30 country offices. The majority of offices were found to maintain adequate control over the contracting process, so that the purpose of contracting to provide additional human resource support for the advancement of programme implementation or office administration was achieved.

25. As in the previous year, it was found that most offices are setting consultancy fees in line with UNICEF guidelines and local market conditions, and are paying consultants according to the terms of the

contracts. In the few instances where exceptions to these positive practices were identified, recommendations were issued to strengthen awareness of the UNICEF rules and to improve management over the contracting process.

26. The specialist nature of many assignments and the significant utility of previous UNICEF experience often support the need to rely on single-source selection for consultants. Careful review found that in the cases where single-source selection was applied — save for a very few isolated incidences — it was done in the best interest of UNICEF and programme partners.

27. Several audits noted, however, that there is scope for strengthening the transparency of the selection process to ensure that it is well documented and is seen to have been fair and appropriate. Recommendations that address this subject were issued in several offices. As noted in the 1998 OIA annual report, a recommendation was issued to revise the relevant financial and administrative circulars to strengthen the guidance on competitive selection of individual consultants. This recommendation was accepted and is being implemented within the context of the overall review and revision to the financial and administrative circulars.

28. The 1999 audits found that most offices ensure that the consultancy evaluation form is completed at the end of an assignment, as required. However, as was found in 1998, it was noted in several reports that there is scope for improving the content of that assessment to more fully describe consultant performance, and to strengthen the use of these evaluations for consideration of consultants for future assignments.

29. Similarly, some audits also noted that office management practices can be strengthened in making personal contact with former employers of potential consultants, to ensure that candidates not only have the required technical qualifications, but also have a positive record of cooperative and productive performance.

30. **Cash assistance to partners.** The management of cash assistance was reviewed in 26 country office audits in 1999. Overall, the assessment is similar to the profile found in 1998, which is generally positive and is a marked improvement over earlier years, largely due to the continued attention to cash assistance management at headquarters and in field offices.

Offices are applying the policy of restricting the release of additional funds to partners that are delinquent in reporting. The enforcement of this policy has created some transitional challenges. A few audits noted that programme implementation with certain counterparts was curtailed for a portion of the year, as no additional funds could be released. In all cases, the restriction was brief, and generally resulted in improved overall cash assistance management by partners and the UNICEF office.

31. A number of audits found that while the levels of outstanding cash assistance with partners was in check, there were risks to the fulfilment of the purpose for the cash assistance, due to slow annual plan development and approval practices between UNICEF and its partners. In some cases, more than 50 per cent of the annual total cash assistance was released to partners in the last quarter of the year. This late release of funding was often found to lead, in turn, to hastily developed requests for funding.

32. The near-universal introduction of PROMS in 1999 had mixed effect on cash assistance management in country offices. Most took the opportunity of the new system to revise their internal work processes for cash assistance authorization and certification/approval. However, many offices were constrained by problems with the system's reporting capacity in 1999, which led to the creation of a number of temporary monitoring systems to maintain adequate control over outstanding advances. Management is aware of the reporting constraint in PROMS, and OIA is monitoring the steps that are being taken to improve this aspect of the system.

33. As in the previous year, OIA found that there was varied performance among offices in the quality of funding requests and the reporting from counterparts. The differences in performance are in direct relation to the effort devoted by offices to orienting partners to UNICEF procedures. Most offices have established positive planning, budgeting and reporting practices with partners for cash assistance, which is important not only to ensure the smooth and full utilization of UNICEF funds, but also as a key element in UNICEF capacity-building support for partners in programme management. To spread awareness of the utility of such training, it is described again in the annual OIA digest of lessons learned, which has been circulated to all offices.

34. Some offices that provided limited training support to partners were also found to have weaknesses in their internal processes for the assessment of the quality of requests for cash assistance and the review of reports of implementation and expenditure. When these conditions were found, recommendations were issued and acted upon. In March 2000, the Division of Finance and Administration issued a revised Financial Circular on Cash Assistance, which provides improved guidance on cash assistance management.

35. Some audits found a low level of field monitoring of programme-supported activities, and recommendations for increased field travel by UNICEF staff featured again in several audit reports.

**36. Supply assistance, warehousing and logistics.** Supply assistance was reviewed in 14 field audits in 1999. Overall, the majority of offices were found to have adequate control to ensure that supply assistance is appropriately provided to advance the objectives of the country programme. Within this broad framework of satisfactory control, however, there was an increase over the previous year in the number of audit observations about the supply planning process. Scope for improvements to strengthen the timeliness of supply input planning was noted in offices of all sizes and locations. Late supply planning between UNICEF and partners was found to be a common reason for the short lead times and rushed delivery requests found in several offices.

37. As in the previous year, several 1999 audits found end-use monitoring of supply assistance to be an area for improved performance. The underlying reason for this finding is limited field monitoring by UNICEF staff to track the arrival and utilization of supply assistance to intended final destinations.

38. For supply assistance, the challenges of establishing this monitoring awareness are inherent in the structure of UNICEF programmes of cooperation. In most countries, UNICEF supply assistance is delivered to partners at central locations, and there are often many steps in partners' delivery and warehousing processes before supplies reach their final destination at schools, health centres, etc. OIA acknowledges this constraint, but continues to recommend increasing staff field presence to assess, inter alia, the effectiveness of supply assistance.

39. Several audits made recommendations to strengthen the segregation of duties in the planning and

procurement of supply assistance, and to improve the management of the competitive bidding process. OIA found that an underlying reason for shortcomings in these areas was often a lack of understanding of the purpose and principles of the segregation of duties and contracting procedures. Programme staff with limited exposure to business administration can interpret the procedures as cumbersome and obstructive, and without significant programmatic benefit. Advances are being made within UNICEF to strengthen the awareness of the purpose and function of the segregation of duties. As a contribution to this subject, this is featured in the OIA 1999 digest of lessons learned.

40. The quality of service from Supply Division in Copenhagen was a concern in several audits. OIA notes that management is fully aware of the constraints faced by Supply Division in the transition to two new systems in 1999 (the Field Logistics System (FLS) and PROMS), and that actions, including assistance in work process analysis from OIA, are being taken in 2000 to address them.

**41. Staff management.** This area was reviewed in 12 field audits in 1999. The scope of review in staff management includes consideration of recruitment, supervision, training and the administration of remuneration and entitlements. Within this wide-ranging scope, offices were found to maintain adequate internal control. Note was made in several audits about limited knowledge among staff, and in some cases among operations personnel, of entitlement administration. While management has made important advances in creating and disseminating guidance on human resource management issues, the findings of some of the 1999 audits indicate that further action is needed to broaden staff awareness of the availability and content of these administrative materials.

**42. Travel.** During 1999, the travel process was assessed in 30 field offices and 4 headquarters divisions. The great majority of offices were found to comply with the UNICEF travel rules and policies for authorizing travel, arranging transportation and issuing travel advances. The audits also found, however, that improvements can be made in most offices in travel planning and assessing the outcome of completed travel.

43. In 1999, few offices were found to maintain effective management practices for timely travel

planning, which often resulted in unnecessary last-minute arrangements that affect office administration, and in some instances, increased travel costs. This condition is, in part, beyond UNICEF control due to late requests from external parties for UNICEF participation in activities that require travel, and fluctuating availability of counterparts. There is, however, scope for general improvement in the travel planning processes in most country offices.

44. Almost all offices comply with the policy of producing trip reports; however, there is significant variation in both the quality of the reports and their utilization to inform others of the outcome of official travel. The audits also found that, in general, improvements can be made in monitoring the implementation of follow-up actions identified in the trip reports.

45. The 1999 audits found that few offices include the assessment of the purpose and effectiveness of completed travel in their management information systems. It is expected that with the establishment of PROMS data compilation and reporting capacity, offices will have improved capacity to generate information on official travel. At present, however, few offices monitor the overall magnitude of their travel, and no office was found to have assessed the added value secured through official travel.

#### **Programme funds management**

46. Country office audits continue to assess office practices in fund-raising and compliance with the requirements to report to donors, in an accurate and timely manner, on the use of provided funds.

47. **Fund-raising.** This area was reviewed in 9 field offices in 1999. Consistent with the previous year, OIA found some offices to be quite active in fund-raising activities, and others less so. The key differences among offices stem largely from the interest and involvement of the representative, which is to be expected, given the wide range of experiences and qualities that heads of offices bring to their assignment. As noted in 1998, the majority of offices reviewed in 1999 did not have explicit fund-raising strategies. In the opinion of OIA, given the low level of explicit strategies and mixed levels of fund-raising activity, more guidance is essential to improve the quality of fund-raising in field offices. Management recognizes this and is working to raise awareness of existing

guidance and improving support through strengthened participation with regional offices and key country offices to develop strong, positive examples for replication.

48. **Private sector operations.** In line with the UNICEF resource mobilization strategy, the number of field locations active in private sector fund-raising and greeting card and other product sales has been consolidated to locations with the most significant fund-raising potential. In 1999, OIA reviewed the management of greeting card and other product sales in six of these offices. The findings remain consistent with earlier assessments. While positive management practices were found in some locations, the financial and physical management of such activities remains challenging for most UNICEF offices.

49. Initiatives to expand sales through distributors were generally found to need strengthening in record-keeping and consignee-management practices. It is understandable that UNICEF staff, who typically do not have experience in commercial sales, find the establishment of adequate controls in this area to be challenging. Recommendations were made to improve the record-keeping and reporting practices for stock control, sales and disposal of unsold stock, to minimize the risks of potential error or diversion of resources.

50. **Donor reporting.** This was reviewed in nine field offices in 1999 and the findings were very similar to those reported in 1998. Offices continue to maintain overall satisfactory compliance with the donor reporting requirements. In general, reports follow the established reporting format; however, most of the reviewed offices were found to submit between 25 and 40 per cent of their reports late, usually a few months after the deadline.

51. The 1999 audits found that clearly defined staff responsibilities for completing donor reports, and close monitoring of the fulfilment of those responsibilities, were common management practice in the offices with the better records of timely report completion. In some regions, donor report status monitoring is a component of the regionally established performance monitoring tool used by all country offices. OIA is contributing to the advancement of these beneficial practices by including positive examples in the digest of lessons learned.

### **Finance and accounts, and office administration**

52. Audits of operations in 1999 reviewed office finance and accounts to assess the status of key accounting controls and procedures, as well as compliance with UNICEF financial rules and regulations. Most offices were found to have satisfactory control; however, OIA considered eight offices to be below the expected standard, and recommendations were issued to strengthen controls and minimize the potential for any irregularities. The increase in the number of offices with unsatisfactory performance over 1998 can be largely attributed to the challenges of maintaining adequate financial control in small country offices (which were a focus of OIA attention in 1999), due to the limited number of staff to maintain adequate segregation of duties. The challenges of the introduction of PROMS affected, to varying degrees, the overall control in most offices.

53. While most offices had adequate control over receipts, a minority was found to have control weaknesses in the receipt of cash from greeting card sales, refunds of sales of obsolete property, and balances of unused cash assistance returned from partners. These shortcomings are associated with the relative infrequency of such transactions, as the great majority of field office financial transactions are disbursements rather than receipts. OIA issued recommendations to strengthen controls in the audited offices.

54. In 1999, OIA found, as it had in the previous year, a mix of practices related to recording office inventory and vehicle utilization. The varying performances between offices, and the small but persistent identification of country offices where these practices can be strengthened, indicate a general need to improve oversight of these functions.

### **Common services with other United Nations agencies**

55. In 1999, OIA found that, while in general UNICEF offices are supporting the various efforts to strengthen commitment to common services with other United Nations agencies, at times there are administrative and procedural challenges to economic and equitable cooperation in this area.

56. Several audits highlighted inefficiencies in the financing arrangements for United Nations staff clinics, which are supported on a pro-rata basis by most or all

of the resident United Nations agencies in selected hardship locations, to provide free services to staff and families. In locations where clinics exist, and the topic was reviewed, it was found that in general, local staff tend to utilize the Medical Insurance Programme (MIP), and international staff the commercial insurance coverage to secure services from private providers. There is no provision made for United Nations clinics to bill patients for their services, which could then be claimed through the MIP or insurance. As a consequence, clinics were often found to be both underutilized and an additional financial expense to the office administrative budget. OIA believes that significant savings to UNICEF and other agencies could be secured through revisions to the financing mechanism for United Nations clinics.

57. Some audits also found that UNICEF is experiencing challenges in the management of pro-rata costs for common services, such as office rent and maintenance, shared by two or more United Nations agencies. In some of the locations where this was reviewed, OIA found that the agencies had not established clear procedures for the periodic review of the apportionment of shared costs. It is the view of OIA that UNICEF and other agencies can build on the earlier advances that established the common services by improving the transparency of decision-making and defining procedures for the periodic review of pro-rata formulae.

### **C. Headquarters location**

58. OIA continued its support to the Private Sector Division (PSD) through a review, in 1999, of the New York-based operations. The audit took positive note of the actions that PSD had taken to address the recommendations relevant to New York operations in the 1998 audit of PSD in Geneva, particularly improvements in contracting for product shipping which resulted in significantly lower costs. In 1999, OIA noted that improvements could be made in greeting card production; and recommendations were issued to strengthen the capacity to forecast and schedule material requirements, which are expected to result in more efficient and economic greeting card production.

59. OIA reviewed UNICEF management of the United Nations rental subsidy entitlement for international staff. The audit found that improvements

in overall control could be introduced at headquarters and field locations through strengthened supervision and improved awareness of the provisions of the rental subsidy scheme.

#### **D. Regional office review**

60. In 1999, OIA supported the UNICEF decentralization process through a number of assessment missions to regional offices to profile the fulfilment of their defined accountabilities. The reviews established the positive effect the new structures have had on the country programme and budget planning and approval processes. The reviews also provided an opportunity to share good practices among regional offices of how they discharge their support and supervisory accountabilities.

#### **E. Investigation support**

61. OIA continued to devote significant resources in 1999 (over two staff years) to investigations and supporting heads of offices in assessing suspected irregularities. All known cases are fully investigated to determine the validity of alleged violations of rules, regulations, instructions or directives, misconduct, waste of resources, fraud and abuse of authority. All cases are fully documented, reported and adjudicated by management through established mechanisms and processes. The sanctions of staff imposed in 1999 included summary dismissal in a number of cases. Also in 1999, funds were recovered from banks that honoured forged cheques against UNICEF accounts.

62. Breakdowns in internal controls that allowed irregularities to arise are documented and experiences shared through the annual digest of lessons learned. The digests warn staff that violations in known risk areas (such as medical insurance or rental subsidy fraud) will result in summary dismissal. UNICEF maintains a record of all known cases of presumptive fraud which draws upon the work of OIA. The United Nations Board of Audit regularly reviews this log and supporting materials and reports, as appropriate.

63. The lessons learned in investigation activities strengthen OIA ability during regular audits to focus on control shortcomings that allowed irregularities to occur and to identify high-risk activities for audit scrutiny. OIA has also applied these lessons in

developing control self-assessment techniques for management teams and in developing ethics training, which is now provided at all levels of UNICEF. In addition to raising awareness of ethics, such training draws attention to the sanctions that are imposed when individuals engage in irregularities.

64. One notable feature of OIA investigation activities in 1999 was a greater willingness of staff throughout the organization to come forward with information on potential violations. Such information is always treated in the strictest confidence to protect the identity of the individual providing the information.

### **IV. Strengthening internal controls in UNICEF**

#### **A. Support to control self-assessment**

65. In 1999, OIA further refined its support to control self-assessment activities in field offices. Based on the experiences gained in the previous year, OIA revised its control self-assessment implementation tools by establishing reporting and follow-up responsibilities within the audited office, and implementation strategies that improved efficiency without compromising effectiveness.

66. As noted in paragraph 11 above, field offices report that the OIA annual digest of lessons has had a positive effect. This digest helps staff assess their own practices against the positive and cautionary profiles presented in the report.

#### **B. Support to information technology and business continuity**

67. OIA supported advances in UNICEF utilization of electronic banking facilities in three headquarters locations. The existing systems in Geneva and New York were found to have adequate electronic control; and the recommendations that were issued to strengthen internal administrative control were accepted and implemented. OIA also supported the development of new electronic banking facilities for Supply Division in Copenhagen, and the contributions provided on controls and security were taken up by management.

68. The Division provided important support to Y2K preparedness for field offices, through guidance on risk assessment and contingency planning to ensure business continuity and to safeguard staff well-being in the event of global or local system failures within or outside UNICEF. OIA guidance resulted in an executive directive issued to all UNICEF offices.

69. As 1999 was, for most countries, the roll-out year for PROMS, it was not considered appropriate to assess its implementation status during field audits. OIA did, however, assess system access and data security at a number of locations and issued recommendations to address identified weaknesses. OIA also assessed field offices' structure of financial authority within PROMS in several audits, and provided technical support through a number of country, regional and global training events to strengthen staff skills in defining financial controls and authority in PROMS.

### **C. Support to programme management guidance and training materials**

70. OIA supported Programme Division and others in the development of improved guidance and training materials for programme management. The focus of OIA contributions has been to ensure that attention is devoted to the key issues identified in the programme audits implemented in 1997 and 1998. The Programme Policy and Procedure Manual includes a chapter on programme self-assessment, which is based on the programme audit methodology developed by OIA, and the self-assessment materials have already been used by a number of field offices.

71. OIA also participated in the revision of the programme process training package, which is the core training package for introducing new staff to UNICEF procedures. The new package stresses core programming skills in objective setting, strategy development and defining and pursuing programme priorities.

## **V. Implementation of recommendations of the Office of Internal Audit**

72. As a result of the revised audit management practices, which strive to ensure that a completed draft report is presented and discussed before the auditors depart from a field location, there was virtually universal acceptance of OIA recommendations in 1999. Most field offices took up the offer to develop a preliminary action plan on how the recommendations would be addressed, and these action plans were included in 75 per cent of the issued audit reports.

73. OIA recognizes that further advances in the audit process can be made through greater specificity of recommendations, to allow for future determination of implementation. This is being addressed in 2000 as part of the OIA staff training programme.

74. The record of formal responses to audit reports remains strong. In the 1998 annual report, it was noted that 75 per cent of offices presented their formal responses within two months of the release of the report, as required, and this level was maintained in 1999. OIA is committed, however, to strengthening the timeliness of its own review of office responses. With a full complement of staff, and improved efficiencies in report completion, the division is now directing attention to this management issue and (as noted in paragraph 16) to conducting follow-up visits in selected locations six months after the completion of an audit.

## **VI. Standards of internal control in UNICEF**

75. The use of summary ratings in field audits has facilitated the development of a summary profile of the standards of internal control in UNICEF. Overall, OIA concluded that the standard of internal control remained acceptable in 1999, but the effectiveness of controls in some locations was affected by the challenging transition to PROMS and its reporting features.

76. As reported to the Executive Board at the second regular session of 2000, in the Report of the Executive Director (E/ICEF/2000/4 (Part II)), PROMS reporting facilities had not been fully introduced by the end of

1999, and this diminished the capacity of field offices to fully monitor the status of programme implementation and gauge the effectiveness of all of their internal controls. The Report of the Executive Director notes that management is taking up these challenges by giving emphasis to the full utilization of PROMS to improve planning, reporting and monitoring of programme implementation and to secure more efficient budget utilization and supply management.

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