

Report on the Internal Audit of the  
ESWATINI COUNTRY OFFICE

UNICEF OFFICE OF INTERNAL AUDIT AND INVESTIGATIONS

NOVEMBER 2025

Report 2025/20

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# EXECUTIVE SUMMARY

The Office of Internal Audit and Investigations (OIAI) conducted an audit of the Eswatini Country Office (ECO), covering the period from January 2024 to July 2025. The audit was conducted from July 2025 to August 2025 in conformance with the Institute of Internal Auditors' Global Internal Audit Standards. The objective of the audit was to assess the adequacy and effectiveness of the governance, risk management, and control processes related to a selection of significant risk areas of the ECO. The specific risks evaluated are set out in the Audit Objective, Scope and Approach section of this report.

The ECO works with government partners and civil society organizations (CSOs) to implement planned programme activities. During the audited period, the ECO transferred approximately US\$2 million to implementing partners, representing 29 per cent of expenditure. There were several risks related to partnerships and use of cash transfers to implementing partners. In addition, the country context indicates a high-risk environment for sexual exploitation and abuse of children and women. The audit sought to determine whether and how the ECO managed those risks.

## Overall Conclusion

Based on the audit work performed, OIAI concluded that the assessed governance, risk management, or control processes were ***Partially Satisfactory, Improvement Needed*** meaning that the assessed governance, risk management, and control processes were generally adequate and functioning but needed improvement. The weaknesses or deficiencies identified were unlikely to have a materially negative impact on the performance of the audited entity, area, activity or process.

	Satisfactory
➔	<i>Partially Satisfactory, Improvement Needed</i>
	<i>Partially Satisfactory, Major Improvement Needed</i>
	Unsatisfactory

## Summary of Observations and Agreed Actions

OIAI noted the following practices that were innovative or exceeded expected levels of control:

- **CSO contributions to projects:** The audit noted a high level of partner contribution to projects that are implemented by CSO partners. With respect to programme documents that were active at the time of the audit, CSO partners contributed an average of 29 per cent of project costs, ranging from US\$0.2 million to US\$1 million, which is a demonstration of their commitment to the projects and allows UNICEF resources to be used for more projects. Programme visits conducted by the ECO consistently verified the financial contributions made by CSOs to the projects in line with the budgets outlined in programme documents.

The audit also made several observations related to the management of the key risks evaluated. In particular, OIAI noted:

- **Governance and accountability:** In addition to the statutory governance committees, the ECO had created several committees to address specific issues, resulting in a high number of committees for a relatively small country office, some with overlapping mandates. Some committees did not meet as often as prescribed in their terms of reference and the follow-up of committee decisions was inconsistent. The ECO did not have a systematic approach to ensure regular monitoring and analysis of its financial performance, trends and anomalies for all expense categories.
- **Risk management including fraud risk:** The ECO's risk assessment process did not adequately ensure ongoing monitoring and review of all key risks, such as those related to office affordability, assurance on the use of UNICEF funds, child safeguarding, and potential fraud and waste of programme supplies. Furthermore, the ECO did not consistently report suspected fraud cases to UNICEF OIAI in a timely manner, as required.
- **Resource mobilization:** The ECO had not developed a plan to mitigate funding gaps for a key outcome of the country programme. This was symptomatic of a need to build capacity in resource mobilization and to reinforce oversight of the resource mobilization function by regularly reviewing and updating the funding pipeline, updating the strategy and incorporating resource mobilization as a standing agenda in one of the statutory committees.
- **Protection from sexual exploitation and abuse (PSEA):** The ECO had not conducted a robust PSEA risk assessment and most of the activities identified in the PSEA workplan for 2025 were unfunded. The quality of PSEA risk assessments conducted for implementing partners was below expectations, as final ratings for partners were not always consistent with the detailed supporting comments.
- **Management of implementing partners:** The ECO tended to directly select known CSO partners instead of using the default competitive 'open selection' modality, without a sound rationale. In addition, the ECO did not make full use of systems such as eTools and the United Nations Partner Portal (UNPP) to streamline and standardize partnership management and support regional office and headquarters visibility and oversight.
- **Cash transfers to implementing partners:** The ECO incorrectly classified partner-related expenditure amounting to US\$737,118 with the result that financial reports produced from corporate systems were incorrect. Overstated downstream expenditure may trigger unnecessary assurance activities or donor scrutiny and

mask the actual nature of implementation arrangements and associated fiduciary risks. The ECO had implemented an 'off system' quality control mechanism to minimize funding authorization and certificate of expenditure (FACE) form processing errors. However, this contributed to delays and partner dissatisfaction.

- **Harmonized approach to cash transfers (HACT) financial assurance:** The approach of the ECO to HACT assurance planning was not sufficiently risk-based to ensure that assurance activities were proportionate to the overall level of financial exposure. There was also a need for more systematic follow-up and closure of action points from assurance activities, including high-priority observations, to ensure that identified financial or control risks are adequately addressed.
- **Management and oversight of supplies:** The ECO facilitated a significant donation of supplies from UNICEF Supply Division for a government implementing partner, without validating the needs of the country or assessing the partner's capacity to manage and distribute the supplies. No formal distribution plans were developed for these supplies, and no end-user monitoring was conducted by the ECO for these supplies, resulting in supplies worth US\$2.7 million expiring whilst in storage at the government partner's warehouse, with potential reputational consequences for UNICEF.

As noted in the Audit Objectives, Scope and Approach section of this report, in February 2025, the ECO benefited from an assessment of the controls related to several of the above areas, which was conducted by the UNICEF Eastern and Southern Africa Regional Office (ESARO). While some recommendations from that review had been implemented, others had not yet been addressed, due to the relatively short time since the review and the need for the ECO's limited resources to focus on critical challenges related to the global funding cuts and potential restructuring of the office. The ECO finance and operations function had recently been strengthened, and this was expected to accelerate improvements in these areas.

The table below summarizes the actions ECO management has agreed to take to address the residual risks identified and OIAI's assessment of the ratings of those risks (see the [definitions of the observation ratings](#) in the Appendix.) For all other areas within the audit scope, no deficiencies in the governance, risk management, or control processes evaluated were identified that warrant reporting.

AGREED ACTIONS AND AUDIT RATINGS	
<b>Governance and accountability (Observation 1):</b> Evaluate whether the non-statutory committees are still needed and review the terms of reference for the non-statutory committees which are retained; ensure that the country management team (CMT) meets as mandated and ensure that	Medium

<p>adequate follow-up mechanisms are implemented for decisions of these committees; enhance the current practice of reviewing the utilization of the institutional budget through the operations team meetings by incorporating analytical reviews of all cost categories and escalating any unusual patterns/ trends to the CMT for timely decision-making.</p>	
<p><b>Risk management including fraud risk management (Observation 2):</b> Establish regular, comprehensive reviews of risks and mitigating actions to ensure proactive management of significant and emerging risks and include risk discussions as a standing agenda item in CMT meetings; in coordination with ESARO, conduct and regularly update an analysis of risks related to the proposed office restructuring and establish and monitor mitigation plans to ensure a smooth transition; implement regular training and capacity building to support full compliance with the corporate requirements of UNICEF's anti-fraud policy, including reporting all reasonable suspicions of fraud or misconduct involving UNICEF to OIAI as soon as possible for advice or investigation, as appropriate.</p>	<p>Medium</p>
<p><b>Resource mobilization (Observation 3):</b> Enhance resource mobilization capacity in terms of expertise and number of resources, including through targeted training for the current focal point and leveraging ESARO support; reinforce oversight over the resource mobilization function by regularly reviewing and updating the funding pipeline, keeping the resource mobilization strategy updated and incorporating resource mobilization as a standing agenda in one of the statutory committees.</p>	<p>Medium</p>
<p><b>PSEA (Observation 4):</b> Ensure that robust PSEA risk assessments are conducted and that all risks are identified, assessed and mitigating measures taken; prioritize funding of PSEA activities; reinforce the requirements for partner PSEA assessments and strengthen quality assurance and oversight of the partner PSEA assessment process.</p>	<p>High</p>
<p><b>Management of implementing partners (Observation 5):</b> Strengthen the partnership approval process by ensuring that open selection is the default modality, unless justification for direct selection consistent with established UNICEF standards is documented and enhance oversight of implementing partnerships through periodic monitoring by the Partnership Review Committee (PRC); Conduct regular reviews of systems data to proactively identify usage gaps and use this to develop targeted training.</p>	<p>Medium</p>

<p><b>Cash transfers to implementing partners (Observation 6):</b> Conduct refresher training for staff and partners on expense coding, per the latest UNICEF Division of Data, Analytics, Planning and Monitoring (DAPM) guidance, and strengthen post-transaction review controls; streamline the review of FACE forms by integrating quality checks in the system workflow to eliminate off-system processing, in preparation for the introduction of eFACE and reduce delays.</p>	<p>Medium</p>
<p><b>HACT financial assurance (Observation 7):</b> Conduct and finalize the delayed (2023) partner audit and incorporate any lessons learned from this to strengthen HACT assurance planning and monitoring activities; adopt a risk-based approach to select FACE forms for spot checks, prioritizing period, high expenditure, prior findings, and control weaknesses per the 2025 spot check user guide; ensure active oversight on the creation, consolidation, and tracking of action points in eTools and ensure all high-priority observations have corresponding and traceable actions.</p>	<p>Medium</p>
<p><b>Management and oversight of supplies (Observation 8):</b> Report the loss of UNICEF-donated supplies to ESARO, Supply Division and other relevant headquarter offices; ensure that a formal needs validation and stakeholder consultation are conducted before accepting any emergency offer initiated by Supply Division; establish internal protocols requiring written prepositioning plans, designation of responsible custodians, and contingency triggers for redistribution. These steps should be reviewed and approved by the CMT and aligned with emergency preparedness standard operating procedures. In view of the planned country office restructuring, this should be conducted in consultation with ESARO to ensure that any additional controls are aligned with the future organizational structure; establish a structured supply end-user monitoring process by obtaining partner distribution plans, scheduling supply-focused programmatic visits, and ensuring last-mile tracking to confirm delivery of supplies to intended beneficiaries.</p>	<p>High</p>

Management is responsible for establishing and maintaining appropriate governance, risk management and control processes and implementing the actions agreed following this audit. The role of the OIAI is to provide an independent assessment of those governance, risk management and control processes.

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Eswatini is a small, landlocked country bordering South Africa and Mozambique. The country has a population of around 1.2 million of which approximately 55 per cent are under 24 years of age.<sup>1</sup> It is estimated that 40.6 per cent of children in Eswatini live in extreme poverty<sup>2</sup> and 46.6 per cent are deprived in at least three domains of multidimensional child poverty.<sup>3</sup> Due to the high levels of deprivation, monetary poverty and inequalities, Eswatini's social indicators lag behind those of other lower middle-income countries.

Between April 2023 and March 2024, the country allocated almost 40 per cent of its budget to social sectors, including health and education. However, progress in many of the child-related indicators is not proportionate to the levels of government investment.

### **UNICEF country programme**

The total budget for the Eswatini country programme document 2021-2025 was US\$16.9 million, with US\$4.9 million from regular resources<sup>4</sup> and US\$12 million from other resources.<sup>5</sup> The programme comprises four components: maternal child and adolescent health; adolescent lifelong learning, protection and development; social policy; and, programme effectiveness.

In 2024, the ECO engaged with the Government to bring to light child deprivations and influence budget allocations in line with child rights. Leveraging domestic financing for child rights was the underlying theme of most of the ECO's programmes, with a view to increasing ownership and sustainability and transforming programme delivery from providing services to providing solutions.

The ECO reported total expenditure of US\$7 million between January 2024 and July 2025. The expenditure by cost category is shown below (*see Figure 1*). 'Employee benefits' (US\$2.68 million) refers to ECO staff salaries and benefit costs. 'Cash assistance to implementing partners' (US\$2.14 million) refers to UNICEF cash resources disbursed to implementing partners. 'Other expenses' includes a range of costs such as travel and management consultancy costs, and 'programme-related expert services' relates to professional and expert services, provided mostly by individual consultants.

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<sup>1</sup> UNICEF Eswatini Annual Report 2024

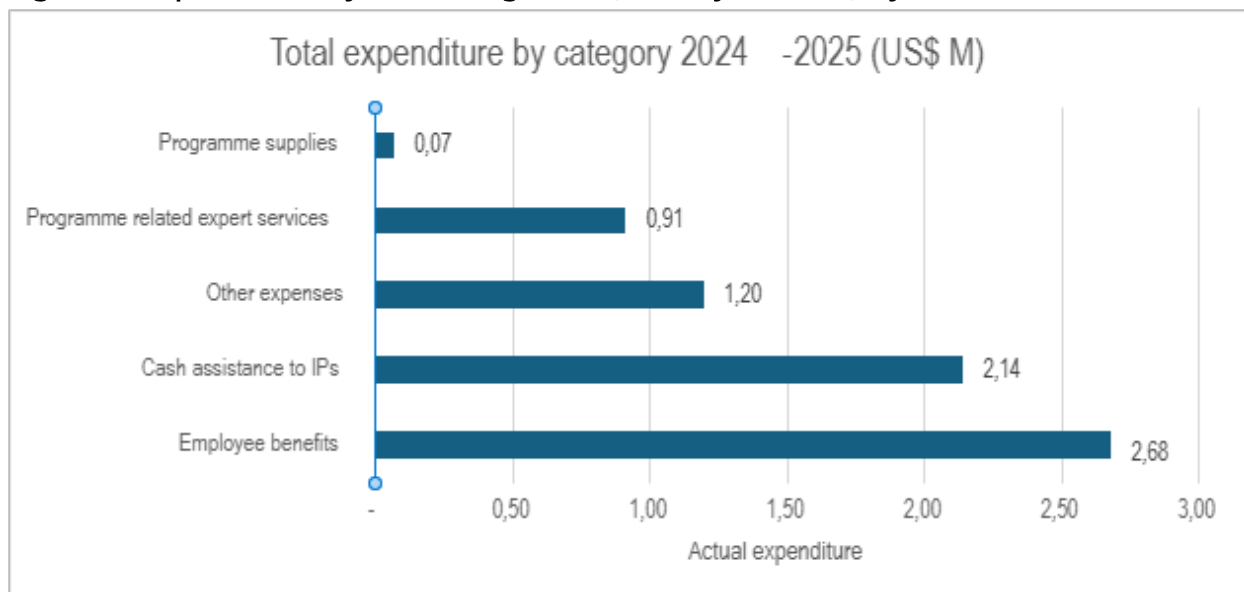
<sup>2</sup> Salmeron-Gomez, Dylan, et. al., (2023), Global Trends in Monetary Child Poverty According to International Poverty Lines, Washington DC & New York: The World Bank Group and UNICEF

<sup>3</sup> Ministry of Economic Planning and Development (MOEPD), [nd], Multidimensional Child Poverty in Eswatini. Child poverty domains include nutrition, health, education, housing, child protection, water and sanitation, access to information and shelter.

<sup>4</sup> Regular Resources are essentially funding without restrictions, to be used flexibly for children wherever and whenever the need is greatest.

<sup>5</sup> Other Resources (regular) consist of contributions designated by UNICEF donors for specific purposes, such as a particular country, geographic region, theme, project, sector, or any other category agreed upon by UNICEF and the donor.

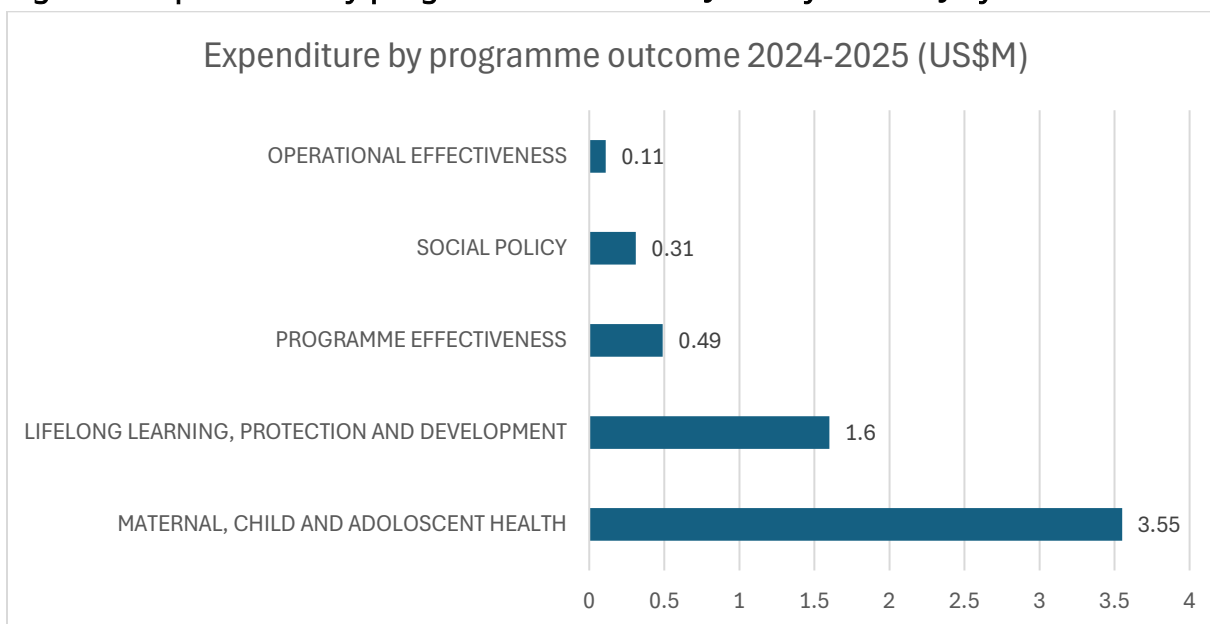
**Figure 1: Expenditure by cost categories - January 2024 to July 2025**



Source: Insights-FI Financial Reporting Cube

ECO expenditure by programme outcome amounted to approximately US\$6 million between January 2024 to July 2025, and is shown below (*see Figure 2*). The bulk of expenditure focused on maternal, child and adolescent health, consistent with the priorities outlined in the country programme document.

**Figure 2: Expenditure by programme outcome - January 2024 to July 2025**



Source: HEED

At the time of the audit, the ECO had 25 staff, all based in the capital city of Mbabane.

# AUDIT OBJECTIVES, SCOPE AND APPROACH

The objective of the audit was to assess the adequacy and effectiveness of the governance, risk management, and control processes related to a selection of significant risk areas of the ECO.

The audit scope was determined during the audit planning process based on an assessment of the inherent<sup>6</sup> risks of the country office, and included the following areas:

- Governance and accountability
- Risk management
- Resource mobilization
- PSEA
- Partnership management
- Programme monitoring
- Cash transfers to implementing partners
- HACT assurance activities
- Procurement and distribution of supplies
- Procurement and management of service contracts
- Travel management

The audit fieldwork was conducted from July 2025 to August 2025 in conformance with the Institute of Internal Auditors' Global Internal Audit Standards. For the purpose of audit testing, the audit covered the period from January 2024 to June 2025, and involved a combination of methods, tools and techniques, including interviews, data analytics, document review, transactions tests, evaluations and validation of preliminary observations.

## **Regional office peer review**

In February 2025, ESARO supported the ECO by conducting an assessment of controls related to several key areas of the country office's activity. An initial mapping of the areas covered by this 'peer review' indicated that it covered governance and oversight, HACT/partnership management, partnerships and donor management, finance, and supply and logistics. In accordance with the Institute of Internal Auditors Standard 9.5 on Coordination and Reliance, OIAI evaluated whether the results of the peer review could be used to inform the audit scope and approach and to avoid any duplication of effort.

Through discussion with the ESARO peer review team and review of documentation, OIAI obtained a detailed understanding of the scope, objectives and approach of the peer review exercise, the testing methodology, sample sizes, and level of supervisory review. The audit also verified that the peer review team members were appropriately qualified and experienced to conduct the review. Based on this assessment, OIAI determined that

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<sup>6</sup> Inherent risk refers to the potential adverse event that could occur if management takes no actions, including internal control activities. The higher the likelihood of the event occurring and the more serious the impact would be should the adverse event occur, the stronger the need for adequate and effective risk management and control processes.

reliance could be placed on the recent peer review in all the audit scope areas listed above and adapted its audit approach accordingly.

### **Programme budget review**

At the time of the audit fieldwork, the ECO was undergoing a programme budget review to realign its structure, staffing and programmatic priorities as part of wider organizational restructuring, following a significant reduction of donor funding to UNICEF. It was anticipated that in January 2027 the ECO would become part of a new multi-country office with other countries in the region. The audit was mindful that the transition to this new structure may impact the ECO's governance, risk management, and control processes and took this into account in determining the audit scope and approach and in developing the proposed actions to address the identified audit issues.

### **Audit approach**

Considering the above, OIAI adapted the audit approach. In particular, the audit:

- Conducted risk-based audit procedures to provide assurance in all areas within the audit scope that were not adequately covered by the peer review.
- For areas within the audit scope that were previously covered by the peer review, OIAI evaluated the quality and ongoing relevance of the peer review recommendations, based on root cause analysis and consideration of the evolving ECO context. In particular, the audit considered factors related to the country office restructuring and potential transition to a multi-country office.
- Reviewed the status of implementation of the peer review recommendations, many of which were in progress at the time of audit fieldwork.
- Assessed the ECO's management of risks related to the ongoing programme budget review process. For example, how the ECO maintained effective governance, risk management, and control related to 'business as usual' activities while navigating the transition to a new office structure and managing the risks associated with organizational change.

This report communicates observations from OIAI's audit procedures with respect to the provision of assurance related to all audit scope areas listed above, referring to the ESARO peer review, where relevant. Other recommendations of an advisory nature or of lower priority were reported to the ECO during the fieldwork debrief meeting.

# OBSERVATIONS AND MANAGEMENT ACTION PLAN

The key areas where actions are needed are summarized below.

## 1. Governance and accountability

Medium

*In addition to the statutory governance committees, the ECO had created several committees to address specific issues, resulting in a high number of committees for a relatively small office, some with overlapping mandates. Several committees did not meet as often as prescribed in their terms of reference and the follow-up of committee decisions was inconsistent. The ECO did not have a systematic approach to ensure regular monitoring and analysis of its financial performance, trends and anomalies for all expense categories.*

**Governance structure:** The ECO's governance structure comprised eight statutory committees and four which were non-statutory, namely the resource mobilization task team (RMTT), the greening task team, the programme coordination meeting and the operations team meeting. Each committee had defined terms of reference outlining, among other details, the composition and meeting frequency. The recent ESARO peer review noted that some committees were not meeting as regularly as mandated and that follow-up of decisions made by the committees was inconsistent. The audit confirmed that this was still the case at the time of audit fieldwork and noted that some committees had overlapping mandates.

For example, the CMT should meet monthly but met only seven times in 2024 and only three times between January 2025 and July 2025; the Joint Consultative Committee (JCC) and the Staff Development Committee (SDC) are expected to meet quarterly but in 2024, the former met only twice and the latter did not meet at all; both the JCC and SDC met only in the first quarter of 2025. Neither the Property Survey Board nor the Research and Evaluation Committee convened any meetings in 2024 or 2025.

With respect to follow-up of actions, the JCC meeting of March 2025 discussed the need to conduct a scenario analysis of the impact of the anticipated budget reduction to inform decision-making on affordability. However, this was not actioned and there was no follow-up in subsequent meetings since the JCC did not meet in the following quarter. The RMTT also did not meet as mandated which limited oversight over resource mobilization activities, as outlined in Observation 3 below.

**Root causes:** The ECO had established the non-statutory committees to gain traction on specific issues but had not assessed whether these were still needed and whether the number of committees and related workload were proportionate to the office's size. The CMT itself did not meet as regularly as expected, which diminished its degree of oversight of the other committees.

**Financial oversight:** As part of effective governance, UNICEF country offices should regularly analyse their financial information, to identify and monitor trends or anomalies requiring further investigation and potential mitigating action. Conducting such analysis can yield valuable insights into significant financial risks, enabling the CMT to fulfil its responsibility for identifying and mitigating threats to the achievement of results including fraud 'red flags'. While the ECO monitored the utilization of institutional budget through operations team meetings, it did not systematically conduct detailed reviews and analysis of other financial information.

ESARO issued instructions in November 2024 to all country offices in the region regarding strengthening the management of travel expenditure. This guidance required country offices to conduct periodic monitoring of travel costs, for example, by comparing current quarter data with previous quarters of the same year and corresponding periods of previous years to benchmark performance and identify potential misuse or inefficiencies. However, the ECO had not yet applied this guidance.

The audit performed an analysis of operating costs by comparing the actual costs reported in the 2024 financial statements with the 2023 reported costs. While the total expenses decreased by 32 per cent, operating costs were reduced by only 12 per cent. This was due to an increase in some operating cost categories like travel, management consultancy fees, and rental/lease (land and buildings) that increased significantly between 2023 and 2024. While the ECO's management team had identified the need to review the office rental costs, a more holistic and systematic approach would ensure timely identification of the need to address other operational inefficiencies or overspending and mitigate the risk that errors, fraudulent activities or financial irregularities go undetected.

The audit also noted significant misclassification of cash transfers to implementing partners that was not identified by the ECO. This issue is further detailed in Observation 6 on cash transfers below.

**Root causes:** The ECO did not have a systematic practice of conducting detailed reviews and analysis of financial information. Financial oversight focused only on utilization levels of institutional budget. The ECO had not yet implemented the guidance for regular review of travel expenditure.

## AGREED ACTIONS 1

The ECO agrees to:

- i. Evaluate whether non-statutory committees are still needed and review the terms of reference for the non-statutory committees which are retained.

- ii. Ensure that the CMT meets as mandated and that adequate follow-up mechanisms are implemented for decisions of the statutory committees.
- iii. Enhance the current practice of reviewing the utilization of the institutional budget through the operations team meetings by incorporating analytical reviews of all cost categories and escalating any unusual patterns/ trends to the CMT for timely decision-making.

**Staff responsible:** i. Operations Manager; ii. Representative; iii. Operations Manager

**Implementation date:** i. January 2026; ii. January 2026; iii. Immediate and monthly

## 2. Risk management including fraud risk management

Medium

*The ECO's risk assessment process did not adequately ensure ongoing monitoring and review of all key risks, such as risks related to office affordability, assurance on the use of UNICEF funds, child safeguarding, and potential fraud and waste of programme supplies. Furthermore, the ECO did not consistently report suspected fraud cases to UNICEF OIAI in a timely manner, as required.*

Country offices should identify, assess, monitor and respond to key risks to the achievement of their objectives and ensure that the operating context is regularly scanned for new or evolving risks that need to be addressed. A coordinated, comprehensive approach is essential to ensure sufficient management of key risks and to allow timely, risk-informed decision-making and escalation of issues, as appropriate. The audit reviewed the adequacy and effectiveness of the ECO's risk management approach, including management of fraud-related risks, and made the following observations:

**Risk management:** In 2025, the ECO engaged both programme and operations sections in the identification and assessment of risks, before consolidating the key risks in a country office risk register. However, the audit noted that some key risks identified by the audit were not appropriately reflected in the risk register for ongoing monitoring and review. These include risks related to office affordability, assurance on the use of UNICEF funds, child safeguarding, and potential fraud and waste of programme supplies. These risks are elaborated in more detail in Observations 3, 4 and 8 below.

Based on discussions with senior management, the audit observed good awareness of the risks related to the potential transition to a multi-country office. The ECO was taking practical steps to mitigate business continuity risks, including expanding senior management team meetings to include chiefs of section to facilitate information sharing and knowledge transfer. However, there was no documentation to demonstrate that all relevant risks were being addressed and monitored, and the CMT did not document any of its discussions on risk management. Additional risk areas highlighted by the audit during

audit fieldwork included risks to programme delivery due to low staff morale and productivity, fraud and corruption risks, safety and security risks, the risk of non-compliance with local labour laws, and the loss of institutional knowledge.

**Root causes:** The risk assessment process conducted by ECO management focused more on compliance with the requirement to submit a risk register annually to UNICEF headquarters than on the continuous, systematic and comprehensive analysis and monitoring of risks to support risk-informed decision-making at the country office level.

**Fraud risk management:** The ECO established certain controls to mitigate fraud risk including segregation of duties enforced through the table of authorities, signed delegation of authority letters, and financial transactions' release strategy, as required by relevant UNICEF procedures. However, the fraud risk management framework lacked key elements such as a comprehensive, documented fraud risk assessment, ongoing monitoring of trends and indicators of potential fraud, and timely reporting of suspicions of fraud.

UNICEF's 2025 guidance on risk assessment requires offices, at a minimum, to assess risks in six key risk areas, among them fraud, waste and misuse of resources. Fraud risk management was further reinforced by the UNICEF Policy on Anti-Fraud and Corruption, which was effective from 11 April 2025. This policy requires country offices to conduct fraud and corruption risk assessments annually. The audit noted that the ECO's fraud risk assessment did not consider all categories of fraud risks, such as corruption, bribery and conflict of interest, or all potential areas of fraud, such as cash transfers to partners, procurement and distribution of supplies. The absence of a comprehensive fraud risk assessment limited the ECO's ability to ensure establishment and monitoring of effective mitigating actions.

**Root cause:** The ECO management team had not developed a mechanism for gathering fraud-related data and brainstorming on potential fraud risks/schemes, to identify the relevant fraud risks and establish mitigating actions.

**Reporting suspicions of fraud:** According to the UNICEF Policy on Anti-Fraud and Corruption, which applies to all staff, affiliate personnel, implementing partners and vendors, it is mandatory to report reasonable fraud suspicions to UNICEF OIAI through the email hotline as soon as reasonably practical. During field visits to implementing partners, the audit team was informed of two suspected fraud cases relating to theft of UNICEF-funded assets and falsification of documents by implementing partner employees that were not reported to OIAI. The ECO stated that it was still in the process of gathering additional information regarding the first case; however, by the conclusion of the fieldwork, more than a month had passed since the ECO had received an update from the implementing partner. The second case occurred in 2023, but the ECO attributed the lack of reporting to the immateriality of the suspected loss, even though the policy does not

exempt any fraud suspicions, regardless of the value of the suspected loss. Both allegations were reported to OIAI following the audit fieldwork. UNICEF requires the involvement of headquarters in the management of fraud allegations and the use of specialized skills, available only in OIAI to ensure proper and consistent responses globally. Inappropriate handling of allegations may result in fraud going undetected, financial loss due to an inability to recover, inconsistent response to fraud, and increased reputational risk with donors globally.

**Root causes:** There was a misinterpretation of the reporting obligations by the ECO and implementing partners. The ESARO peer review noted that the ECO had not provided anti-fraud training to all implementing partners, and anti-fraud sensitization materials, such as posters, were not visible in UNICEF or implementing partners' offices.

## AGREED ACTIONS 2

The ECO agrees to:

- i. Establish regular, comprehensive reviews of risks and mitigating actions to ensure proactive management of significant and emerging risks and include risk discussions as a standing agenda item in CMT meetings.
- ii. In coordination with ESARO, conduct and regularly update an analysis of risks related to the proposed country office restructuring and establish and monitor mitigation plans to ensure a smooth transition.
- iii. Implement regular training and capacity building to ensure full compliance with UNICEF's anti-fraud policy, including reporting all reasonable suspicions of fraud or misconduct involving UNICEF to OIAI as soon as possible for advice or investigation, as appropriate.

**Staff responsible:** i. Operations Manager; ii. Representative; iii. Operations Manager and Staff Development Committee Chair

**Implementation date:** i. March 2026; ii. Completed; iii. September 2026

### 3. Resource mobilization

Medium

*The ECO had not developed a plan to mitigate funding gaps for a key outcome of the country programme. This was symptomatic of a need to build capacity in resource mobilization and to reinforce oversight of the resource mobilization function by regularly reviewing and updating the funding pipeline, updating the strategy and incorporating resource mobilization as a standing agenda in one of the statutory committees.*

The ECO faced a challenging fundraising environment, particularly with regards to ‘other resources – regular’ (ORR), that is, donor contributions for a specific activity. UNICEF country offices are required to raise most of the resources to implement their country programmes as ORR. The planned budget for the ECO’s current country programme is approximately US\$14 million from ORR, but only 69 per cent was funded, resulting in an unfunded deficit of US\$4.3 million. While the effects of this significant funding shortfall were partially mitigated by the reprogramming of other resources emergency and an increase in regular resources allotment, some outcomes remained heavily underfunded. For example, the lifelong learning, protection and development outcome was significantly underfunded by US\$2.1 million (approximately 60 per cent of the planned budget) in 2025. The audit observed that the ECO did not have a plan of action to mitigate the immediate needs of the funding shortfall for this outcome. Consequently, there was a risk of inadequate funding for the country programme that might compromise the achievement of planned results, such as the planned deployment of teachers and empowerment of adolescent girls and boys through a skills development programme.

The ECO shared with the audit team the various strategies and opportunities it was pursuing. However, these were not reflected in the latest resource mobilization strategy. The funding pipeline in the corporate system (UNISON)<sup>7</sup> was also not updated with all the funding opportunities shared with the audit team. If strategies are not updated in the resource mobilization strategy with clear targets, timelines and staff responsible this may result in a lack of accountability and ineffective follow-up of opportunities and may limit the visibility of these initiatives by ESARO and/or relevant headquarters units. The ECO informed the audit team that it was developing a new resource mobilization strategy, which would capture all the strategies aligned with the current operating context.

The 2025 peer review noted that several elements of the strategy were not implemented, including regular tracking of fundraising efforts and creation of a briefing kit intended for major donors on each focus area (education, protection, child survival and development) to be updated yearly. The strategy included various indicators that were to be monitored on a quarterly basis by the RMTT, but given the team did not meet as mandated, this led to inadequate oversight over resource mobilization activities.

**Root causes:** The above issues stem from internal capacity constraints on resource mobilization. The ECO did not have dedicated staff with resource mobilization skills.

## AGREED ACTIONS 3

The ECO agrees to:

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<sup>7</sup> UNISON is a customer relationship management system that enables UNICEF staff to share information on which partners they are engaging with worldwide.

- i. Enhance resource mobilization capacity, including through targeted training for the current focal point and leveraging support from ESARO.
- ii. Reinforce oversight of the resource mobilization function by regularly reviewing and updating the funding pipeline, updating the strategy and incorporating resource mobilization as a standing agenda in one of the statutory committees.

**Staff responsible:** Resource Mobilization Focal Point

**Implementation date:** i. March 2026; ii. Quarterly at Programme Coordination Meeting and CMT meeting

## 4. PSEA

High

*The ECO had not conducted a robust PSEA risk assessment and most of the activities identified in the PSEA workplan for 2025 were unfunded. The quality of PSEA risk assessments conducted for implementing partners was below expectations, as final ratings for partners were not always consistent with the detailed supporting comments.*

The audit observed that the Country Representative and senior managers set the right tone at the top regarding UNICEF's zero tolerance to sexual exploitation and abuse, for example, by reinforcing the importance of these activities at staff meetings. This messaging was further reinforced through PSEA posters placed strategically in and around the office. The ECO PSEA focal point had a relevant technical background and was also the chair of the United Nations Interagency PSEA Network in Eswatini. Additionally, all staff and consultants completed the mandatory PSEA training course. The audit identified the following areas for improvement to further strengthen PSEA activities:

**Sexual exploitation and abuse (SEA) risk assessment:** Managing SEA risks requires robust assessment, identification and periodic monitoring. The ECO conducted an SEA risk assessment as part of the annual risk assessment process, which led to the identification of one risk related to the lack of PSEA assessments for implementing partners. However, the audit fieldwork highlighted that there was a need to strengthen SEA reporting mechanisms and referral pathways for survivors of SEA, but this was not reflected in the risk assessment for the purpose of monitoring and review.

**Allocation of resources to PSEA:** The UNICEF Policy on Safeguarding expects every office to allocate appropriate resources to ensure compliance across all activities in relation to safeguarding, including PSEA. The ECO had a PSEA workplan in place, but most of the activities (16 out of 18) were unfunded.

**Implementing partner PSEA assessments:** Assessing the PSEA capacity of implementing partners is a key control in partnership management. The 2025 peer review identified quality issues regarding PSEA assessments. For instance, three out of eight CSO partner

profiles reviewed did not provide sufficient information to substantiate the assigned PSEA rating. In other assessments, the UNICEF reviewer gave the partner positive ratings for some core standards, despite noting in their comments that some elements relevant to the core standard were missing. Poor-quality PSEA assessments expose the ECO to reputational risks if partners fail to prevent or respond appropriately to SEA incidents. At the time of the audit, the ECO had yet to implement the peer review recommendations but planned to do so by the end of 2025.

**Root causes:** There was a lack of accountability and ownership by staff conducting the PSEA assessments and limited oversight of the assessments by supervisors. The quality assurance of PSEA assessments was not conducted due to resource constraints.

## AGREED ACTIONS 4

The ECO agrees to:

- i. Ensure that robust PSEA risk assessments are conducted and that all risks are identified, assessed and appropriate mitigating measures taken.
- ii. Implement a requirement to ensure that partner capacity building budgets are leveraged for PSEA capacity building and all programme documents are approved on condition that PSEA capacity building is included in the partner capacity building plan.
- iii. Reinforce the requirements for partner PSEA assessments and strengthen quality assurance and oversight of the partner PSEA assessment process.

**Staff responsible:** i. PSEA Focal Point; ii. PRC Chair; iii. Deputy Representative supported by PSEA Focal Point

**Implementation date:** i. February 2026; ii. Immediate; iii. January 2026

## 5. Management of implementing partners

Medium

*The ECO tended to directly select known CSO partners instead of using the default competitive 'open selection' modality, without a sound rationale. In addition, the ECO did not make full use of systems such as eTools and UNPP to streamline and standardize partnership management and support regional office and headquarters visibility and oversight.*

During the audited period, the ECO worked with 16 implementing partners - eight CSOs and eight government implementing partners. The audit sought to assess whether controls over partner selection and management were adequate and operating effectively.

**Selection of CSO partners:** UNICEF's default modality for identifying and selecting CSO partners is open selection, which is a competitive selection process that helps UNICEF achieve value for money. By contrast, direct selection allows partners to be identified and contracted without going through a competitive selection process. However, the ECO used the direct selection method for all three partners selected for review by the audit. The rationale provided, that there was a general tendency to use CSO partners already known to the country office, was inconsistent with the UNICEF Programme Implementation Handbook, which states that direct selection may only be used in cases where a partner has been identified as the only one with the required technical expertise or geographical presence to implement a programme intervention. The approval process was also not thorough in seeking reasonable justification for direct selection. This practice may undermine the principles of transparency and fairness and deny the ECO opportunities to identify other partners with better comparative advantage.

**Root causes:** The ECO explained that there was a general tendency to use CSO partners already known to the country office through prior partnerships rather than using competitive processes which could result in them appointing new partners that were not familiar with the programmes.

**Use of digital tools and systems:** The audit noted that systems such as eTools and UNPP, which are intended to streamline and standardize partnership management, were not effectively utilized. Key functionalities - such as partner assessments, performance tracking, documentation of selection processes and HACT financial assurance activities (see Observation 7 below) - were either underused or bypassed entirely. This resulted in fragmented records and reduced visibility of partnership performance and increased the risk that decisions might not be based on all relevant data. The lack of consistent system usage also limited the ability of ESARO and relevant headquarter units to monitor compliance and outcomes.

**Root causes:** As a relatively small country office, there was a preference to rely on internal communication and collaboration for some activities where this was deemed to be the most practical approach and most efficient use of valuable staff time.

## AGREED ACTIONS 5

The ECO agrees to:

- i. Strengthen the partnership approval process by ensuring that open selection is the default modality, unless justification for direct selection consistent with the established UNICEF standards is documented and enhance oversight of implementing partnerships through periodic monitoring by the PRC.
- ii. Conduct regular reviews of systems data to proactively identify usage gaps and use this to develop targeted training.

**Staff responsible:** i. Deputy Representative and PRC Secretary ii. Deputy Representative and PRC Secretary

**Implementation date:** i. October 2025; ii. From December 2025 and thereafter on a quarterly basis

## 6. Cash transfers to implementing partners

Medium

*The ECO incorrectly classified partner-related expenditure amounting to US\$737,118 with the result that financial reports produced from corporate systems were incorrect. Overstated downstream expenditure may trigger unnecessary assurance activities or donor scrutiny and mask the actual nature of implementation arrangements and associated fiduciary risks. The ECO had implemented an 'off system' quality control mechanism to minimize FACE form processing errors. However, this contributed to delays and partner dissatisfaction.*

**Misclassification of expenditure:** The audit's analysis of the 2024 financial statements showed that US\$737,118 was recorded under downstream partner expense general ledger (GL) accounts.<sup>8</sup> However, none of the ECO's implementing partners transferred funds to sub-recipients, as all implementation was done directly by the partners.

According to the DAPM Expense Category Guide, downstream partner GL accounts should only be used to record funds that are transferred to sub-recipients by implementing partners. This misclassification overstated the reported downstream expenditure, potentially triggering unnecessary assurance activities or donor scrutiny, while masking the actual nature of implementation arrangements and associated fiduciary risks.

**Root causes:** Despite the provision of relevant training, there was a lack of awareness about the need to ensure that financial entries are aligned with actual implementation modalities. In addition, the misclassification was not picked up and corrected, due to limited post-transaction review controls. The need for more systematic review and oversight of financial information more generally is addressed under Observation 1 above.

**Off-system and in-system FACE reviews:** The UNICEF Financial and Administrative Policy 5 and Cash Disbursement Procedures (HACT) require that FACE forms for direct payments and reimbursements are processed promptly, in line with the timelines stated in the HACT Assurance Framework.

Four implementing partners interviewed during the audit stated that UNICEF reviews of FACE forms often take a month or more and that these delays affect their ability to deliver

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<sup>8</sup> Downstream partners are partners that are subcontracted by UNICEF implementing partners.

services on time. As part of its review of the internal HACT processes, the audit established that the ECO had implemented an 'off system' pre-processing review mechanism, intended as a quality control step to minimize FACE form processing errors. This resulted in FACE forms submitted by implementing partners being reviewed both outside and within the corporate system and increased processing times, contributing to delays and partner dissatisfaction. As this additional step was not part of the standard UNICEF workflow, it was not reflected in performance monitoring or accountability mechanisms. Delayed processing of cash transfers reduces UNICEF's operational efficiency and negatively affects the ability of implementing partners to deliver time-critical services.

**Root causes:** The ECO management had introduced the off system in an effort to improve the quality of FACE forms submitted for processing but had not taken into account the additional delays that this would cause.

## AGREED ACTIONS 6

The ECO agrees to:

- i. Conduct refresher training for staff and partners on expense coding, as per the latest DAPM guidance, and strengthen post-transaction review controls.
- ii. Streamline the review of FACE forms by integrating quality checks in the system workflow to eliminate off-system processing, in preparation for the introduction of e-FACE and reduce delays.

**Staff responsible:** i. Deputy Representative/HACT Focal Person/Senior Finance Associate; ii. Deputy Representative

**Implementation date:** i. Q1 2026 ; ii. Immediate

## 7. HACT financial assurance

Medium

*The ECO's approach to HACT assurance planning was not sufficiently risk-based to ensure that assurance activities were proportionate to the overall level of financial exposure. There was also a need for more systematic follow-up and closure of action points from assurance activities, including high-priority observations, to ensure that identified financial or control risks are adequately addressed.*

**Testing coverage in spot checks and assurance level:** The UNICEF HACT Framework and Spot Check Guidance emphasize that the 30 per cent minimum threshold for assurance activities applies to the selected FACE form but also encourage a risk-responsive approach to ensure that assurance activities are proportionate to the overall level of financial exposure.

Audit analysis showed that, while the ECO generally complied with the minimum HACT guideline of testing 30 per cent of the value of selected FACE forms during spot checks, on average the actual testing covered only 8 per cent of the total annual expenditure of each selected partner, with some spot checks covering as little as 1 per cent. The low level of testing relative to total expenditure limits the level of assurance that can be derived from spot checks, potentially allowing material misstatements, misuse, or unintentional errors to go undetected. It also weakens the ability of the ECO to demonstrate adequate stewardship of resources.

**Root causes:** The selection of FACE forms was driven by system triggers rather than a documented risk-based sampling approach. No further analysis was conducted by ECO management to adjust the level of testing to the volume of reported expenditure.

**Closure of spot checks in eTools and pending audit:** The UNICEF Spot Check User Guide and HACT Assurance Guidance require that completed assurance activities, including spot checks and audits, are promptly finalized and recorded in eTools for tracking and monitoring purposes. For high-risk partners, the HACT Framework mandates audits when disbursements exceed US\$100,000 annually.

As noted by the ESARO peer review, 3 out of the 10 spot checks conducted in 2024 were not updated to 'final' status in eTools, although the ECO indicated that they had been completed. One required audit of a high-risk partner with over US\$100,000 in disbursements, due in 2023, was still only at the terms of reference stage. Incomplete spot checks and delayed audits reduce the level of assurance and accountability for follow-up actions and may affect the credibility of reporting provided to management and donors.

**Root causes:** The ECO lacked a structured quality assurance mechanism to ensure that spot check reports were finalized in eTools. A change in leadership of the operations team in late 2024, coupled with funding and staff constraints, contributed to the delayed execution of the partner's audit and incomplete status updates in the system.

**Follow-up and consistency of action points in eTools:** The UNICEF Procedure on Programme Implementation and Spot Check User Guide require that high-priority issues identified through assurance activities are followed up through time-bound and trackable action points in eTools. As noted by the ESARO peer review, only 12 out of 68 high-priority observations from spot checks conducted between 2020 and 2024 had action points in eTools. The effectiveness of financial assurance depends on systematic follow-up and closure of identified risks. Inconsistent creation and follow-up of action points weaken accountability for risk mitigation and creates audit trail gaps. It also reduces assurance over whether identified financial or control risks were adequately addressed and resolved.

**Root causes:** The ECO's practice of consolidating multiple spot check observations into fewer action points were conducted informally and without a standardized methodology,

making tracking difficult. The creation of action points in eTools was at the discretion of programme staff, resulting in inconsistencies, weak ownership and a lack of systematic follow-up.

## AGREED ACTIONS 7

The ECO agrees to:

- i. Conduct and finalize the delayed (2023) partner audit and incorporate any lessons learned from this to strengthen HACT assurance planning and monitoring activities.
- ii. Adopt a risk-based approach to select FACE forms for spot checks, considering the period, level of expenditure, prior findings and control weaknesses, as per the latest spot check user guide.
- iii. Strengthen oversight of the creation, consolidation, and tracking of action points in eTools and ensure that all high-priority observations have corresponding and traceable actions.

**Staff responsible:** i. Operations Manager; ii. Operations Manager; iii. HACT Focal Point/Planning, Monitoring and Evaluation Specialist, Chiefs of Section and Deputy Representative.

**Implementation date:** i. February 2026; ii. January 2026; iii. January 2026

## 8. Management and oversight of supplies

High

*The ECO facilitated a significant donation of supplies from UNICEF Supply Division for a government implementing partner, without validating the needs of the country or assessing the partner's capacity to manage and distribute the supplies. No formal distribution plans were developed for these supplies, and no end-user monitoring was conducted by the ECO for these supplies, resulting in supplies worth US\$2.7 million expiring whilst in storage at the government partner's warehouse, with potential reputational consequences for UNICEF.*

During the audit period, the ECO procured supplies worth US\$0.1 million. In addition, a donation of emergency supplies worth US\$2.7 million was sent directly by UNICEF Supply Division to an implementing partner. The audit sought to assess the adequacy and effectiveness of ECO controls to mitigate the risks related to this significant amount of donated supplies sent directly to the implementing partner.

**Management and oversight of donated emergency supplies:** According to the UNICEF Supply Manual and Procedure on Emergency Preparedness Supplies, country offices must ensure that all supplies received are aligned with national needs, have appropriate end-

user plans, and are supported by adequate storage and distribution arrangements. Supplies should be prepositioned only when partners have a clear capacity to manage and utilize them within a shelf life. Offices are responsible for reprogramming or redistributing supplies before expiry, particularly during public health preparedness efforts.

In 2024, the ECO facilitated a donation of 600,000 coveralls (protective clothing) valued at US\$2.7 million from UNICEF Supply Division to the Government of Eswatini, as part of the global cholera preparedness initiative. The audit visited the government partner's warehouse to assess the partner's inventory management practices, storage conditions and safety of these supplies. As part of the assessment of inventory management practices, the audit also sought to reconcile the government partner's records with those of the ECO. The following observations were made:

While the partner's main facility had generally acceptable storage conditions, UNICEF supplies were dispersed across multiple locations, including in areas not designated for active inventory and in a warehouse primarily intended for waste materials, putting at risk their usability and traceability. The sample of supplies checked by the audit team in different locations was found to have expired. Warehouse staff indicated that all the supplies were part of the same shipment, and all had the same expiry date. Due to a lack of cooperation by the partner's warehouse staff, the audit was unable to access the documentation necessary to reconcile the partner's records with those of the ECO.

Based on discussions with ECO management and the government partner's warehouse management and senior management, the following were noted:

- No formal assessment of Eswatini's needs was undertaken by the ECO before facilitating the donation of coveralls to the country. The government partner indicated that whilst they were appreciative of the donation, other needs such as vaccines, drugs and medical equipment were of higher priority to the country.
- The ECO did not conduct an evaluation of the absorption capacity of the government partner to receive, store and distribute this significant volume of coveralls.
- There was no distribution plan for the supplies indicating when, where and in what quantities they would be distributed.
- There was no plan to conduct end-user monitoring to ensure that the supplies reached the intended recipients in the expected quantity, condition and timeframe.
- There was no evidence that the donation was considered by any of the ECO's governance bodies and the related risks were not reflected in any risk assessment.
- Due to the lack of visibility of this incident by ECO management, it was not escalated to ESARO, Supply Division or other relevant headquarter offices for further action or advice.

Due to the warehouse management practices noted above and the lack of available supporting documentation at the ECO and partner warehouse, the audit was unable to

verify the stock movements during the audited period or the balance held by the partner at the time of the audit. However, partner staff informed the audit team that all the supplies expired in May 2025 and that only 10 per cent of the supplies had been distributed. Based on this, it appeared that 90 per cent of the consignment of coveralls expired in storage. This represents a major loss of emergency supplies, undermines the credibility of UNICEF's outbreak preparedness efforts, and poses reputational and accountability risks for UNICEF with donors. It also highlights a missed opportunity to reallocate critical supplies to other high-need countries during the cholera threat window.

**Root causes:** The issue arose due to weak oversight and internal coordination within the ECO. This was an exceptional donation, but the ECO did not have the experience or established protocols for handling significant supply donations.

This report summarizes the audit observations related to this issue within the ECO's accountabilities. OIAI may conduct further work related to the governance, risk management and controls associated with significant donations of supplies at regional and headquarter level in a separate engagement.

## AGREED ACTIONS 8

The ECO agrees to:

- i. Report the loss of UNICEF-donated supplies to the regional office, Supply Division and other relevant headquarter offices.
- ii. Ensure that formal validation and stakeholder consultation are conducted before accepting any emergency offer initiated by Supply Division.
- iii. Establish internal protocols requiring written prepositioning plans, designation of responsible custodians, and contingency triggers for redistribution. These steps should be reviewed and approved by the CMT and aligned with emergency preparedness standard operating procedures. In view of the planned country office restructuring, this should be conducted in consultation with the regional office to ensure that any additional controls are aligned with the future organizational structure.
- iv. Establish a structured supply end-user monitoring process by obtaining partner distribution plans, scheduling supply-focused programmatic visits, and ensuring last-mile tracking to confirm delivery of supplies to intended beneficiaries.

**Staff responsible:** i. Representative, Deputy Representative, relevant Chiefs of Section; ii. Operations Manager and Supply Associate; iii. Deputy Representative, Operations Manager and Supply Associate; iv. Operations Manager, Planning, Monitoring and Evaluation Specialist, Deputy Representative (programme), Supply Associate, SDC Chair

**Implementation date:** i. October 2025; ii. Q1 2026; iii. Q1 2026; iv. January 2026

# APPENDIX





## Definitions of Audit Observation Ratings

To assist management in prioritizing the actions arising from the audit, OIAI ascribes a rating to each audit observation based on the potential consequence or residual risks to the audited entity, area, activity or process or to UNICEF as a whole. Individual observations are rated as follows:

Low	The observation concerns a potential opportunity for improvement in the assessed governance, risk management or control processes. Low-priority observations are reported to management during the audit but are not included in the audit report. Action in response to the observation is desirable.
Medium	The observation relates to a weakness or deficiency in the assessed governance, risk management or control processes that requires resolution within a reasonable period to avoid adverse consequences for the audited entity, area, activity or process.
High	The observation concerns a fundamental weakness or deficiency in the assessed governance, risk management or control processes that requires prompt/immediate resolution to avoid severe/major adverse consequences for the audited entity, area, activity or process, or for UNICEF as a whole.

## Definitions of Overall Audit Conclusions

The above ratings of audit observations are then used to support an overall audit conclusion for the area under review, as follows:

Satisfactory		The assessed governance, risk management, and control processes were adequate and functioning well.
Partially Satisfactory, Improvement Needed		The assessed governance, risk management, and control processes were generally adequate and functioning but needed improvement. The weaknesses or deficiencies identified were unlikely to have a materially negative impact on the performance of the audited entity, area, activity or process.
Partially Satisfactory, Major Improvement Needed		The assessed governance, risk management, or control processes needed major improvement. The weaknesses or deficiencies identified could have a materially negative impact on the performance of the audited entity, area, activity or process.
Unsatisfactory		The assessed governance, risk management or control processes were not adequately established or did not function well. The weaknesses or deficiencies identified could have a severely negative impact on the performance of the audited entity, area, activity or process.

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