

# Internal Audit Quality Assessment

## Presented to:

UNICEF

November 2019

# UNICEF

## Internal Audit

**It is our overall opinion that Internal Audit generally conforms with the *Standards* and the IIA Code of Ethics.**

**This level of conformance is the top rating and demonstrates a clear intent and commitment to achieving the Core Principles for the Professional Practice of Internal Auditing and the Definition of Internal Auditing**

Governance	
Standard	Rating
1000	GC
1100	GC
1300	GC
Code of Ethics	GC

Staff	
Standard	Rating
1200	GC

Management	
Standard	Rating
2000	GC
2100	GC
2450	GC
2600	GC

Process	
Standard	Rating
2200	GC
2300	GC
2400	GC
2500	GC



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Quality  
Services, LLC

Thank you for the opportunity to be of service to Internal Audit. We will be pleased to respond to further questions concerning this report and furnish any desired information.

A handwritten signature in blue ink, appearing to read "Basil Woller".

Basil Woller, CIA, CRMA  
Team Leader  
IIA Quality Services, LLC

A handwritten signature in blue ink, appearing to read "Tracy Darakjian".

Tracy Darakjian, CIA  
Director, Quality  
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Team Members:

Robert Shipway, CIA, CRMA  
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# List of Acronyms

Acronym	Description
CAATs	Computer-Assisted Audit Techniques
CAE	Chief Audit Executive
Core Principles	Core Principles for the Professional Practice of Internal Auditing
CPE	Continuing Professional Education
EQA	External Quality Assessment
ERM	Enterprise Risk Management
IIA	The Institute of Internal Auditors
Internal Audit	UNICEF Internal Audit Activity
IPPF	International Professional Practices Framework
IT	Information Technology
OIAI	Office of Internal Audit and Investigations
QAIP	Quality Assurance and Improvement Program
<i>Quality Assessment Manual</i>	<i>Quality Assessment Manual for the Internal Audit Activity – 2017 IPPF Aligned Edition</i>
<i>Standards</i>	<i>International Standards for the Professional Practice of Internal Auditing</i>

# Executive Summary

# Executive Summary

Under the *International Standards for the Professional Practice of Internal Auditing* (“*Standards*”), an external quality assessment (“EQA”) of an internal audit activity must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The UNICEF internal audit activity (“Internal Audit”) selected the Institute of Internal Auditors (“IIA”) Quality Services, LLC to lead their review. The onsite portion of the EQA took place during the week of October 28, 2019 and the final conclusions made by the independent assessment team were as of October 31, 2019 – the last date of the onsite portion of the EQA. The qualified assessment team who performed this EQA demonstrated competence in both the professional practice of internal auditing and the EQA process as required by the *Standards*.

Future changes in environmental factors and actions taken by personnel, including actions taken to address our recommendations, may have an impact upon the operation of Internal Audit in a manner that this report did not and cannot anticipate. Considerable professional judgment is involved in evaluating the observations and developing recommendations. Accordingly, it should be recognized that others could evaluate the results differently and draw different conclusions.

All information included in this report is proprietary and confidential and is intended for UNICEF use only; and may not be distributed to any other third party, other than your regulator or external auditor, without the prior written consent of The IIA Quality Services, LLC. UNICEF may publish this report as a component of their commitment to the International Aid Transparency Initiative.



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## Opinion as to Conformance with the *Standards* and the IIA Code of Ethics

**It is our overall opinion that Internal Audit generally conforms with the *Standards* and the IIA Code of Ethics. This level of conformance is the top rating and demonstrates a clear intent and commitment to achieving the Core Principles for the Professional Practice of Internal Auditing (“Core Principles”) and the Definition of Internal Auditing.**

Internal Audit is a component of the Office of Internal Audit and Investigations (“OIAI”). This EQA provides a conclusion on Internal Audit conformance with the *Standards* and the IIA Code of Ethics. The Investigations component of OIAI was not in the scope of this review and no conclusions are drawn related to Investigations activities.

A detailed list of conformance with individual *Standards* and the IIA Code of Ethics is shown on page 10 of this report. Upon issuance of this report, Internal Audit may continue to use the terms “Conforms with the *International Standards for the Professional Practice of Internal Auditing*” and “Conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*”.

The IIA’s *Quality Assessment Manual for the Internal Audit Activity – 2017 IPPF Aligned Edition* (“*Quality Assessment Manual*”) suggests a scale of three ratings, “generally conforms,” “partially conforms,” and “does not conform.” “Generally Conforms” means the assessor or assessment team has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the *Standards* and the IIA Code of Ethics in all material respects. Detailed definitions for rating criteria associated with “Generally Conforms”, “Partially Conforms”, and “Does Not Conform” are described in Attachment A found on page 35 of this report and are consistent with the guidance provided by the IIA in their *Quality Assessment Manual*.

# Executive Summary

## Objectives of the EQA

The principal objectives of the EQA were to:

- assess Internal Audit conformance with the *Standards* and the IIA Code of Ethics;
- assess the effectiveness of Internal Audit in providing assurance and advisory services to the Executive Board, the Audit Advisory Committee, senior stakeholders within UNICEF, and other interested parties; and
- identify opportunities, offer recommendations for improvement, and provide counsel to Internal Audit for improving their performance and services and promoting their image and credibility.

## Scope of the EQA

The scope of this EQA included Internal Audit, as set forth in the OIAI Charter approved by the Executive Director of UNICEF. The Investigations component of OIAI is not included in the scope of this EQA. The OIAI Charter defines the purpose, authority, responsibilities, and accountabilities of Internal Audit.

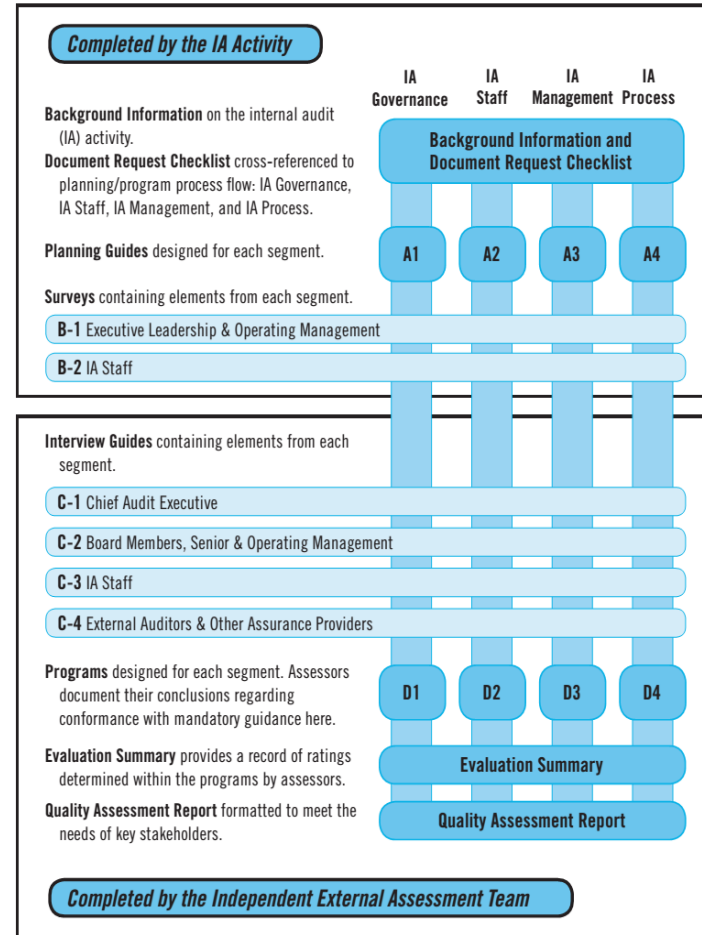
## Methodology of the EQA

To accomplish the objectives, the independent assessment team:

- reviewed information prepared by Internal Audit at the independent assessment team's request;
- conducted interviews with selected key stakeholders of Internal Audit including the Audit Advisory Committee chair, the Executive Director of UNICEF, other senior executives within UNICEF, the UN Board of Auditors, the Chief Audit Executive ("CAE"), and a sample of Internal Audit management;
- reviewed a sample of audit projects and associated work papers and reports;
- reviewed survey data received from UNICEF Internal Audit stakeholders – survey process conducted by the IIA;
- reviewed benchmark data; and
- prepared diagnostic tools consistent with the methodology established for an EQA in the IIA *Quality Assessment Manual*.

## QUALITY ASSESSMENT PROCESS MAP

### Full External Assessment



# Executive Summary

## Observations Specific to Internal Audit

### Overall

Internal Audit generally conforms with the *Standards* and the IIA Code of Ethics. This level of conformance is the top rating and demonstrates a clear intent and commitment to achieving the Core Principles and the Definition of Internal Auditing. Internal Audit operates in a very dynamic environment, with changing and emerging risks. In fact, the position of CAE has been held by seven separate individuals in the past ten years. Internal Audit's ability to adapt and be responsive to change, combined with their ability to leverage insight on risks impacting the organization into focused audit plans, will continue to be critical to their success and value to UNICEF. The CAE has established and is executing a Quality Assurance and Improvement Program ("QAIP") that demonstrates a clear commitment to continuous improvement and alignment with the *Standards* and the IIA Code of Ethics. The Internal Audit annual risk assessment process focuses activities in areas of highest risk and impact consistent with the strategies, objectives, and risks of UNICEF. Internal Audit is a critical component of the UNICEF governance structure, and they operate as an effective third line of defense that appropriately monitors risk management and control activities across UNICEF. The Internal Audit methodology supports planning, fieldwork, reporting, and monitoring processes for engagements identified in the annual audit planning process.

### Attribute Standards

Internal Audit has the infrastructure in place to support sustainability of internal audit processes in a consistent and quality manner. The OIAI Charter is foundational to all their activities and appropriately defines their purpose, authority, responsibilities, and accountabilities within UNICEF. The functional and administrative reporting relationships of the CAE generally support organizational independence and objectivity. The Executive Board must approve the Internal Audit Charter to demonstrate their oversight responsibilities related to Internal Audit. Other functional responsibilities, including approval of the annual risk-based audit plan, have been delegated to the Executive Director of UNICEF and are enumerated in the Internal Audit Charter. Independence and objectivity of Internal Audit management and staff is supported by language in the Internal Audit Charter and the Internal Audit Manual. Internal Audit management and staff, together with the use of third-party subject matter experts, collectively possess the knowledge, skills, and competencies necessary to demonstrate professional proficiency. A competency framework is used to support professional proficiency, continuing professional development, and resource management for Internal Audit management and staff. Work is performed with due professional care that includes an appropriate level of supervisory review and approval. However, supervisory review and approval should be consistently documented in engagement work papers. Internal Audit embraces the use of technology and is working to enhance and expand the use of Computer-Assisted Audit Techniques ("CAATs") to support their risk assessment and planning activities, as well as for the execution of individual audit engagements. A formal QAIP has been established to meet requirements of the *Standards*. The internal assessment component of the QAIP includes an on-going monitoring process to promote quality on an audit-by-audit basis. A periodic internal assessment component should be enhanced to holistically evaluate conformance with the *Standards* and the IIA Code of Ethics in periods between external assessments. This EQA is being conducted outside the five-year requirement of the *Standards*. Results of the QAIP are communicated to senior management and the Audit Committee in a manner and timeframe established by the *Standards*.

# Executive Summary

## Observations Specific to Internal Audit

### Performance Standards

Internal Audit is managed effectively – processes and procedures support consistency, quality, and sustainability. A vision, mission, and associated objectives have been established for Internal Audit. A multi-year strategic plan has been developed to guide Internal Audit in a proactive, thoughtful, systematic, and practical manner. The annual audit plan is supported by a dynamic risk assessment process that incorporates broad-based input from Internal Audit stakeholders and which results in a view towards inherent and residual risk for elements in the audit universe. The annual audit plan, and significant changes to the plan, are presented to the Executive Director and the Audit Advisory Committee for review. The Audit Advisory Committee provides advice to the Executive Director of UNICEF for her review and approval requirements. The annual risk-based plan has not been formally approved as required. The annual audit plan is consistent with the entity-wide view of risk and appears to be focused in the areas of highest risk, impact, and relevance to UNICEF. Internal Audit resources are managed effectively, and guest auditors are used to supplement and complement Internal Audit engagements in an appropriate manner. Documentation of policies and procedures should be updated to support consistency, quality, and sustainability of their execution. Internal Audit coordinates activities with other providers of assurance for UNICEF including, but not limited to, Enterprise Risk Management (“ERM”), Investigations, Ethics, Evaluations, and Information Technology (“IT”) Security. An assurance map describing coordination of risk coverage between Internal Audit as a third line of defense activity and other second line assurance activities should be developed. Periodic reports to the Audit Advisory Committee and the Executive Director of UNICEF and the annual report to the Executive Board effectively communicate Internal Audit activities. Internal Audit appropriately balances their focus between governance, risk management, and control activities consistent with the nature of work *Standards*. Engagement level planning is supported by engagement level risk assessment to focus audit activities in areas of highest risk and impact. Work paper documentation should be enhanced to support linkage between engagement objectives, risks, controls, work programs, and reports. Supervisory review and approval are not consistently documented within the work papers at appropriate times. Results of engagements are effectively communicated to senior stakeholders within UNICEF, the Audit Advisory Committee, and the Executive Board. There is an effective follow-up process in place that tracks audit issues through to resolution.

# Executive Summary

## Conformance Summary – *Standards* and the IIA Code of Ethics

	GC	PC	DNC
OVERALL	X		

ATTRIBUTE STANDARDS		GC	PC	DNC
<b>1000</b>	<b>Purpose, Authority, and Responsibility</b>	X		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter		X	
<b>1100</b>	<b>Independence and Objectivity</b>	X		
1110	Organizational Independence		X	
1111	Direct Interaction with the Board	X		
1112	Chief Audit Executive Roles Beyond Internal Auditing	X		
1120	Individual Objectivity	X		
1130	Impairments to Independence or Objectivity	X		
<b>1200</b>	<b>Proficiency and Due Professional Care</b>	X		
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
<b>1300</b>	<b>Quality Assurance and Improvement Program</b>	X		
1310	Requirements of the Quality Assurance and Improvement Program	X		
1311	Internal Assessments	X		
1312	External Assessments		X	
1320	Reporting on the Quality Assurance and Improvement Program	X		
1321	Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
1322	Disclosure of Nonconformance	X		

PERFORMANCE STANDARDS		GC	PC	DNC
<b>2000</b>	<b>Managing the Internal Audit Activity</b>	X		
2010	Planning	X		
2020	Communication and Approval		X	
2030	Resource Management	X		
2040	Policies and Procedures	X		

		GC	PC	DNC
2050	Coordination and Reliance	X		
2060	Reporting to Senior Management and the Board	X		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	X		
<b>2100</b>	<b>Nature of Work</b>	X		
2110	Governance	X		
2120	Risk Management	X		
2130	Control	X		
<b>2200</b>	<b>Engagement Planning</b>	X		
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Programs		X	
<b>2300</b>	<b>Performing the Engagement</b>	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision		X	
<b>2400</b>	<b>Communicating Results</b>	X		
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	X		
2430	Use of "Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
2431	Engagement Disclosure of Nonconformance	X		
2440	Disseminating Results	X		
2450	Overall Opinions	X		
<b>2500</b>	<b>Monitoring Progress</b>	X		
<b>2600</b>	<b>Communicating the Acceptance of Risks</b>	X		

IIA CODE OF ETHICS	X		
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# Executive Summary

## Key Observations

The independent assessment team identified six areas where Internal Audit is operating in a successful internal audit practice manner, six gaps to conformance with the *Standards*, and seventeen opportunities for continuous improvement to enhance efficiency and effectiveness of Internal Audit processes or infrastructure. Detailed observations, recommendations, and Internal Audit responses to the gaps to conformance with the *Standards* and opportunities for continuous improvement are included in the following section of this report.

### Successful Internal Audit Practices Noted

<b>Standard 1120</b>	<b>Individual Objectivity</b> – Internal Audit management and staff confirm on an annual basis that they have read and agree to abide by the requirements of the IIA Code of Ethics and the UN Code of Ethics, and that they have completed UNICEF mandatory training on Ethics and Integrity.
<b>Standard 2000</b>	<b>Managing the Internal Audit Activity</b> – Internal Audit has defined and is executing a formal multi-year strategic plan for Internal Audit that supports the very dynamic nature of UNICEF and that guides the activities of Internal Audit in a proactive, thoughtful, systematic, and practical manner.
<b>Standard 2010</b>	<b>Planning</b> – Internal Audit has a dynamic annual risk assessment and audit planning process that incorporates input from senior stakeholders to focus engagements in areas of highest risk, impact, and relevance to UNICEF.
<b>Standard 2030</b>	<b>Resource Management</b> – Internal Audit actively monitors resource levels, skills, and competencies linked to annual audit plan objectives to ensure alignment with UNICEF strategies, objectives, risks, and changing Internal Audit requirements.
<b>Standard 2120</b>	<b>Risk Management</b> – Internal Audit effectively participates in risk management activities within UNICEF.
<b>Standard 2201</b>	<b>Planning Considerations</b> – Internal Audit uses an effective engagement planning process to focus audits in areas of highest risk and impact.

# Executive Summary

## Key Observations

### Gaps to Conformance with the *Standards* Noted

<b>Standard 1010</b>	<b><i>Recognizing Mandatory Guidance in the Internal Audit Charter</i></b> – Include language in the OIAI Charter that recognizes the Core Principles, the IIA Code of Ethics, the <i>Standards</i> , and the Definition of Internal Auditing as mandatory elements of the International Professional Practices Framework (“IPPF”).
<b>Standard 1110</b>	<b><i>Organizational Independence</i></b> – Modify language in the Objectivity and Independence section of the OIAI Charter to specify approval of the OIAI Charter by the Executive Board.
<b>Standard 1312</b>	<b><i>External Assessments</i></b> – Conduct an EQA at least once every five years on a going-forward basis to align with the requirement of the <i>Standards</i> .
<b>Standard 2020</b>	<b><i>Communication and Approval</i></b> – The annual audit plan and associated budget and resource requirements, as well as significant changes to the plan, must be approved by the Executive Director of UNICEF.
<b>Standard 2240</b>	<b><i>Engagement Work Program</i></b> – Ensure the engagement work papers consistently document supervisory review and approval of the work program, and subsequent changes to the work program, prior to its execution.
<b>Standard 2340</b>	<b><i>Engagement Supervision</i></b> – Consistently document supervisory review and approval of planning, engagement execution, and reporting within the engagement work papers.

# Executive Summary

## Key Observations

### Opportunities for Continuous Improvement Noted

<b>Standard 1000</b>	<b>Purpose, Authority, and Responsibility</b> – Update the OIAI Charter to align with successful internal audit practices and requirements of the <i>Standards</i> .
<b>Standard 1112</b>	<b>Chief Audit Executive Roles Beyond Internal Auditing</b> – Consider adding language in the OIAI Charter that describes the role of the CAE related to Investigations and the means by which potential impairments to independence and objectivity are to be actively managed.
<b>Standard 1210</b>	<b>Proficiency</b> – Update the internal auditing competency framework used by Internal Audit to support talent and resource management activities within Internal Audit and to demonstrate professional proficiency.
<b>Standard 1220</b>	<b>Due Professional Care</b> – Continue to embrace the use of technology and CAATs to enhance efficiency and effectiveness of Internal Audit risk assessment, planning, and engagement execution processes.
<b>Standard 1230</b>	<b>Continuing Professional Development</b> – Consider developing a mechanism to track and monitor training for Internal Audit management and staff to support continuing professional development processes.
<b>Standard 1300</b>	<b>Quality Assurance and Improvement Program</b> – Update documentation of the QAIP to align with requirements of the <i>Standards</i> and to support consistency, quality, and sustainability of its execution.
<b>Standard 1311</b>	<b>Internal Assessments</b> – Consider enhancing ongoing monitoring of performance of Internal Audit by using a balanced scorecard to communicate Internal Audit performance to the Executive Director of UNICEF, the Audit Advisory Committee, and the Executive Board.
<b>Standard 1311</b>	<b>Internal Assessments</b> – Conduct an annual periodic internal assessment, in a holistic manner, to evaluate conformance with the <i>Standards</i> and the IIA Code of Ethics.
<b>Standard 1311</b>	<b>Internal Assessments</b> – Consider enhancing the periodic internal assessment process by evaluating the level of effectiveness and maturity of Internal Audit related to the Core Principles.
<b>Standard 2010</b>	<b>Planning</b> – Consider developing an assurance map during the annual risk assessment and audit planning process to demonstrate coverage of entity-level risks by Internal Audit.
<b>Standard 2020</b>	<b>Communication and Approval</b> – Consider enhancing presentation of the annual risk-based audit plan by communicating the resource requirements needed to meet annual audit plan objectives in a manner that provides insight into the potential impact of resource limitations.
<b>Standard 2040</b>	<b>Policies and Procedures</b> – Update documentation of key elements of Internal Audit infrastructure, methodology, and process to promote sustainability, quality, and consistency of their execution.

# Executive Summary

## Key Observations

### Opportunities for Continuous Improvement Noted

<b>Standard 2050</b>	<b>Coordination and Reliance</b> – Consider enhancing the Internal Audit risk assessment and annual audit planning process by including an assurance map in annual audit plan materials that describes and demonstrates coverage of risk between Internal Audit and other providers of assurance for UNICEF including, but not limited to, ERM, Investigations, Evaluations, Ethics, and IT Security.
<b>Standard 2060</b>	<b>Reporting to Senior Management and the Board</b> – Consider using a “Required Communications Checklist” to ensure that all communication requirements are met and documented in the appropriate time frames.
<b>Standard 2110</b>	<b>Governance</b> – Evaluate UNICEF’s ethics related programs and objectives and IT governance as components of the annual risk assessment and planning process and perform reviews on a periodic basis.
<b>Standard 2330</b>	<b>Documenting Information</b> – Enhance work paper documentation by providing clear linkage between engagement planning, fieldwork, and reporting.
<b>Standard 2600</b>	<b>Communicating the Acceptance of Risks</b> – Define and document an Internal Audit policy and procedure related to communicating the acceptance of risk.

# Detailed Observations

# Successful Internal Audit Practices Noted

Successful Internal Audit Practice	Description
<p><b>Standard 1120 Individual Objectivity</b> – Internal Audit management and staff confirm on an annual basis that they have read and agree to abide by the requirements of the IIA Code of Ethics and the UN Code of Ethics, and that they have completed UNICEF mandatory training on Ethics and Integrity.</p>	<p>On an annual basis, all Internal Audit management and staff complete an “OIAI Annual Ethics Certification Statement.” This statement requires each member of Internal Audit to confirm they have read and agree to abide by the requirements of the IIA Code of Ethics and its principles of integrity, objectivity, confidentiality, and competency. They must also confirm they have read the UN Code of Ethics and confirm they will uphold its guiding values and principles in their conduct as a UNICEF and OIAI member. Lastly, they are required to confirm that they have completed UNICEF mandatory training on Ethics and Integrity. Internal Audit management and staff must disclose any actual or perceived impairments to these requirements. A log is maintained to demonstrate that all members of Internal Audit have met this confirmation requirement. Confirming adherence to the IIA Code of Ethics and other UNICEF Ethics Program requirements is a successful internal audit practice that supports these foundational concepts.</p>
<p><b>Standard 2000 Managing the Internal Audit Activity</b> – Internal Audit has defined and is executing a formal multi-year strategic plan for Internal Audit that supports the very dynamic nature of UNICEF and that guides the activities of Internal Audit in a proactive, thoughtful, systematic, and practical manner.</p>	<p>Internal Audit has established a vision and mission for their activity, consistent with the strategies, objectives, and risks of UNICEF and is working on several initiatives to promote efficiency and effectiveness of Internal Audit processes. Developing, documenting, and executing a formalized strategic plan for Internal Audit is an emerging and evolving successful practice that supports internal audit activities operating in very dynamic environments, such as UNICEF. The strategic plan for Internal Audit is adjusted every four years and presented to the Executive Director of UNICEF for review and approval. The Internal Audit strategic plan is also presented to the Audit Advisory Committee and the Executive Board. The plan is consistent with UNICEF strategic objectives. Internal Audit might consider linking achieving their strategic plan objectives with the balanced scorecard to be developed to measure and monitor progress for the various initiatives embedded within the plan. The IIA Practice Guide “<i>Developing the Internal Audit Strategic Plan</i>” provides professional guidance on strategic plans specific to an internal audit activity.</p>

# Successful Internal Audit Practices Noted

Successful Internal Audit Practice	Description
<p><b>Standard 2010 Planning</b> – Internal Audit has a dynamic annual risk assessment and audit planning process that incorporates input from senior stakeholders to focus engagements in areas of highest risk, impact, and relevance to UNICEF.</p>	<p>Internal Audit generally, and the CAE specifically, have a “seat at the table” within the organization to appropriately capture information related to emerging and/or changing risk profiles while maintaining their independence and objectivity. This “seat at the table” is primarily accomplished by formal and informal interaction with the Audit Advisory Committee, coordination with the ERM activity for UNICEF, coordination with other assurance activities within UNICEF, and open and direct access to senior stakeholders throughout the organization. The annual audit plan is consistent with the enterprise-wide view of risk and audits are focused to evaluate specific objectives related to mitigation of risk. Broad-based input into the identification and prioritization of engagements in the annual audit plan actively promotes the role of Internal Audit within the governance structure of UNICEF. There is an appropriate balance between financial reporting, compliance, and operational risk objectives in the annual audit plan and resources and skill sets are aligned with annual audit plan objectives and requirements.</p>
<p><b>Standard 2030 Resource Management</b> – Internal Audit actively monitors resource levels, skills, and competencies linked to annual audit plan objectives to ensure alignment with UNICEF strategies, objectives, risks, and changing Internal Audit requirements.</p>	<p>Resource levels currently appear adequate to meet approved Internal Audit annual audit plan objectives and requirements. Actively monitoring and adjusting Internal Audit resource levels to ensure high priority areas receive audit coverage is a successful internal audit practice that aligns resource levels with organizational strategies, objectives, and risk-appetite. This is especially critical for internal audit activities operating within a very dynamic organization such as UNICEF. Factors that can exert upward pressure on staffing levels and competency requirements include:</p> <ul style="list-style-type: none"> <li>• growth or strategic changes within the organization;</li> <li>• changes in regulatory requirements impacting the number of required audits in the plan;</li> <li>• market conditions related to salaries and availability of Internal Audit resources; and</li> <li>• changing and/or emerging risks that impact the number of higher priority projects – especially related to IT and compliance risk.</li> </ul> <p>Internal Audit uses third parties for subject matter expertise on an as needed basis as technical skill requirements evolve and expand. Internal Audit also uses guest auditors to supplement and complement their resources for country-level engagements. Where third-party skills are necessary to meet audit plan objectives, they are an inherent component of the budget and resources approved by the Executive Director of UNICEF. This variable staffing component can support short term resource needs as well as long-term expertise requirements. Internal Audit should continue to provide oversight and direction for all work performed by others and there should always be a knowledge sharing component.</p>

# Successful Internal Audit Practices Noted

Successful Internal Audit Practice	Description
<p><b>Standard 2120 Risk Management</b> – Internal Audit effectively participates in risk management activities within UNICEF.</p>	<p>The CAE has a “seat at the table” related to entity-wide risk management and actively coordinates activities to ensure alignment of the annual audit plan with this entity-wide view of risk. Internal Audit risk assessment is completed in a systematic and thoughtful manner that ensures audit plans are aligned with entity-level risks and that emerging risks and changes to current risks are captured in a timely manner. Risk assessment is performed on an overall basis to support annual planning activities and at an engagement level to focus audit efforts in areas of highest risk and impact in the area of review. Fraud risk is considered during the annual risk assessment process and for individual engagements.</p> <p>An evaluation of the ERM process should be performed on a periodic basis to support risk management activities within UNICEF. ERM is a second line of defense activity that supports and provides assurance to strategy processes within the organization. A periodic evaluation of ERM is a common governance practice aligned with Internal Audit’s role described in professional internal auditing guidance found in IIA Practice Guide “<i>Internal Audit and the Second Line of Defense</i>”. This evaluation further supports the requirement of this Standard for Internal Audit to evaluate risk exposures relating to UNICEF governance, operations, and information systems regarding the:</p> <ul style="list-style-type: none"> <li>• achievement of UNICEF strategic objectives;</li> <li>• reliability and integrity of financial and operational information;</li> <li>• effectiveness and efficiency of operations and programs;</li> <li>• safeguarding of assets; and</li> <li>• compliance with laws, regulations, policies, procedures, and contracts.</li> </ul>
<p><b>Standard 2201 Planning Considerations</b> – Internal Audit uses an effective engagement planning process to focus audits in areas of highest risk and impact.</p>	<p>Engagement planning is supported by a risk assessment process with input from key stakeholders to align the work program with defined objectives and scope. Internal Audit specifically evaluates technology risk, compliance and regulatory risk, and financial risk as part of the process. The use of technology, data analytics, and an evaluation of fraud risk is considered in the planning process. Internal Audit uses a risk assessment and control matrix to provide structure to engagement planning and fieldwork for risk-based engagements. Risks in this matrix are shared with management during the planning process to ensure management input and concerns are documented and considered during refinement of engagement scope and objectives.</p>

# Gaps to Conformance with the *Standards* Noted

Gap to Conformance with the <i>Standards</i>	Internal Audit Response
<p><b>Standard 1010 Recognizing Mandatory Guidance in the Internal Audit Charter</b> – Include language in the OIAI Charter that recognizes the Core Principles, the IIA Code of Ethics, the <i>Standards</i>, and the Definition of Internal Auditing as mandatory elements of the IPPF.</p> <p>The OIAI Charter currently states that OIAI conducts internal audit work in accordance with the Definition of Internal Auditing, the IIA Code of Ethics, and the <i>Standards</i>. While this language appropriately establishes the requirement to comply with these elements of the IPPF, this Standard requires a specific recognition in the OIAI Charter that the Core Principles, the IIA Code of Ethics, the <i>Standards</i>, and the Definition of Internal Auditing are mandatory elements of the IPPF.</p> <p>In addition, consider adding language in the Professional Standards section of the OIAI Charter that describes other professional guidance included in the IPPF – defined as recommended or supplemental to mandatory guidance. Recommended guidance includes Implementation Guides that have been issued for each Standard. Supplemental guidance includes all Practice Guides, Global Technology Audit Guides, and Guides to the Assessment of IT Risks. Recommended and supplemental guidance provide insight into how an internal audit activity might practically establish and execute Internal Audit infrastructure and processes to conform with the mandatory elements of the IPPF. Including a reference to this other professional guidance within the OIAI Charter is a successful internal audit practice that promotes an integrated view of professional guidance between its various components.</p>	<p><b>Agreed.</b></p> <p><i>This recommendation is very timely as OIAI is currently in the process of revising its Charter, which is about seven years old, to clearly reflect other professional requirements including the need for full risk-based internal audit work planning. The charter will be updated to include appropriate language recognizing the Core Principles, the IIA Code of Ethics, the Standards and the Definition of Internal Auditing.</i></p> <p><b>Target Date: 30 June 2020</b></p>

# Gaps to Conformance with the *Standards* Noted

Gap to Conformance with the <i>Standards</i>	Internal Audit Response
<p><b>Standard 1110 Organizational Independence</b> – Modify language in the Objectivity and Independence section of the OIAI Charter to specify approval of the OIAI Charter by the Executive Board.</p> <p>Within the governance structure of UNICEF, the Member States, operating through the Executive Board, have authorized the Executive Director of UNICEF to have functional oversight of OIAI. This functional oversight is described in the Financial Rules and Regulations governing UNICEF and the OIAI Charter. Functional oversight by the Executive Director of UNICEF, as described in the OIAI Charter, includes approval of the OIAI Charter. The most recent approved version of the OIAI Charter is dated May 2012 and approval is evidenced by signature of the Executive Director of UNICEF on the document.</p> <p>However, the <i>Standards</i> specifically reference the fact that the OIAI Charter must be presented to the Executive Board for review and approval and that final approval of the OIAI Charter resides with the Executive Board. As such, review and approval authority must be executed by the Executive Board and should not be delegated to the Executive Director of UNICEF. Approval of the OIAI Charter should be demonstrated by signature on the OIAI document by a designated member of the Executive Board. Approval of the OIAI Charter by the Executive Board demonstrates their ultimate oversight responsibilities related to Internal Audit and supports the ability of Internal Audit to operate in an independent and objective manner.</p>	<p><b>Agreed.</b></p> <p><i>As acknowledged by the EQA, the UNICEF Executive Board has delegated the authority for the approval of OIAI's Charter to the Executive Director. Only the Executive Director may, with the advise of the Audit Advisory Committee and at her/his discretion, seek to modify this delegation. The report of this EQA will be shared with the Audit Advisory Committee and the Executive Director for review and appropriate action.</i></p> <p><b>Target Date: 30 June 2020</b></p>
<p><b>Standard 1312 External Assessments</b> – Conduct an EQA at least once every five years on a going-forward basis to align with the requirement of the <i>Standards</i>.</p> <p>This Standard requires that an EQA be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The previous EQA was performed in 2013 so this EQA is being performed outside the five-year requirement of the <i>Standards</i>. The transition to a new CAE was an appropriate rationale for delaying the EQA beyond the five-year requirement. The QAIP, as defined, includes the requirement to perform an external assessment on at least a five-year basis. Upon conclusion of this EQA, Internal Audit will be in full conformance with this Standard and no additional action needs to be taken.</p>	<p><b>Agreed.</b> OIAI notes IIA's agreement with the rationale for a slight delay of the EQA. OIAI will strive to conduct the next EQA within five years.</p> <p><b>Target Date: November 2024</b></p>

# Gaps to Conformance with the *Standards* Noted

Gap to Conformance with the <i>Standards</i>	Internal Audit Response
<p><b>Standard 2020    <i>Communication and Approval</i></b> – The annual audit plan and associated budget and resource requirements, as well as significant changes to the plan, must be approved by the Executive Director of UNICEF.</p> <p>The OIAI Charter authorizes the Executive Director of UNICEF to approve the annual risk-based audit plan, significant changes to the plan, and the associated budget and resources. While the annual risk-based audit plan has been presented to the Executive Director of UNICEF, together with review and advice from the Audit Advisory Committee, the plan as presented has not been formally approved. Review and approval of the annual audit plan and its associated requirements is a required element of the <i>Standards</i> that ensures the governance structure of the organization agrees with the priorities established within the annual audit plan and that the plan focuses audit activities in the areas of highest risk and impact to the organization. Formal approval of the annual audit plan and associated requirements by the Executive Director of UNICEF under delegated authority from the Executive Board supports the independence of the CAE and Internal Audit.</p>	<p><b>Agreed.</b></p> <p><i>For all annual work plans effective 2020, OIAI will seek the formal approval of the Executive Director, including for the associated budget and resource requirements, and for any significant changes to the plan.</i></p> <p><i>As mentioned in the observation, the Executive Director is currently fully informed of the proposed annual plan (following its review by the Audit Advisory Committee) and also any significant changes to the plans (through its periodic activity reports).</i></p> <p><b>Target Date: 31 March 2020</b></p>
<p><b>Standard 2240    <i>Engagement Work Program</i></b> – Ensure the engagement work papers consistently document supervisory review and approval of the work program, and subsequent changes to the work program, prior to its execution.</p> <p>While supervisory review of work programs appeared to take place for the engagements reviewed by the independent assessment team, evidence supporting approval of the work program prior to its execution was inconsistently maintained in the work papers. The electronic work paper tool supports approval of the work program prior to its implementation, but this does not always occur. Documentation of supervisory review and approval is a critical demonstration of due professional care when performing an engagement and provides assurance that the work program will achieve established engagement objectives derived from the planning process. Subsequent changes to the work program, if any, should be also be reviewed, approved, and documented in a timely manner.</p>	<p><b>Agreed.</b></p> <p><i>OIAI's Deputy Director currently reviews all the engagement planning memorandums, risk assessment and work programs prior to its execution. Approval is on occasion memorialized in emails. Going forward, the Deputy Director will also consistently memorialize all approvals of engagement work programs in TeamMate.</i></p> <p><b>Target Date: 1 January 2020</b></p>

# Gaps to Conformance with the *Standards* Noted

Gap to Conformance with the <i>Standards</i>	Internal Audit Response
<p><b>Standard 2340 Engagement Supervision</b> – Consistently document supervisory review and approval of planning, engagement execution, and reporting within the engagement work papers.</p> <p>While supervisory review and approval appears to take place throughout each engagement, <i>Standard 2340 – Engagement Supervision</i> requires that appropriate evidence of timely supervision and approval be documented and retained in the work papers. This typically includes approval of the planning scoping document, the audit work program prior to its implementation, test-work documentation to support conclusions, and the final report. The independent assessment team reviewed a sample of recently completed audit engagements and found that supervisory review and approval was not consistently documented in a timely manner for key elements of engagements. Performing and documenting supervisory review and approval is a critical element of the audit engagement process that promotes quality, consistency, and sustainability and that demonstrates due professional care.</p>	<p><b>Agreed.</b></p> <p><i>To help ensure consistent compliance with standard, OIAI will put in place an engagement level quality assurance checklist to be signed off by the engagement managers and submitted to the Deputy Director, prior to the finalization of the report. The annual periodic internal assessment will also review this aspect of the quality assurance mechanism.</i></p> <p><b>Target Date: 31 March 2020</b></p>

# Opportunities for Continuous Improvement Noted

Opportunity for Continuous Improvement	Internal Audit Response
<p><b>Standard 1000 Purpose, Authority, and Responsibility</b> – Update the OIAI Charter to align with successful internal audit practices and requirements of the <i>Standards</i>.</p> <p>The OIAI Charter was last updated and approved in May 2012. Since that time there have been two updates to the <i>Standards</i> and several changes in the CAE. The OIAI Charter should be updated to reflect successful internal audit practices and current requirements of the <i>Standards</i>. Consider the following:</p> <ul style="list-style-type: none"> <li>• Present the OIAI Charter to the Executive Board for review and approval any time there is an update to the <i>Standards</i> or change in the CAE. This is a successful internal audit practice that aligns Executive Board oversight responsibility with requirement of the <i>Standards</i>.</li> <li>• Modify language in the OIAI Charter to specify review and approval of the OIAI Charter by the Executive Board rather than the Executive Director of UNICEF.</li> <li>• Enhance language supporting an active role by the Audit Advisory Committee when they advise the Executive Director of UNICEF on the appointment, removal, or contract renewal of the CAE.</li> <li>• Consider removing paragraph 9(b) within the Responsibility Section of the OIAI Charter. This paragraph conflicts with the previous paragraph 9(a) that requires developing and submitting a risk-based plan for approval.</li> <li>• Clearly articulate and differentiate between assurance and advisory services provided by Internal Audit. Advisory services can be viewed as adding additional value to the organization and can complement work done from an assurance perspective.</li> <li>• Add language in the Authority Section of the OIAI Charter to specifically describe the role of the CAE related to Investigations and the means by which impairment to independence is to be actively managed. This is a new requirement of <i>Standard 1112 – Chief Audit Executive Roles Beyond Internal Auditing</i>.</li> <li>• Add language in the Professional Standards Section of the OIAI Charter that recognizes the mandatory nature of the Definition of Internal Auditing, the IIA Code of Ethics, the Core Principles, and the <i>Standards</i>. Consider adding language that describes other professional guidance within the IPPF.</li> </ul>	<p><b>Agreed.</b></p> <p><i>The ongoing revision of OIAI's charter will consider all related recommendations of this EQA. Regarding the requirement for the Executive Board's approval of the Charter, it must be noted that this authority is currently delegated to the Executive Director. Also, it must be noted that only the Executive Director may seek to change this delegation of authority.</i></p> <p><b>Target Date: 30 June 2020</b></p>

# Opportunities for Continuous Improvement Noted

Opportunity for Continuous Improvement	Internal Audit Response
<p><b>Standard 1112 Chief Audit Executive Roles Beyond Internal Auditing</b> – Consider adding language in the OIAI Charter that describes the role of the CAE related to Investigations and the means by which potential impairments to independence and objectivity are to be actively managed.</p> <p>Language in the OIAI Charter describes the role and responsibilities of the CAE related to Investigations. Responsibilities related to Investigations are consistent with the other responsibilities of the CAE related to Internal Audit and are appropriate given the independence and objectivity of the CAE. However, since the CAE cannot audit an activity for which he is responsible, an impairment to independence is created that must be actively managed. These types of roles and responsibilities were contemplated when this new Standard was adopted in 2017 and reflects the reality that the CAE might be responsible for other activities in an organization that are complementary to the Internal Audit role of the CAE.</p> <p>Language should be added to the OIAI Charter describing the means by which potential impairments to independence and objectivity of the CAE, resulting from responsibilities related to Investigations, are to be actively managed. Typically, active management includes a periodic review by an independent third party. An independent review of the Investigations component of OIAI was most recently performed in 2018. Including language in the OIAI Charter describing active management of impairment related to Investigations is a successful internal audit practice consistent with the spirit and intent of this Standard. Further, this provides transparency in terms of this role and responsibility and the safeguards in place to protect independence and objectivity of the CAE.</p>	<p><b>Agreed.</b></p> <p><i>In finalizing revisions to the Charter, OIAI will consider this recommendation of the EQA and, as necessary, reflect appropriate language that describes the role of the CAE related to Investigations and the means by which potential impairments to independence and objectivity are to be actively managed.</i></p> <p><b>Target Date: 30 June 2020</b></p>

# Opportunities for Continuous Improvement Noted

Opportunity for Continuous Improvement	Internal Audit Response
<p><b>Standard 1210 Proficiency</b> – Update the internal auditing competency framework used by Internal Audit to support talent and resource management activities within Internal Audit and to demonstrate professional proficiency.</p> <p>The internal auditing competency framework currently in place for Internal Audit was last updated in 2014 and may not align with current skills and competency requirements for Internal Audit management and staff. The use of competency frameworks is a successful internal audit practice that establishes a baseline of knowledge, skills, and experience for each level within Internal Audit. Competency frameworks supplement job descriptions for Internal Audit management and staff and can be used to support:</p> <ul style="list-style-type: none"> <li>• training and professional development activities;</li> <li>• onboarding of new staff into Internal Audit;</li> <li>• scheduling of resources for Internal Audit engagements;</li> <li>• decisions regarding the use of third-party subject matter experts for Internal Audit engagements;</li> <li>• identification of professional certification requirements;</li> <li>• decisions regarding hiring of new staff into Internal Audit; and</li> <li>• succession planning for the CAE and key professionals within Internal Audit.</li> </ul> <p>These tools are especially relevant for organizations experiencing very dynamic change, such as UNICEF. Examples of critical knowledge and skills that are normally included in an internal auditing competency framework are:</p> <ul style="list-style-type: none"> <li>• the defined internal auditing methodology;</li> <li>• the IPPF, including the requirements of the <i>Standards</i> and the IIA Code of Ethics;</li> <li>• awareness of fraud indicators and internal auditor responsibilities related to fraud;</li> <li>• IT risk and control concepts;</li> <li>• the use of data analytics and technology in the internal auditing process; and</li> <li>• organization specific financial reporting, compliance, and operations considerations.</li> </ul> <p>The IIA Practice Guides “Talent Management” and “The IIA Global Internal Audit Competency Framework” provide professional guidance related to the use of competency frameworks.</p>	<p><b>Agreed.</b></p> <p><i>While the Internal Audit competency framework in the corporate system was last updated in 2014, OIAI conducted a review of the job descriptions for select grades (P2-P4) in early 2019, and the revised job descriptions (including competencies) are in the process of being formalized. This exercise will also be extended for higher grades (P5 and above) in OIAI for completeness and effectiveness.</i></p> <p><i>Another review of the competency framework will be conducted to ensure alignment to Standard 1210.</i></p> <p><b>Target Date: 30 June 2020</b></p>

# Opportunities for Continuous Improvement Noted

Opportunity for Continuous Improvement	Internal Audit Response
<p><b>Standard 1220 Due Professional Care</b> – Continue to embrace the use of technology and CAATs to enhance efficiency and effectiveness of Internal Audit risk assessment, planning, and engagement execution processes.</p> <p>Internal Audit embraces the concept and use of technology and CAATs and is working to develop and expand capabilities related to data extraction and analysis, fraud prevention / detection, network security assessments, and knowledge-sharing. Senior stakeholders within UNICEF consistently cited data analytic capabilities as a future contributor to value within the organization. The use of technology and data analytics is an initiative in the Internal Audit strategic plan and is becoming embedded within their risk assessment and engagement processes. Internal Audit should specifically evaluate and document the use of technology and CAATs for each engagement performed during engagement planning and develop continuous monitoring protocols to support their activities. As they raise their level of maturity related to their use of technology and data analytics, they might take advantage of advanced and innovative approaches to using technology such as artificial intelligence, robotics, and machine learning.</p> <p>Timely access to data across the organization, discipline to address technology and data analytics for each engagement, and training associated with data analysis tools and techniques, will continue to be critical success factors to raising the level of CAATs maturity. Internal Audit recognizes that when firmly established, the use of technology and data analytics provides opportunities to:</p> <ul style="list-style-type: none"> <li>• enhance the audit process so it is faster and more efficient and effective;</li> <li>• enhance productivity of Internal Audit management and staff;</li> <li>• demonstrate due professional care when planning and performing engagements;</li> <li>• shorten the audit cycle time to provide more timely risk and control assurance;</li> <li>• achieve greater audit coverage without the need to expand Internal Audit resource requirements;</li> <li>• audit 100% of data populations rather than a sample;</li> <li>• improve the quality of assurance using data and transactional analysis; and</li> <li>• become more predictive with regards to areas of emerging risk.</li> </ul>	<p><b>Agreed.</b></p> <p><i>OIAI is committed to increasing the use of technology and data analytics to help provide higher and more effective levels of assurance. In the last two years, OIAI has successfully deployed data analytics through ACL in two engagements and looks forward to using the learnings from these efforts to mainstream them in multiple phases of the audit cycle (including in the planning and risk assessment phase).</i></p> <p><i>OIAI will also develop a specific data analytics strategy and a roadmap for using not just CAAT's, but also other technologies as appropriate over the next five years.</i></p> <p><b>Target Date: 30 June 2020</b></p>

# Opportunities for Continuous Improvement Noted

Opportunity for Continuous Improvement	Internal Audit Response
<p><b>Standard 1230 Continuing Professional Development</b> – Consider developing a mechanism to track and monitor training for Internal Audit management and staff to support continuing professional development processes.</p> <p>Internal Audit supports training for professional staff each budget year, and individuals are ultimately responsible for meeting and tracking their Continuing Professional Education (“CPE”) requirements. However, there is currently no centralized mechanism to track whether CPE requirements have been met or to monitor whether training aligns with the internal auditing competency framework established and used by Internal Audit. Such a mechanism is especially relevant where there is very dynamic change in business knowledge requirements, an expanded geographic footprint, or changing regulatory and compliance requirements. It further provides insight to the CAE on areas where department-wide training might be needed to address gaps in business knowledge.</p>	<p><b>Agreed.</b></p> <p><i>OIAI will introduce a centralized system of recording and monitoring the staff’s Continuing Professional Education, assessing the effectiveness of the learning and professional development programs, and identifying gaps, if any, that need to be addressed for the office as a whole.</i></p> <p><b>Target Date: 1 January 2020</b></p>

# Opportunities for Continuous Improvement Noted

Opportunity for Continuous Improvement	Internal Audit Response
<p><b>Standard 1300 Quality Assurance and Improvement Program</b> – Update documentation of the QAIP to align with requirements of the <i>Standards</i> and to support consistency, quality, and sustainability of its execution.</p> <p>While the QAIP is generally being executed in a manner consistent with the requirements of the <i>Standards</i>, documentation of the QAIP should be updated for the following:</p> <ul style="list-style-type: none"> <li>Objectives should clearly articulate the requirement to evaluate and conclude on conformance with the <i>Standards</i> and the IIA Code of Ethics. Implementation guidance states that conformance with the <i>Standards</i> and the IIA Code of Ethics demonstrates a clear intent and commitment to achieving the Core Principles and the Definition of Internal Auditing – so a specific evaluation and conclusion on these elements is not needed;</li> <li>Specifically establish the scope of the QAIP to be Internal Audit as defined within the OIAI Charter. The OIAI Charter establishes the purpose, authority, and responsibilities, and accountabilities of the activity;</li> <li>Include language that encourages participation of the Audit Advisory Committee in the QAIP process. Examples of participation should be described and might include elements such as review and approval of the external assessor or assessment team, receipt of results of internal and external assessments, and discussion regarding the frequency and form of the external assessment.</li> <li>Specifically document the approach to periodic internal assessment to include an annual and holistic evaluation of conformance with the <i>Standards</i> and the IIA Code of Ethics. A conclusion must be made regarding the level of conformance and results communicated to the Audit Advisory Committee and the Executive Director of UNICEF. Consider including periodic internal assessment results in the annual report to the Executive Board. Consider evaluating effectiveness or maturity related to the Core Principles.</li> <li>Describe communication requirements to include new required disclosures of the scope and frequency of both internal and external assessments, the qualifications and independence of the assessor(s) or assessment team including potential conflicts of interest, conclusions of assessors, and corrective action plans. In addition, define the requirement to communicate the results of ongoing monitoring of performance on at least an annual basis, and the requirement to communicate the results of periodic internal assessment and external assessment when they occur.</li> </ul>	<p><b>Agreed.</b></p> <p><i>OIAI will update its audit manual to strengthen the documentation of the QAIP standards and responsibilities thereof. As part of the upcoming charter revision, the scope and frequency of the QAIP together with the responsibilities for reporting the conclusion of the QAIP results will be clearly articulated.</i></p> <p><b>Target Date: 30 June 2020</b></p>

# Opportunities for Continuous Improvement Noted

Opportunity for Continuous Improvement	Internal Audit Response
<p><b>Standard 1311 Internal Assessments</b> – Consider enhancing ongoing monitoring of performance of Internal Audit by using a balanced scorecard to communicate Internal Audit performance to the Executive Director of UNICEF, the Audit Advisory Committee, and the Executive Board.</p> <p>Defining, implementing, measuring, and reporting key performance indicators, using a balanced scorecard, is a successful internal audit practice that promotes continuous improvement of Internal Audit processes. The balanced scorecard should incorporate metrics relevant to the efficient and effective performance of Internal Audit. Metrics currently defined by Internal Audit and used to manage Internal Audit activities, might serve as a starting point for developing the balanced scorecard. Metrics might also include status against milestones for key initiatives in the multi-year Internal Audit strategic plan. Results reported on the balanced scorecard should be included as a component of the periodic reporting process to the Executive Director of UNICEF, the Audit Advisory Committee, and the Executive Board. The IIA Practice Guide “<i>Measuring Internal Audit Effectiveness and Efficiency</i>” might be considered as a resource when developing this approach.</p>	<p><b>Agreed.</b></p> <p><i>OIAI will review current performance matrices of the Internal Audit Unit with the view of identifying additional mechanisms (such as the balanced scorecard) for the assessment of its performance.</i></p> <p><b>Target Date: 30 June 2020</b></p>
<p><b>Standard 1311 Internal Assessments</b> – Conduct an annual periodic internal assessment, in a holistic manner, to evaluate conformance with the <i>Standards</i> and the IIA Code of Ethics.</p> <p>The current process performed by Internal Audit is focused on reviewing a sample of audit projects on a periodic basis to evaluate the level of conformance with the defined Internal Audit methodology and a subset of the <i>Performance Standards</i>. This review is done on a three-year basis, and while this is done effectively, it translates into a partial view of conformance with <i>Performance Standards</i> rather than a full evaluation of all <i>Standards</i> and the IIA Code of Ethics. Performing periodic assessment in a holistic manner that evaluates all aspects of the <i>Standards</i> and the IIA Code of Ethics is a requirement of the <i>Standards</i> that ensures infrastructure and processes are kept current with changes in the IPPF. Periodic internal assessment that evaluates all aspects of the <i>Standards</i> and the IIA Code of Ethics should be performed at least once a year in periods between external assessments. Results of periodic internal assessment, including an overall conclusion on conformance with the <i>Standards</i> and the IIA Code of Ethics, must be communicated to the Executive Director and the Audit Advisory Committee upon completion. Consider communicating the results of periodic internal assessment to the Executive Board in the annual report of Internal Audit to that governing body.</p>	<p><b>Agreed.</b></p> <p><i>As part of the Internal Audit Unit’s annual work planning process, starting with 2020, OIAI will plan for periodic holistic assessments that evaluate conformance with the Standards and the IIA Code of Ethics. OIAI will also consider communicating the results of the periodic assessment to the Executive Director, Audit Advisory Committee and the Executive Board.</i></p> <p><b>Target Date: 31 December 2020</b></p>

# Opportunities for Continuous Improvement Noted

Opportunity for Continuous Improvement	Internal Audit Response
<p><b>Standard 1311 Internal Assessments</b> – Consider enhancing the periodic internal assessment process by evaluating the level of effectiveness and maturity of Internal Audit related to the Core Principles.</p> <p>Core Principles were added as a mandatory element of the IPPF in 2015. There is currently no specific requirement embedded within the <i>Standards</i> to evaluate the effectiveness of Internal Audit in achieving these Core Principles. In fact, <i>Standard 1312 – External Assessments</i> requires an evaluation of the <i>Standards</i> and the IIA Code of Ethics but does not require an evaluation of Core Principles. Implementation guidance to the <i>Standards</i> states that when an internal audit activity is in conformance with the <i>Standards</i> and the IIA Code of Ethics, there is a clear intent and commitment to achieving the Core Principles. While a specific evaluation of Core Principles is not required, many internal audit activities are beginning to assess their level of effectiveness or maturity in achieving the requirements of the Core Principles as a component of their periodic internal assessment process.</p> <p>A tool used by some internal audit activities for this assessment is the “<i>Core Principles Effectiveness Framework</i>” introduced in <i>Internal Auditor – February 2017</i>. This maturity framework describes the characteristics of infrastructure, process, and quality associated with differing levels of effectiveness for the Core Principles. Alternatively, the recently issued IIA Practice Guide “<i>Demonstrating the Core Principles for the Professional Practice of Internal Auditing</i>” includes a tool to assess and communicate how Core Principles are demonstrated within Internal Audit.</p>	<p><b>Agreed.</b></p> <p><i>OIAI will review the recommended tools for evaluating the level of effectiveness and maturity of Internal Audit related to the Core Principles, and consider their inclusion within the formal QAIP process.</i></p> <p><b>Target Date: 31 October 2020</b></p>
<p><b>Standard 2010 Planning</b> – Consider developing an assurance map during the annual risk assessment and audit planning process to demonstrate coverage of entity-level risks by Internal Audit.</p> <p>Describing coverage using an assurance map is a successful internal audit practice that demonstrates alignment of engagements in the Internal Audit annual plan with significant risks identified during the ERM process in an organization. Entity-level risk is currently evaluated during the ERM risk assessment process and the CAE has an appropriate “seat at the table” while this occurs. However, the annual audit plan does not specifically reflect the linkage between this entity-wide view of risk and the engagements included in the annual audit plan. Demonstrating coverage provides assurance that the Internal Audit annual plan is focused on the areas of highest risk and relevance to UNICEF. Assurance maps are a useful tool to support reporting of risk coverage to the Executive Director of UNICEF, the Audit Advisory Committee, and the Executive Board.</p>	<p><b>Agreed.</b></p> <p><i>OIAI will develop a preliminary assurance map, initially based on its own assessment (for the 2020 work plan) and subsequently plan to collaborate with the relevant stakeholders in this regard including the Comptrollers office, that is preparing for the implementation and roll-out of UNICEF’s new e-GRC system (that will serve as the organizational ERM system) in 2020.</i></p> <p><b>Target Date: 30 November 2020</b></p>

# Opportunities for Continuous Improvement Noted

Opportunity for Continuous Improvement	Internal Audit Response
<p><b>Standard 2020 Communication and Approval</b> – Consider enhancing presentation of the annual risk-based audit plan by communicating the resource requirements needed to meet annual audit plan objectives in a manner that provides insight into the potential impact of resource limitations.</p> <p>The Internal Audit annual plan is presented to the Audit Advisory Committee for review and to the Executive Director of UNICEF for review and approval. The annual plan includes a list of projects to be completed and total resources needed to meet annual plan requirements. However, there is no specific information presented to evaluate the potential impact of resource limitations caused by the need for additional resources or specialized skills for additional higher risk projects not currently included in the plan. This is normally accomplished by communicating other higher risk areas not included in the current plan year with an explanation for the exclusion. Presenting a sensitivity to the annual audit plan that shows audits that might be performed with an incremental resource is another way to communicate the potential impact of resource limitations.</p> <p>Approval of resource requirements by the Executive Director of UNICEF under delegated authority from the Executive Board, ultimately provides assurance that Internal Audit annual audit plan objectives can be met with appropriate staffing levels and skill sets. Approval of changes in the annual audit plan in interim periods demonstrates that the annual audit plan appropriately deals with changing and emerging risks. Communicating the potential impact of resource limitations, as required by this Standard, supports this approval process in a transparent manner that provides insight into risk appetite embedded in the Internal Audit annual audit plan.</p>	<p><b>Agreed.</b></p> <p><i>OIAI will, starting with the 2020 Annual Work Plan, consider articulating the potential impact of resource limitations on the work plan objectives. The results of such assessment will be shared with the Audit Advisory Committee, Executive Director and the Executive Board.</i></p> <p><b>Target Date: 30 June 2020</b></p>
<p><b>Standard 2040 Policies and Procedures</b> – Update documentation of key elements of Internal Audit infrastructure, methodology, and process to promote sustainability, quality, and consistency of their execution.</p> <p>While the CAE has established a broad framework to support infrastructure, methodology, and process for Internal Audit that is documented in an Internal Audit Manual, the underlying policies and procedures are not currently documented in a manner that fully supports their sustainability, quality, and consistency in execution. While the current Internal Audit Manual includes all required elements, the manual was last updated in 2014 so should be updated to be consistent with current professional guidance. Consider including a review of the Internal Audit Manual, as a component of the periodic internal assessment process of the QAIP, to ensure the manual is current with actual practice and professional guidance.</p>	<p><b>Agreed.</b></p> <p><i>OIAI will take into consideration the recommendations of this EQA when updating the Internal Audit Manual. The need for revisions to the manual will be considered as part of the periodic internal assessments.</i></p> <p><b>Target Date: 31 December 2020</b></p>

# Opportunities for Continuous Improvement Noted

Opportunity for Continuous Improvement	Internal Audit Response
<p><b>Standard 2050 Coordination and Reliance</b> – Consider enhancing the Internal Audit risk assessment and annual audit planning process by including an assurance map in annual audit plan materials that describes and demonstrates coverage of risk between Internal Audit and other providers of assurance for UNICEF including, but not limited to, ERM, Investigations, Evaluations, Ethics, and IT Security.</p> <p>The current risk assessment and audit planning process is linked with the entity-wide view of risk for UNICEF, using broad-based input into the Internal Audit annual risk assessment and audit planning process. However, there is no mapping in place to demonstrate coverage of risk between Internal Audit and other providers of assurance for UNICEF. Describing coverage using an assurance map is a successful internal audit practice that highlights the different roles between Internal Audit as a third line of defense activity and other providers of assurance that comprise the first and second lines of defense within the organization.</p> <p>In coordinating activities, the CAE may rely on the work of other assurance providers within the organization. Internal Audit should periodically review the scope, objectives, and results of the work performed by other providers of assurance within UNICEF to meet this reliance requirement. Second line of defense activities should be periodically reviewed as a component of the annual audit plan. All second-line assurance functions in place for UNICEF should be included in the audit universe and reviewed on a periodic basis. Further information on effective coordination and reliance can be found in the IIA Position Paper “<i>The Three Lines of Defense in Effective Risk Management and Control</i>” and in professional guidance found in the IIA Practice Guide “<i>Internal Audit and the Second Line of Defense</i>” and “<i>Coordination and Reliance – Developing an Assurance Map</i>”.</p>	<p><b>Agreed.</b></p> <p><i>OIAI will allocate resources in its annual work plan for 2020 to design a assurance map that describes and demonstrates coverage of risk between Internal Audit and other providers of assurance for UNICEF including, but not limited to, ERM, Investigations, Evaluations, Ethics, and IT. The results of this engagement will serve both OIAI and UNICEF in broadly understanding the assurance gaps and the best ways of mitigating the related risks.</i></p> <p><b>Target Date: 30 June 2020</b></p>
<p><b>Standard 2060 Reporting to Senior Management and the Board</b> – Consider using a “Required Communications Checklist” to ensure that all communication requirements are met and documented in the appropriate time frames.</p> <p>The use of a required communications checklist provides documentation that all required communications take place in the appropriate time frames. The <i>Standards</i> require the CAE to communicate information to the Executive Director of UNICEF, the Audit Advisory Committee, and the Executive Board about the Internal Audit Charter, the independence of the internal audit activity, the audit plan and progress against the plan, resource requirements, results of audit activities, conformance with the IIA Code of Ethics and the <i>Standards</i> and action plans to address any significant conformance issues, and management’s response to risk that in CAE’s judgment may be unacceptable to the organization. These and other CAE communication requirements are referenced throughout the <i>Standards</i>.</p>	<p><b>Agreed.</b></p> <p><i>OIAI will design and implement a communications checklist, that will be included as part of the revised audit manual, QAIP documentation, and monitored periodically by the office.</i></p> <p><b>Target Date: 30 June 2020</b></p>

# Opportunities for Continuous Improvement Noted

Opportunity for Continuous Improvement	Internal Audit Response
<p><b>Standard 2110 Governance</b> – Evaluate UNICEF’s ethics related programs and objectives and IT governance as components of the annual risk assessment and planning process and perform reviews on a periodic basis.</p> <p>Implementation <i>Standards 2110.A1 and 2110.A2</i> require that the corporate ethics and compliance program and IT governance be evaluated as part of the assessment of governance activities. While both areas are included in the audit universe, evaluations have not yet been performed. The ethics review should be performed at a program level. IT governance should include an evaluation of alignment with the strategies, objectives, and risks of UNICEF and the use of control frameworks by the IT organization to support their activities.</p>	<p><b>Agreed.</b></p> <p><i>As part of the OIAI annual risk assessment and work planning exercises, the risks related to ethics and IT governance are routinely assessed. As part of the ongoing risk assessment and work planning exercises, a decision will be made on the coverage of these subjects in 2020.</i></p> <p><i>Key components of the ethics framework and related risks were assessed last year and it resulted in two engagements (one audit and one advisory) for 2019. Ethical risks are also assessed as part of country office audits wherein areas including procurement of goods and services, and staff training on mandatory ethics programs are currently reviewed.</i></p> <p><b>Target Date: 30 June 2020</b></p>
<p><b>Standard 2330 Documenting Information</b> – Enhance work paper documentation by providing clear linkage between engagement planning, fieldwork, and reporting.</p> <p>Work paper documentation for engagements reviewed by the independent assessment team inconsistently documented the linkage between planning, fieldwork, and reporting. While planning activities supported the work program used for fieldwork testing and analysis, documentation of fieldwork did not consistently describe the results of test steps included in the work program. In some instances, the descriptions provided a lengthy discourse of activities performed without clearly and succinctly drawing a conclusion of results of the test. Without clear linkage between planning and fieldwork results, there is a risk that observations resulting from testing and analysis might not be incorporated into the draft and final reports and that some test steps may not be performed. The periodic internal assessment performed by Internal Audit as a component of their QAIP pointed out one instance where this occurred. Supervisory review and approval processes should ultimately support quality of documentation within the work papers including linkage between the various components of the engagement.</p>	<p><b>Agreed.</b></p> <p><i>The planned update of the audit manual will stipulate the need for consistent and clearer linkages between engagement planning, fieldwork, and reporting as part of the QAIP documentation. OIAI will further strengthen its current systems of engagement level supervision and approval to ensure timeliness and consistency in standards of review. OIAI will design an engagement level quality assurance checklist to be signed off by the engagement managers and submitted to the Deputy Director, prior to the finalization of the report. The annual periodic internal assessment will also review this aspect of the quality assurance mechanism.</i></p> <p><b>Target Date: 30 June 2020</b></p>

# Opportunities for Continuous Improvement Noted

Opportunity for Continuous Improvement	Internal Audit Response
<p><b>Standard 2600 Communicating the Acceptance of Risks</b> – Define and document an Internal Audit policy and procedure related to communicating the acceptance of risk.</p> <p>This Standard requires that when the CAE concludes management has accepted a level of risk that may be unacceptable to the organization, the CAE must discuss the matter with senior management. If the CAE determines that the matter has not been resolved, the CAE must then communicate the matter to the Audit Committee.</p> <p>Currently, there appears to be a high level of collaboration in addressing issues. Management takes issues seriously and there is a good tone and culture within the organization that supports resolution of issues before they require escalation. However, there is no defined or documented process in place for escalation protocols to senior management, the Executive Director of UNICEF, the Audit Advisory Committee, or the Executive Board when differing judgments are made regarding the level of risk accepted by the organization related to reported observations of Internal Audit. Formalizing the protocol around this requirement in advance of the need is a successful internal audit practice that promotes effective management of risk within organizations. This protocol should be described and documented in the Internal Audit Manual.</p>	<p><b>Agreed.</b></p> <p><i>OIAI will develop an escalation and communication matrix for guiding OIAI on the criteria to be used in identifying and assessing unacceptable levels of risks assumed by the organization. This will be included in the revised audit manual.</i></p> <p><i>It should be noted that currently OIAI assesses the effectiveness of risk management of audited entities and also of the processes under scope, and independently forms its own judgement on the priority of agreed actions (high/ medium) to mitigate the residual risks identified by the audits. OIAI also reports to the Executive Director, Audit Advisory Committee and the Executive Board on all agreed actions open for more than 18 months from the date of the final report.</i></p> <p><b>Target Date: 30 June 2020</b></p>

# Attachment A

## Conformance Rating Criteria

**GC – “Generally Conforms”** means the assessor has concluded the following:

- For individual standards, the internal audit activity conforms to the requirements of the standard (e.g., 1000, 1010, 2000, 2010, etc.) or elements of the IIA Code of Ethics (both Principles and Rules of Conduct) in all material respects.
- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity achieves general conformity to a majority of the individual standards and/or elements of the IIA Code of Ethics, and at least partial conformity to others, within the section/category.
- For the internal audit activity overall, there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the *Standards* or the IIA Code of Ethics, has not applied them effectively, or has not achieved their stated objectives.

**PC – “Partially Conforms”** means the assessor has concluded the following:

- For individual standards, the internal audit activity is making good faith efforts to conform to the requirements of the standard (e.g., 1000, 1010, 2000, 2010, etc.) or element of the IIA Code of Ethics (both Principles and Rules of Conduct) but falls short of achieving some major objectives.
- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity partially achieves conformance with a majority of the individual standards within the section/category and/or elements of the IIA Code of Ethics.
- For the internal audit activity overall, there will be significant opportunities for improvement in effectively applying the *Standards* or IIA Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

**DNC – “Does Not Conform”** means the assessor has concluded the following:

- For individual standards, the internal audit activity is not aware of, is not making good faith efforts to conform to, or is failing to achieve many/all of the objectives of the standard (e.g., 1000, 1010, 2000, 2010, etc.) and/or elements of the IIA Code of Ethics (both Principles and Rules of Conduct).
- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity does not achieve conformance with a majority of the individual standards within the section/category and/or elements of the IIA Code of Ethics.
- For the internal audit activity overall, there will be deficiencies that will usually have a significant negative impact on the internal audit activity’s effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.