

## Report on the Internal Audit of the Rwanda Country Office

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UNICEF OFFICE OF INTERNAL AUDIT AND INVESTIGATIONS

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# EXECUTIVE SUMMARY

The Office of Internal Audit and Investigations (OIAI) conducted an audit of the Rwanda Country Office (RCO), covering the period from January 2024 to November 2025. The audit was conducted from 17-28 November 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 RCO. The specific risks evaluated are set out in the Audit Objective, Scope and Approach section of this report.

The RCO works with the Government of Rwanda and civil society organizations (CSOs) to implement planned programme activities. During the audited period, the RCO transferred approximately US\$37.6 million in cash and US\$6.3 million in supplies to implementing partners (IPs), representing 70 per cent of total expenditure. In planning for this audit, the audit team identified several risks related to the RCO's ability to implement its new country programme document (CPD), resource mobilization, risk management, the use of implementing partnerships and cash transfers to its IPs, and construction. The audit sought to determine whether and how the RCO 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 they were generally adequate and functioning, but needed some improvement. The weaknesses or deficiencies identified were unlikely to have a materially negative impact on the performance of the audited entity, area, activity of 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:

- **Resource mobilization:** The RCO had a communication and advocacy strategy and a resource mobilization and leveraging strategy covering the CPD period. Together, they form a cohesive plan for the RCO to enhance child well-being through strategic communication, advocacy, and resource mobilization. The RCO budget for 2025 and 2026 was fully met.

The audit team also made several [observations](#) related to the management of the key risks evaluated. In particular, OIAI noted:

- **Risk management:** About 33 per cent of non-staff did not complete mandatory fraud and ethics and integrity training courses as required, and not all IPs received mandatory fraud training to raise their awareness and understanding.
- **Management of IPs:** The RCO lacked oversight of value-added tax (VAT) refunds collected by IPs. Additionally, the RCO did not follow up to ensure IPs comply with VAT requirements, creating a risk that funds could be misused. Furthermore, 25 per cent of IP quarterly progress reports were overdue at the time of the audit fieldwork, which could hinder the RCO's ability to monitor the progress of implementing activities and to substantiate results to headquarters and donors.
- **Programme supplies:** Government IPs did not specify the quantities of supplies required in their supply request letters to the RCO, increasing the risk of waste and misuse of resources. There were inconsistencies between the consignees listed on purchase orders and the entities that ultimately received the supplies, which may undermine accountability and traceability of UNICEF-funded supplies. Furthermore, the RCO did not assess the procurement capacity of a CSO prior to transferring funds for the acquisition and distribution of supplies, resulting in materials worth US\$114,000 being procured and distributed in a manner not aligned with the intended programme activity.
- **Financial assurance activity:** The audit identified weaknesses in the RCO's spot check processes, including the failure to flag ineligible expenditure by external auditors, a lack of follow-up on financial findings, and the closure of action points without appropriate supporting documentation, which increased the risk of fund misuse, non-recovery of financial findings, and potential fraud. In addition, ineligible expenses totaling US\$300,943 were outstanding as of 30 November 2025, with approximately US\$164,000, or 55 per cent, overdue by more than two years.
- **Service contracts:** Two contracts, over the US\$100,000 threshold, were not reviewed by the contract review committee (CRC). One was the lease agreement, which was renewed without an evaluation of the performance of the vendor.
- **Prevention of sexual exploitation and abuse (PSEA):** There were limited resources in the RCO to ensure the implementation of PSEA goals. In addition, there was inconsistent monitoring of the implementation of medium capacity IP action plans. There was no mechanism in place to ensure that non-staff, IPs, subcontractors and service providers received PSEA training. Finally, PSEA was not consistently monitored during programmatic visits (PVs).

The table below summarizes the actions 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 & AUDIT RATINGS	
<p><b>Risk management (Observation 1):</b> Strengthen the monitoring and oversight mechanisms to systematically track, document, and verify compliance with mandatory training requirements for non-staff (e.g., United Nations Volunteers and consultants); and conduct fraud training for all IPs to increase risk awareness and reinforce UNICEF's zero-tolerance policy on fraud.</p>	Medium
<p><b>Management of IPs (Observation 2):</b> Strengthen oversight of VAT refunds by continuing to train CSO partners on VAT refund requirements, incorporating VAT provisions into programme documents, and establishing a follow-up mechanism to ensure that VAT refunds collected are remitted back in a timely manner; establish efficient and effective review processes to ensure timely completion of partnership agreements and release of funds to IPs; strengthen existing mechanisms to ensure that IPs' quarterly progress reports are submitted and reviewed, and accepted on time, to support effective programme oversight, learning, and accountability.</p>	Medium
<p><b>Programme supplies (Observation 3):</b> Strengthen oversight of supplies transferred to IPs by ensuring accurate consignee information and requiring government IPs to use standardized supply request forms that clearly specify item descriptions, quantities, and intended use; ensure that the procurement capacities of CSO IPs are assessed before transferring funds for the procurement of supplies, and increase oversight on supplies procured through CSO IPs.</p>	Medium
<p><b>Financial assurance activity (Observation 4):</b> Strengthen oversight of financial assurance activities by ensuring that all recommendations are systematically reviewed, documented in eTools, and followed up in a timely manner; ensure that outstanding ineligible expenses are reconciled and recovered to mitigate financial risk and reinforce accountability; provide orientation to external auditors before the conduct of spot checks and audits.</p>	High
<p><b>Service contracts (Observation 5):</b> Strengthen the understanding of the supply procedures of its staff to ensure that all contracts that meet the threshold are reviewed by the CRC; enhance the contract management process to ensure that vendor performance is consistently evaluated upon contract completion.</p>	Medium
<p><b>PSEA (Observation 6):</b> Provide adequate resources to ensure the implementation of PSEA programmatic goals; continue to work with the United Nations Inter-Agency PSEA Taskforce to implement the activities in the PSEA action plan; monitor the implementation of PSEA action plans of IPs with low and medium capacity; strengthen the monitoring and oversight mechanisms to systematically track, document, and verify compliance with training requirements for non-staff, IPs,</p>	Medium

subcontractors and service providers; strengthen the monitoring of PSEA during PVs.

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.

*Eva Mavroeidi*

Eva Mavroeidi  
Deputy Director, Internal Audit  
Office of Internal Audit and Investigations

Rwanda has an estimated population of 14.6 million spread over 26,338 square kilometres. Approximately 6.9 million (47 per cent) are under 20 years of age. The country is divided into five provinces, which are further subdivided into 30 districts. In 2024, the country ranked 159 out of 193 countries on the Human Development Index, which seeks to measure social and economic development levels over time, and ranked 43 out of 180 on the 2024 Transparency International Corruption Index.

Rwanda's economy continues to recover from the coronavirus disease pandemic, growing by 8.2 per cent in 2023, and is projected to grow by 6 per cent between 2024-2026. While high, an annual average growth rate of 12 per cent is required for Rwanda to attain its stated goal of reaching middle-income status by 2035. Inflation decreased from a peak of 14 per cent in 2022 to 5 per cent by the end of 2024. Fiscal sustainability remains a concern, with Rwanda's debt projected to stay below 70 per cent of gross domestic product by 2026/2027 through reduced expenditure and increased revenue. While the national budget has grown to US\$4.09 billion in 2024/2025, allocations to social sectors have declined: education dropped to 13.9 per cent of the budget, below the United Nations Educational, Scientific and Cultural Organization's recommended 15–20 per cent, while health stands at 6.6 per cent, well under the Abuja Declaration's 15 per cent benchmark. The social protection sector saw a 2 per cent reduction.

In 2024, Rwanda experienced two public health emergencies: monkeypox (mpox) and Marburg virus disease (MVD). The mpox outbreak affected 74 individuals out of 5,364 suspected cases, with no fatalities, while the MVD outbreak resulted in 66 confirmed cases and 15 deaths, achieving a notably low case fatality rate of 22.7 per cent. Strong government leadership and partnerships ensured rapid containment. The government declared the end of the MVD outbreak on 20 December 2024, reflecting the country's robust health system response capabilities.

**CPD:** The Rwanda CPD 2025-2029 covers six programmatic areas: (i) survive and thrive; (ii) learning and skills; (iii) child protection; (iv) water, sanitation and hygiene (WASH), and climate, environment, energy and disaster risk reduction; (v) social policy; and (vi) programme effectiveness.

UNICEF and its partners provided multisectoral humanitarian responses in several parts of the country, including primary health and nutrition services, WASH, and protection. Programmatic activities included the provision of lifesaving treatment for severe acute malnutrition in refugee camps and health facilities; mental health and psychosocial support; infection prevention and control (IPC) WASH supplies; and protection services.

The current CPD includes a proposed aggregate indicative budget of US\$26 million from regular resources and US\$75 million in other resources. The audit period covered two programme cycles: the July 2018-February 2025 programme cycle and the March 2025-

December 2029 programme cycle. During the period covered by this audit, CPD expenditure totaled US\$62.9 million, as shown below (see Figure 1 and Figure 2).

**Figure 1: Programme spending by outcome in US\$ million - January 2024 to November 2025**

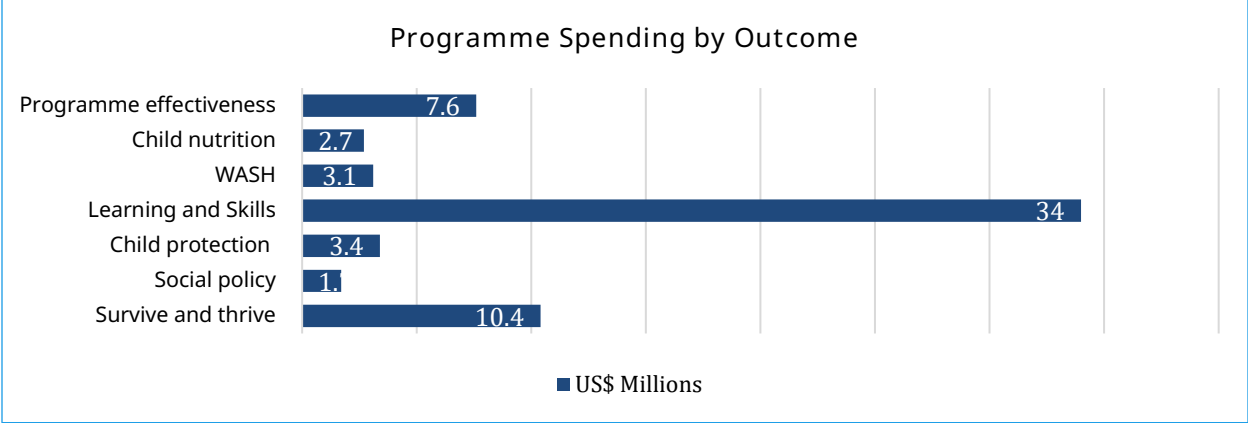


Figure 1 shows that most resources were spent on learning and skills, mostly for building education systems and evidence-informed policies for education, followed by survive and thrive, programme effectiveness, and other outcomes. The expenditure on programme effectiveness includes social and behaviour change, communication, programme coordination and monitoring.

**Figure 2: Expenditure by cost category in US\$ million - January 2024 to November 2025**

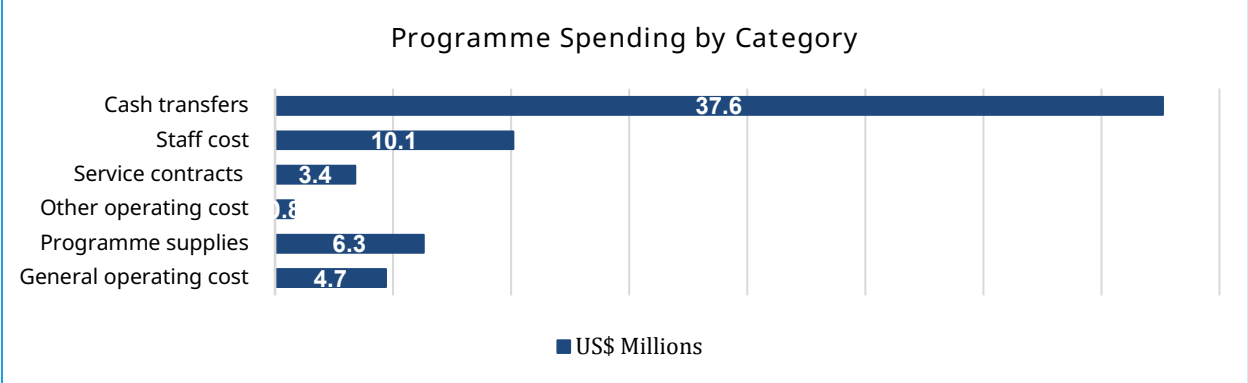


Figure 2 shows that during the audited period, the RCO’s largest expenditure was cash transfers to IPs, US\$37.6 million. The audit reviewed controls over this and other key cost categories, including programme supplies, general operating costs and service contracts. Staff costs were excluded due to centralized and standardized management, which was deemed to lower the risk of error and fraud.

At the time of the audit field work, the RCO had 63 staff (15 international professionals, 32 national officers, and 16 general service positions) and 13 vacancies. The main office is in the capital, Kigali, with no field offices.

In early 2025, UNICEF launched the Future Focus Initiative (FFI), a global review to assess and enhance its organizational structure, risk management, and oversight mechanisms. The goals are to ensure that UNICEF remains affordable and fit for purpose by identifying strategic shifts and cutting costs. The FFI is projected to deliver over US\$563 million in cost savings and a net reduction of 2,351 posts to UNICEF during the Strategic Plan 2026–2029 period. The impact on the RCO in 2025 has been the reduction of 14 posts and related budget reduction.

# AUDIT OBJECTIVES, SCOPE AND APPROACH

The audit scope was determined during the audit planning process based on an assessment of the inherent<sup>1</sup> risks of the RCO, and included the following areas:

- Governance
- Risk management
- Programme management
- Resource mobilization
- Programme evaluation and reporting
- Joint programmes
- Management of IPs
- Cash transfers
- Programme supplies
- Harmonized approach to cash transfers (HACT) assurance
- Construction
- Service contracts
- Cash assistance
- PSEA
- Emergency response

The audit fieldwork was conducted from 17-28 November 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 30 November 2025. The audit involved a combination of methods, tools and techniques, including interviews, data analytics, document review, tests of transactions, evaluations and validation of preliminary observations.

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<sup>1</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.

The key areas where actions are needed are summarized below.

## 1. Risk management

Medium

*About 33 per cent of non-staff did not complete mandatory fraud, ethics and integrity training courses as required, and not all IPs received mandatory fraud training to raise their awareness and understanding.*

The RCO issued an anti-fraud strategy in November 2025 that set out the roles and responsibilities of management and staff members and the key fraud prevention, detection and reporting measures. It is aligned with the UNICEF Policy on Anti-Fraud and Corruption. Regular refresher courses are conducted annually for all personnel to reinforce key concepts, update them on new fraud schemes, and review best practices in fraud prevention and detection. All staff completed the mandatory training courses on fraud and ethics and integrity.

The audit evaluated the adequacy of the RCO's approach to assessing and managing risk, including fraud risk, and ensuring adequate controls and effective mitigation measures were in place. The audit identified the following areas for improvement to further strengthen risk management activities:

**Risk assessment:** The RCO conducted annual risk and fraud risk assessments through a collaborative process with input from the entire country office. The audit reviewed the draft 2025 risk register, awaiting approval from the country management team (CMT), noting that it included 12 risks with four rated medium and eight low. The risk register included mitigation measures, with identified risk owners and clear implementation timelines, to address the identified risks. The effectiveness of mitigation measures was monitored through follow-up with action owners and at CMT and emergency management team meetings. During the period under review, the RCO transferred US\$2.8 million for construction projects and US\$6.3 million in programme supplies to IPs. These funds represented 4 per cent and 10 per cent, respectively, of US\$62.9 million in total expenditure. The RCO informed the audit team that risks related to construction projects and programme supplies were assessed and discussed during the risk assessment exercise. After notification from the audit team, these risks were later approved during the December 2025 CMT meeting and included in the risk register. The audit identified some gaps during the review of construction projects and programme supplies.

**Non-staff completion of mandatory training courses:** Non-staff must complete applicable mandatory training courses, including fraud and ethics and integrity, which will have to be completed before starting their work. Different mandatory training courses may be required depending on whether the requirements include on-site presence, travel

or are fully remote. There were 6 out of 27 non-staff who had not completed the mandatory fraud course, and 13 out of 40 for the ethics and integrity course. The recently issued anti-fraud strategy requires that non-staff complete the fraud awareness and ethics and integrity training courses within two weeks of starting.

**Fraud training for IPs and service providers:** Country offices are also required to provide anti-fraud training to IPs and service providers, as it is an important control for fraud detection and prevention. The RCO provided training to IPs involved in one of its flagship projects in October 2025. However, the audit team noted that it did not track to ensure that all IPs completed the mandatory online training on fraud awareness, nor whether they had received the fraud training. The RCO conducted a fraud awareness session with service providers with expected expenditures of US\$100,000 and above in December 2025, as stated in its anti-fraud strategy. The lack of or delay in providing fraud training increased the RCO's exposure to potential fraud, which could result in financial losses, reputational damage, and non-implementation of planned activities.

**Root causes:** The lack of comprehensive risk assessment was due to a gap in knowledge of risk management and limited management oversight. There was also limited oversight of mandatory training of non-staff and IPs.

## AGREED ACTIONS 1

The RCO should:

- i. Strengthen the monitoring and oversight mechanisms to systematically track, document, and verify compliance with mandatory training requirements for non-staff (e.g., United Nations Volunteers and consultants).
- ii. Conduct fraud training for all IPs to increase risk awareness and reinforce UNICEF's zero-tolerance policy on fraud.

**Staff Responsible:** i. People and Culture Officer and People and Culture Associate; ii. Risk focal point and HACT Officer

**Implementation Date:** December 2026

## 2. Management of IPs

Medium

*The RCO lacked oversight of VAT refunds collected by IPs. Additionally, the RCO did not follow up to ensure IPs comply with VAT requirements, creating a risk that funds could be misused. Furthermore, 25 per cent of IP quarterly progress reports were overdue at the time of the audit fieldwork, which could hinder the RCO's ability to monitor the progress of implementing activities and to substantiate results to headquarters and donors.*

From January 2024 to November 2025, the RCO worked with 62 IPs, including 27 government IPs. During the same period, the RCO signed 34 new programme documents (PDs). The audit team assessed controls around the management of IPs, including approval of PDs, oversight of VAT refunds and the submission of IP quarterly progress reports. The following were noted:

**VAT on UNICEF-funded projects:** Rwanda's VAT laws exempt international organizations that have signed cooperation agreements with the Government of Rwanda, as well as the projects they fund. At the time of the audit fieldwork, the RCO qualified for this VAT exemption. The law requires partners implementing projects funded by these international organizations to claim refunds from the Rwanda Revenue Authority (RRA) for any VAT paid on such projects. The VAT refunds should be remitted back to the respective international organizations. The audit team noted that although the RCO was exempt from VAT, it lacked visibility over VAT refunds collected by IPs under UNICEF-funded projects. No VAT refunds were received from these partners during the audited period. The RCO reported that most active partners had been trained on the VAT reimbursement process during HACT training in February 2025; however, many CSO partners had not taken the necessary steps to initiate refund claims. The audit team also found no evidence of follow-up by the RCO to ensure IP compliance with VAT requirements. In addition, PDs signed with CSO IPs did not include provisions requiring adherence to VAT refund obligations. Failure to recover these VAT refunds increases the risk that CSOs may use the funds for purposes not aligned with UNICEF-funded activities.

**Development of PDs:** The UNICEF Programme Implementation Handbook requires country offices to initiate and finalize PDs and simplified PDs within 45 working days in regular contexts and 15 working days in humanitarian contexts. While PDs were selected through competitive processes and reviewed by the partnership review committee, 5 of the 34 new PDs, including one humanitarian PD, were not approved within the prescribed timelines. For example, the humanitarian PD was signed 73 working days after submission by the IP. The RCO explained that the delays were due to extended back-and-forth discussions between IPs and programme staff. Timely completion of PDs is critical to ensure that resources are transferred to IPs promptly and that activities can be implemented within the grant validity period.

**Review of implementing partners' work:** IPs are required by the UNICEF Programme Implementation Handbook to submit quarterly progress reports using the eTools partner reporting portal (PRP)<sup>2</sup> or, for those partners without internet access, via paper forms uploaded in eTools. These reports are expected to include the progress of planned activities and the implementation of PSEA measures. Overall, 36 of the 143 quarterly progress reports were overdue as of 26 November 2025, including 15 that had been

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<sup>2</sup> The Partner Reporting Portal is an online platform enabling civil society implementing partners to report progress against results jointly planned in partnerships with UNICEF. The portal is designed to increase programme efficiency and reduce the burden on partners by streamlining the reporting process.

outstanding for more than one year. The RCO explained that mandatory submission through the PRP module was introduced only in 2025 and that some reports had been received from partners but had not yet been uploaded into eTools. However, supporting documents provided after the audit fieldwork showed that 29 of these quarterly reports were only submitted by IPs and reviewed by programme staff in eTools between the end of November and late December 2025. These reporting gaps and delays hinder the RCO's ability to monitor the progress of implementing activities and to substantiate results to headquarters and donors.

**Root causes:** The lack of visibility over VAT refunds under UNICEF-funded projects was primarily due to insufficient follow-up and communication to IPs regarding VAT refund provisions. Other potential root causes are the lengthy review process for partnership documents, which further delays programme implementation and insufficient monitoring and follow-up of IP compliance requirements.

## AGREED ACTIONS 2

The RCO should:

- i. Strengthen oversight of VAT refunds by continuing to train CSO partners on VAT refund requirements, incorporating VAT provisions into PDs, and establishing a follow-up mechanism to ensure that VAT refunds collected are remitted back in a timely manner.
- ii. Establish efficient and effective review processes to ensure timely completion of partnership agreements and release of funds to IPs.
- iii. Strengthen existing mechanisms to ensure that IP quarterly progress reports are submitted and reviewed, and accepted on time, to support effective programme oversight, learning, and accountability.

**Staff Responsible:** i. HACT Officer, Chief of Planning, Monitoring and Evaluation (PME) and Finance Specialist; ii. Deputy Representative Programme, Chief of PME and HACT Officer; iii. HACT Officer, Programmes, and Chief of PME

**Implementation Date:** December 2026

### 3. Programme supplies

Medium

*Government IPs did not specify the quantities of supplies required in their supply request letters to the RCO, increasing the risk of waste, and misuse of resources. There were inconsistencies between the consignees listed on purchase orders and the entities that ultimately received the supplies, which may undermine accountability and traceability of UNICEF-funded supplies. Furthermore, the RCO did not assess the procurement capacity of a CSO prior to transferring funds for the acquisition and distribution of supplies,*

*resulting in materials worth US\$114,000 being procured and distributed in a manner not aligned with the intended programme activity.*

During the period under audit, the RCO transferred supplies worth US\$6.2 million to IPs, of which US\$5.8 million or 97 per cent was transferred directly from vendors to IPs, and 3 per cent or US\$0.2 million was transferred from the UNICEF warehouse to IPs. The audit team assessed the controls surrounding the transfer of those supplies, warehousing, and supply monitoring as follows:

**Supplies transferred directly from vendors to IPs:** The audit team selected 15 purchase orders for supplies transferred directly from vendors to IPs, totaling US\$2.5 million from these supplies. The auditors noted the following:

- According to the UNICEF Programme Implementation Handbook, all IPs except United Nations partners must use the standard supply request form to request supplies as agreed in workplans or partnership agreements. Government IPs did not follow this requirement. Instead, they submitted supply requests to the RCO through letters, which did not specify the quantities of supplies required. For instance, in all 15 purchase orders tested, none of the accompanying request letters included details on the quantities requested. The RCO explained that this omission was due to the government's practice of requesting supplies from multiple development agencies simultaneously to meet its total supply needs. The failure to specify quantities in supply requests increases the risk of waste, inefficiencies, and potential misuse of resources.
- The audit team noted discrepancies between the consignee information listed on purchase orders and the entities that ultimately received the supplies. For example, in 3 of the 15 purchase orders reviewed, supplies were delivered to a government IP even though the consignee listed on the purchase order was another government IP. According to the supply and logistics manager, the standard practice is to list the requesting government IP as the consignee. However, due to storage constraints, requesting government IP sometimes instructs that supplies be delivered to the other government IP warehouses, in line with the existing memorandum of understanding between the two IPs. In three other purchase orders, the supplies were delivered to the RCO despite the requesting government IP being listed as the consignee. The RCO further explained that all information technology supplies necessitated pre-delivery inspection at UNICEF premises to assess their specifications before final handing over to the IPs. Although the RCO reported that it regularly conducts end-user monitoring of supplies, accurately recording the correct consignee on purchase orders remains essential. [REDACTED]

[REDACTED].  
The IP reported limited oversight of the supplies transferred to them, as most

consignments were sent directly to the central government warehouse. The RCO explained that there is a rigorous national supply chain system to track the movement of supplies from central, regional, and district levels to facilities.

**Procurement of programme supplies through direct cash transfer:** Through review of sample funding authorization and certificate of expenditure (FACE) forms, the audit team identified supplies valued at approximately US\$5.2 million (US\$4.7 million through government IPs and US\$0.5 million through CSOs). Procurement conducted through government systems complied with grant requirements; the government procurement capacity was assessed as effective through a macro assessment. However, the RCO did not assess the procurement capacity of CSO IPs before transferring cash to them for procurement and distribution of supplies, as required by the UNICEF Programme Implementation Handbook. As a result, a CSO IP distributed storybooks to selected schools before obtaining written clearance from the relevant government authorities. For example, 8 of the 23 school materials distributed for the remedial learning programme for learners in the lower primary grades, valued at approximately US\$114,000, were not recommended for the programme. Although the country office informed the auditors that the government later authorized these storybooks to be placed in school libraries, they did not fulfil their intended purpose. The RCO stated that the plan to provide storybooks to 155 schools as part of the remedial education programme was presented at remedial education taskforce meetings chaired by government officials. Nonetheless, written government approval of the printed storybooks and the distribution plan was not obtained before the distribution.

**Root causes:** The gaps described above can be attributed to: i) lack of procurement capacity assessment of a CSO and insufficient oversight over supplies procured by them. There was also a misalignment between the supply information on the purchase orders and the delivery documents.

## AGREED ACTIONS 3

The RCO should:

- i. Strengthen oversight of supplies transferred to IPs by ensuring accurate consignee information and requiring government IPs to use standardized supply request forms that clearly specify item descriptions, quantities, and intended use.
- ii. Ensure that the procurement capacities of CSO IPs are assessed before transferring funds for the procurement of supplies and increase oversight on supplies procured through CSO IPs.

**Staff Responsible:** i. Supply and Logistics Specialist; ii. Supply and Logistics Specialist, section chiefs, Deputy Representative Programme

**Implementation Date:** June 2026

## 4. Financial assurance activities

High

*The audit identified weaknesses in the RCO's spot check processes, including the failure to flag ineligible expenditure by external auditors, a lack of follow-up on financial findings, and the closure of action points without appropriate supporting documentation, which increased the risk of fund misuse, non-recovery of financial findings, and potential fraud. In addition, ineligible expenses totaling US\$300,943 were outstanding as of 30 November 2025, with approximately US\$164,000, or 55 per cent, overdue by more than two years.*

Under the HACT framework, UNICEF country offices must carry out assurance activities, including programme visits, spot checks and audits, to ensure IPs' proper use of cash transfers. The framework also requires timely, complete and accurate follow-up of financial findings from assurance activities. During the audit period, the RCO completed 43 spot checks, exceeding the minimum risk-based HACT assurance activity requirements. The audit team assessed the RCO's planning, execution, quality assurance and follow-up of assurance activities and noted the following areas for improvement:

**Performance of spot checks:** Spot checks assure the RCO that cash transferred to IPs is used as planned. The audit team noted the following from a sample of 15 spot checks tested:

- There were several financial findings in six of the spot check reports that were neither reported as ineligible expenses nor adequately followed up on. For instance, one report noted a rent payment of US\$1,645 that was not approved by UNICEF, however, the external auditors did not flag this expenditure as ineligible in eTools. The RCO indicated that it had followed up with the IP and that the amount was refunded. The audit team requested but did not receive proof of refund. Additionally, three spot check reports included expenditure incurred after the FACE form reporting period, yet these were not classified as ineligible by the external auditors. In one case, a facilitation fee was reported as spent even though it had not been paid by the end of the reporting period. Another spot check report included field mission expenses incurred two weeks after the FACE form reporting period, yet these expenses were also not flagged as ineligible. The RCO explained that IPs applied the accrual basis of accounting, recording commitments as expenses. However, this approach is inappropriate as the FACE form is intended to capture actual expenditure and ensure that unspent balances can be reimbursed or reprogrammed. Furthermore, three other spot check reports identified expenditure that lacked supporting documentation, yet these were not recorded in eTools as ineligible expenses. For example, one report included a training expenditure of US\$14,500 without a participant list or training report to verify that the activity had taken place. Despite the absence of supporting evidence, this amount was not flagged as an ineligible expense in eTools. Despite the gaps noted above, the audit team did not obtain evidence that the RCO reviewed or

followed up on these spot check findings. Failure to properly identify, document, and address financial findings increases the risk of funds being misused.

- The audit team also noted four action points from assurance activities that were closed without adequate supporting documentation. For instance, one recommendation required the IP to claim VAT from the RRA and remit it to UNICEF. However, the recommendation was closed without proof of VAT refund being uploaded to eTools. In another case, the IP was instructed to reimburse US\$65,810, representing the difference between the amount reported on the FACE form and the actual expenditure. This recommendation was also closed without proof of refund. Closing audit recommendations without sufficient supporting documentation may lead to non-recovery of funds, failure to strengthen internal controls, and an increased risk of fraud.

**Lack of IP audits:** There were no audits conducted in 2024 despite some IPs liquidating cash within the US\$100,000 threshold for an audit. For example, two IPs liquidated cash transfers totaling US\$4.6 million and US\$6.4 million in June and October 2024, respectively, yet no audits were conducted for these partners. The RCO explained that these IPs were not in the list of IPs to be audited provided by UNICEF Division of Data, Analytics, Planning and Monitoring.

**Aged ineligible expenses:** UNICEF guidance on the follow-up of financial findings from spot checks and audits, requires country offices to address such findings in a timely and accurate manner. The audit team noted that management's follow-up on ineligible expenses was not effective. US\$300,943 remained outstanding as ineligible expenses as of 30 November 2025, with about US\$164,000 or 55 per cent overdue by more than two years. This amount does not include any expenses identified as ineligible in the spot-check reviewed above. The RCO reported that it had followed up on outstanding ineligible expenditures, reducing the balance to US\$133,108 at the end of December 2025. The audit team noted insufficient documentation supporting some of the ineligible expenses that were closed by the RCO after fieldwork. For example, a 2023 audit finding of US\$101,304 (variance between the expenditure reported in the FACE form and actual expenditure in the cash book for the period 1 July 2021 to 31 August 2022) was subsequently closed by the country office in December 2025 using an expenditure listing, of which US\$55,237 related to costs incurred way beyond the FACE form reporting period. The RCO indicated that it had authorized the IP to incur these expenditures, but no documentation was provided to substantiate this approval. Weak follow-up and the absence of a systematic tracking mechanism increase the risk of fraud and non-recovery of ineligible expenses.

**Root causes:** The above gaps can be attributed to insufficient oversight over the conduct of assurance activities and follow-up of assurance activities findings, combined with insufficient orientation to external auditors before the spot checks and audits.

## AGREED ACTIONS 4

The RCO should:

- i. Strengthen oversight of financial assurance activities by ensuring that all recommendations are systematically reviewed, documented in eTools, and followed up in a timely manner.
- ii. Ensure that outstanding ineligible expenses are reconciled and recovered to mitigate financial risk and reinforce accountability.
- iii. Provide orientation to external auditors before the conduct of spot checks and audits.

**Staff Responsible:** i. Chief PME and HACT Officer; ii. Chief PME, HACT Officer and Finance Specialist; iii. Chief PME, HACT Officer, Finance Specialist and Operations Manager

**Implementation Date:** December 2026

## 5. Service contracts

Medium

*Two contracts, over the US\$100,000 threshold, were not reviewed by the CRC. One was the lease agreement, which was renewed without an evaluation of the performance of the vendor.*

All country offices must follow the UNICEF procedures for procuring and managing third-party services. These include ensuring service contracts align with programme needs and that procurement processes reflect value-for-money, integrity, transparency and fairness. For higher-value contracts, bids must undergo technical and financial evaluations and are subject to CRC review.

During the audit period, the RCO disbursed US\$12.1 million through 300 purchase orders to procure goods and services. The audit assessed the adequacy of internal controls related to procurement, monitoring, vendor performance evaluation and contract closure. The audit team reviewed the procurement process for the top three vendors, amounting to US\$3.1 million or 27 per cent of the total disbursement during the audit period. The following were noted:

**CRC members' training:** The audit team found that 9 out of 11 CRC members had not completed the required procurement training prior to participating in CRC meetings in 2025. Completing this training enhances an individual's knowledge and awareness to support risk management and facilitate an independent review of the procurement process for higher-value goods and services. Since the audit team's fieldwork and before finalizing the report, the RCO provided evidence that all CRC members have completed the

required procurement training. Therefore, no recommendation will be made concerning this observation.

**Procurement of services:** In procurement, establishing spending limit authority ensures the effective exercise of financial controls and supports responsible spending. The audit team reviewed 10 purchase orders from the top three vendors totaling US\$2.7 million. The audit team noted that the tendering process for the selected purchase orders was in line with UNICEF procedures. For one vendor, who received about US\$1.4 million, the audit selected five purchase orders totaling about US\$1 million for review. Three out of the five purchase orders were reviewed by the CRC, as required, and the technical and financial evaluations were also properly conducted. For another purchase order, which was below the CRC threshold, the RCO obtained three quotes from long-term agreement holders and selected the one vendor with the lowest cost. The remaining purchase order, amounting to about US\$270,000, was not reviewed by the CRC, despite exceeding the US\$100,000 threshold. The purchase order was issued in response to a request for additional goods from a government partner a few months after the initial request. The RCO elected to proceed with the same vendor, which was previously recommended by the CRC, at the same cost to expedite the procurement process. A note for the record was prepared to explain the rationale for the decision.

For another vendor, who received US\$1.1 million, the audit team reviewed all three purchase orders related to the renewal of the RCO's lease agreement in 2023. The initial lease agreement was reviewed by the CRC in 2020 and was awarded for three years. The audit noted that the 2023 lease renewal, for an additional three-year period, was not reviewed by the CRC. In June 2025, there was an amendment to the lease agreement in the form of a price reduction for the remaining year, resulting in an advance payment. The advance payment was properly approved by the UNICEF Division of Financial and Administrative Management.

For the final vendor, the RCO disbursed about US\$800,000 for in-kind contribution. The audit team reviewed two purchase orders totaling about US\$700,000. The in-kind contribution was based on a tripartite agreement between UNICEF, a National Committee and a humanitarian organization, which was approved at headquarters. The product was technically evaluated and approved for use in UNICEF programmes by UNICEF Supply Division. All payments on the selected purchase orders were made timely based on supporting documents that confirm the receipt of goods, works, or services, in a timely manner, and against an invoice from the vendor.

**Performance evaluation of vendors:** UNICEF requires the contract manager to evaluate the vendor's performance and use the results of such evaluations to implement appropriate measures to improve the vendor's performance. The performance evaluation of the vendors managed at the RCO level was conducted for all selected purchase orders, except for the lease agreement. The audit noted that the lease was renewed without an

evaluation of the performance of the vendor. The RCO informed the audit team that it was satisfied with the vendor's performance. The lack of performance evaluation increased the risk that the RCO might engage underperforming vendors, which could result in subpar service, mismanagement of funds and greater exposure to fraud.

**Root causes:** The lack of review of applicable purchase orders by the CRC as well as the inconsistent evaluation of the performance of vendors was due to a gap in knowledge of supply procedures, and limited oversight over quality assurance processes.

## AGREED ACTIONS 5

The RCO should:

- i. Strengthen the understanding of the supply procedures of its staff to ensure that all contracts, meeting the threshold, are reviewed by the CRC.
- ii. Enhance the contract management process to ensure that vendor performance is consistently evaluated upon contract completion.

**Staff Responsible:** i. and ii. Supply Officer

**Implementation Date:** June 2026

## 6. PSEA

Medium

*There were limited resources in the RCO to ensure the implementation of PSEA goals. In addition, there was inconsistent monitoring of the implementation of the action plans of IPs with medium capacity. There was no mechanism in place to ensure that non-staff, IPs, subcontractors and service providers received PSEA training. Finally, PSEA was not consistently monitored during PVs.*

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 (SEA), for example, by reinforcing the importance of these activities in the CMT and at other staff meetings. This messaging was further reinforced at the recent retreat and through PSEA posters placed strategically in and around the office. The RCO's PSEA focal point had a relevant technical background. Additionally, all staff completed the mandatory PSEA training course and the focal point provided adapted PSEA training to all new staff. The RCO raised awareness in communities, conducted a survey on SEA reporting channels, and ensured they were functional and accessible. The audit identified the following areas for improvement to further strengthen PSEA activities:

**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 PSEA focal point reported to the Representative and also held responsibilities as a child protection specialist, meaning that only 50 per cent of the time was allocated to PSEA. This, coupled with conflicting priorities, including the development of the new CPD and the FFI, led to activities in the 2025 PSEA action plan being delayed. The RCO is planning to recruit a United Nations Volunteer to support the PSEA focal point.

The RCO is an active member of the United Nations Inter-Agency PSEA Taskforce. During the period under audit, the taskforce facilitated PSEA training for United Nations agencies' staff and partners and key PSEA messages were integrated into community sensitization and engagement efforts during the emergency response. The implementation of the activities in the 2025 inter-agency PSEA action was delayed due to staff mobility and the increased focus on staffing reduction and restructuring in United Nations agencies.

**IP PSEA assessments:** Any partner with a low or medium PSEA capacity rating develops and submits, within one month of the PSEA assessment date, an action plan to address gaps in its organizational capacity to prevent and respond to SEA. The partner has six months to implement the action plan and improve to full capacity. There were six IPs with medium SEA capacity in 2025. The RCO did not consistently monitor and track implementation of their action plans, due to limited PSEA resources and conflicting priorities. There was also one IP rated low capacity during the same period. The IP completed its action plan in September 2025. The audit noted that only 2 out of 10 actions included in the action plan were completed as of November 2025. The RCO implemented mitigation measures to manage the IP, including integration of two PSEA indicators in the PD's result framework, ensuring that all the IP's staff completed the UNICEF online PSEA training, the PSEA focal point training the IP staff and conducting a programmatic visit in November 2025. In addition, the RCO monitored the development of the policies and procedures to ensure that the IP obtains the required institutional capabilities to prevent and respond to SEA. The inconsistent monitoring of the implementation of the IPs' action plans increased the risk of SEA.

**PSEA training:** Another effective way to help UNICEF meet its zero tolerance for SEA is to provide PSEA training to all staff, consultants and IPs who directly interact with beneficiaries or affected communities. This training ensures that UNICEF has equipped these individuals with the knowledge to prevent, respond to, and report on SEA. Nine non-staff completed the mandatory PSEA training after the audit fieldwork upon notification by the audit team. Two non-staff finalized their assignments without completing the PSEA training. The RCO provided training on PSEA to IPs and some of its service providers. While attendance at these training sessions is recorded, the RCO did not have a mechanism in place to track/monitor to ensure that all IPs and service providers requiring this training were trained. Similarly, there was a need to ensure that IP subcontractors are trained. Inadequate monitoring of PSEA training increased the beneficiaries' exposure to

potential SEA and could lead to a loss of trust among beneficiaries and the communities served, ultimately damaging UNICEF's reputation.

**PSEA monitoring:** The RCO shared a simplified tool to help its staff in monitoring PSEA during field and PVs. The audit team reviewed a sample of 14 PV reports noting that in four reports, PSEA was not monitored. Inconsistent PSEA monitoring during PVs could impede the RCO's ability to identify gaps in PSEA and take corrective actions promptly.

**Root causes:** The delay in the implementation of the activities in the RCO's PSEA action plan as well as inconsistent monitoring of the implementation of action plans of IPs with medium capacity resulted from the limited resources and conflicting priorities (CPD development and FFI) during the period. The delay in the implementation of the inter-agency PSEA action plan was due to lack of resources among the United Nations agencies. There was also limited management oversight of PSEA training to non-staff, IPs, subcontractors and service providers. Finally, the lack of consistent monitoring of PSEA during PVs was due to a limited understanding of staff of the UNICEF Procedure for managing risks of sexual exploitation and abuse in implementing partnerships.

## AGREED ACTIONS 6

The RCO should:

- i. Provide adequate resources to ensure the implementation of PSEA programmatic goals.
- ii. Continue to work with the United Nations Inter-Agency PSEA Taskforce to implement the activities in the PSEA action plan.
- iii. Monitor the implementation of PSEA action plans of IPs with low and medium capacity.
- iv. Strengthen the monitoring and oversight mechanisms to systematically track, document, and verify compliance with training requirements for non-staff, IPs, subcontractors and service providers.
- v. Strengthen the monitoring of PSEA during PVs.

**Staff Responsible:** i. People and Culture Officer and PSEA focal point; ii. PSEA focal point; iii. PSEA focal point and Chief PME; iv. PSEA focal point, People and Culture Officer, HACT Officer and Supply Specialist; v. PSEA focal point and HACT Officer

**Implementation Date:** December 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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