

Report on the Internal Audit of the Chile 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 UNICEF Chile Country Office, covering the period from January 2024 to October 2025. The audit was conducted in 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 Chile Country Office. The specific risks evaluated are set out in the Audit Objectives, Scope and Approach section of this report. The audit also contributes to OIAI's broader regional assurance and risk assessment activities for the Latin America and the Caribbean region.

During the period under review, the Chile Country Office operated in a context of significant organizational and financial transition, including a planned shift towards a self-financing model in which private sector fundraising (PSFR) would become the primary source of funding for programme delivery, operations and the office's continued presence. The Country Office managed a substantial PSFR portfolio that generated the majority of its resources locally, implemented programme activities primarily through partnerships, and operated in an environment that required robust safeguarding, assurance and oversight arrangements. These factors heightened governance, financial sustainability, assurance and reputational risks. The audit, therefore, sought to assess whether the Country Office's governance, risk management and control arrangements were adequate to support the transition to a self-financing model and manage the associated risks effectively.

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:

- **Structured governance and change management during transition:** The Country Office developed and implemented a detailed transition planning framework covering governance, staffing, communications and operational continuity to support its move towards a self-financing model. This exceeded typical planning requirements and helped maintain management oversight, staff engagement and business continuity during a period of heightened governance and sustainability risk.



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

- **Governance:** During the period under review, the Country Office operated with generally sound governance arrangements while transitioning towards a self-financing office model. Although oversight structures and change management initiatives were in place, the transition introduced new governance challenges related to income concentration, evolving oversight expectations, and the integration of risk and assurance information across functions. In the absence of a fully articulated corporate framework for self-financed offices, governance decision-making increasingly relies on management judgement and coordination with the Latin America and Caribbean Regional Office (LACRO) and Headquarters (HQ).
- **Risk and fraud risk management:** The Country Office demonstrated generally sound risk and fraud risk management practices, supported by a strong speak-up culture, risk-based partner due diligence and timely incident response. These arrangements helped mitigate operational and reputational risks. However, reliance on a limited partner base in higher-risk contexts and the presence of integrity red flags in certain vendor and partner relationships require continued attention to ensure that fraud prevention, detection and monitoring measures remain proportionate to evolving risk exposures.



- **Harmonized approach to cash transfers (HACT):** The Country Office exceeded its coverage targets in applying the HACT assurance arrangements for financial and programmatic monitoring of implementing partners. However, delays in addressing high-risk micro-assessment recommendations and weaknesses in the quality and documentation of some programmatic visits indicate gaps in the effectiveness of HACT implementation and the reliability of assurance regarding partner capacity and use of funds.
- **Protection from sexual exploitation and abuse (PSEA):** The Country Office has established solid PSEA awareness and coordination arrangements; however, reliance on a focal point with multiple additional responsibilities, and increased engagement with service providers and community-facing actors, create a risk of uneven coverage. Further strengthening of capacity and outreach would help ensure consistent awareness and application of PSEA standards across all actors.

The table below summarizes the recommended actions 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.

| RECOMMENDATIONS & AUDIT RATINGS | |
|---|--------|
| <p>Governance (Observation 1): The Chile Country Office should conduct periodic scenario and stress-testing exercises addressing potential disruptions to domestic fundraising income, reputational events and adverse regulatory changes, and use the results to strengthen contingency planning and decision-making related to the self-financing model; create a concise, consolidated cross-functional risk and assurance summary for regular review by the Country Management Team to enhance strategic visibility and coordinate oversight across programme, operations and fundraising functions; systematically document and share key governance and oversight lessons from the transition to the self-financing model, including agreed coordination arrangements with the Regional Office and Headquarters, with the Private Fundraising and Partnerships Division to support corporate learning and ongoing refinement of the High-Income Country Framework.</p> | High |
| <p>Risk and fraud risk management (Observation 2): The Chile Country Office should strengthen fraud risk management of higher-risk partners by reinforcing fraud prevention, reporting and monitoring arrangements to align with their risk profile; before engaging, consistently identify fraud-risk and red flags in implementing partner and vendor due diligence assessments to identify and mitigate integrity and compliance concerns.</p> | Medium |

| | |
|---|--------|
| [Redacted] | Medium |
| [Redacted] | |
| <p>Harmonized approach to cash transfers (Observation 4): The Chile Country Office should ensure timely sharing of micro-assessment and spot-check reports with implementing partners; reinforce the minimum standards for field verification, documentation and recording of action points in eTools; systematically track and close high-risk recommendations in eTools to support improved follow-up on assurance results.</p> | Medium |
| <p>Protection from sexual exploitation and abuse (Observation 5): The Chile Country Office should assess the adequacy of the time allocated to the PSEA focal point to discharge their duties; formally allocate sufficient time to the PSEA focal point to perform their coordination and outreach activities; ensure that back-up arrangements are in place to maintain sustained coverage of the PSEA focal point's duties; establish a process to confirm and periodically verify that service providers, vendors and other community-facing actors are informed of PSEA standards and reporting channels.</p> | Medium |

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 OIAI is to provide an independent assessment of those governance, risk management and control processes.

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Chile is a high-income country with strong national institutions and policy frameworks. Yet persistent disparities continue to affect children and adolescents, particularly in areas related to social inclusion, protection, education outcomes and access to services for vulnerable populations. These gaps shape UNICEF's engagement in Chile, which focuses primarily on upstream policy advocacy, systems strengthening and technical assistance at national and subnational levels, rather than large-scale direct service delivery.

During the period under review, the Country Office operated in a relatively stable environment while responding to time-bound humanitarian and migration-related needs in northern regions through temporary field arrangements. Its work relied primarily on partnerships with civil society organizations (CSOs), service providers and vendors, and sustained public trust and institutional credibility. These elements require robust governance, safeguarding and assurance arrangements to manage fiduciary, reputational and integrity risks.

At the same time, the Country Office entered a significant strategic transition driven by reductions in regular and other resources and the conclusion of migration-related funding. In response, the office initiated preparations to transition towards a self-financing operating model, under which PSFR would become the primary source of funding for programme delivery and office operations. This shift increased the strategic importance of effective governance, risk management, assurance integration, and oversight of fundraising, partnerships and internal controls.

UNICEF Chile Country Programme

The UNICEF Chile Country Programme during the audit period was guided by the July 2023 – December 2026 Country Programme Document. The programme focused on child protection and justice, education and youth empowerment, social inclusion and programme effectiveness, with an emphasis on upstream policy influence, advocacy and institutional capacity development. Programme delivery was implemented through a limited number of civil society partners and government counterparts, supported by programmatic monitoring and financial assurance arrangements in line with corporate requirements.

Between January 2024 and October 2025, the Country Office worked with 11 implementing partners and transferred approximately US\$1.9 million in cash, primarily to CSOs. In parallel, the office managed a large and mature PSFR operation that generated the majority of its resources locally and played a central role in financing programme delivery and office operations. Fundraising activities involved extensive engagement with external vendors, high-volume financial transactions, and the handling of donor data, underscoring the importance of sound governance, risk management, safeguarding and internal control processes, particularly as the Country Office transitions towards a self-financing operating model.

Figure 1 shows the distribution of actual programme expenditure by outcome during the period under review. PSFR accounted for the largest share of expenditure, reflecting its central role in financing programme delivery and office operations. The remainder was allocated to Migration Emergency Response, Programme Effectiveness, Education and Youth Empowerment and other programme areas.

Figure 1: Programme spending by outcome in US\$ thousands – January 2024 to October 2025

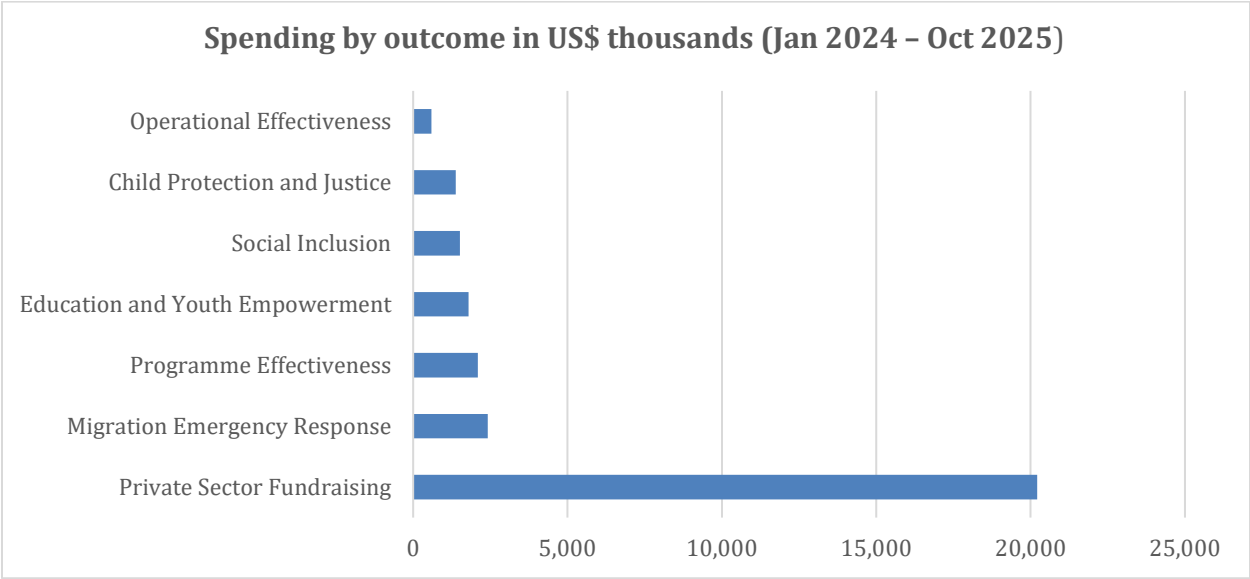


Figure 2: Expenditure by cost category in US\$ thousands – January 2024 to October 2025

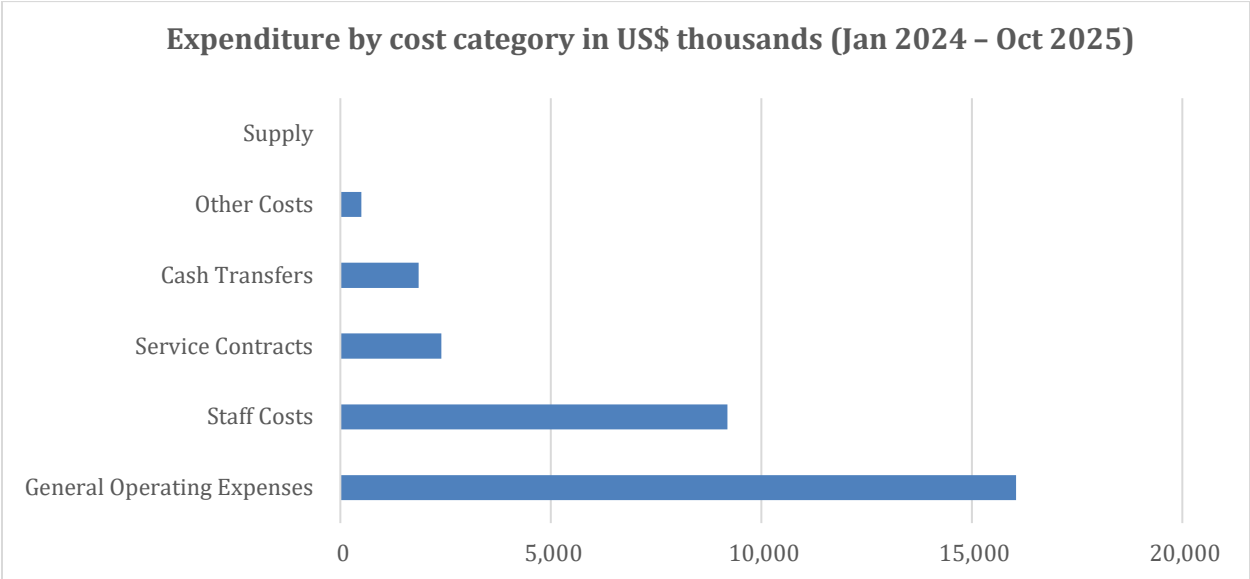


Figure 2 shows the Country Office's expenditure by cost category during the period under review. General operating expenses, largely driven by PSFR activities, represented the largest share of expenditure, followed by staff costs, service contracts and cash transfers to implementing partners. The audit focused on the cost categories most relevant to the assessed risk areas, particularly those associated with programme delivery, fundraising operations and related assurance arrangements.

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 Chile Country Office.

The audit scope was determined during the audit planning process based on an assessment of the inherent risks¹ of the Chile Country Office and focused on the following areas:

- Governance and oversight arrangements
- Risk management and fraud risk management
- Private sector fundraising activities
- Management of implementing partnerships
- HACT assurance activities
- Procurement of service contracts
- Protection from sexual exploitation and abuse

The audit fieldwork was conducted from 3 to 11 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 October 2025.

The audit employed a combination of methods, tools and techniques, including interviews with management and staff, reviews of policies, procedures, plans and reports, analyses of financial and performance data, and selected testing of transactions and assurance activities. Preliminary observations were discussed with management during the audit and validated through an exit meeting.

¹ 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.

OBSERVATIONS AND MANAGEMENT ACTION PLAN

The key areas where actions are needed are summarized below.

1. Governance

High

During the period under review, the Country Office operated with generally sound governance arrangements while transitioning towards a self-financing office model. Although oversight structures and change management initiatives were in place, the transition introduced new governance challenges related to income concentration, evolving oversight expectations, and the integration of risk and assurance information across functions. In the absence of a fully articulated corporate framework for self-financed offices, governance decision-making increasingly relies on management judgement and coordination with the Latin America and Caribbean Regional Office (LACRO) and Headquarters (HQ).

Country offices are expected to maintain governance and oversight arrangements that support the efficient achievement of programme and PSFR objectives while managing fiduciary, operational and reputational risks. This includes clear accountability, adequate capacity across functions, and regular management review of performance, income sustainability, risks and internal controls. During significant organizational or financial transitions, the Country Management Team, with appropriate coordination from the LACRO and HQ divisions, is expected to proactively prepare for and implement changes in a structured, controlled and transparent manner. This is done to ensure a well-managed transition while maintaining organizational stability and achieving programmatic goals.

During 2024–2025, UNICEF Chile operated as a focused upstream programme alongside a substantial PSFR operation that generated most of its resources locally. The office also had a temporary, grant-funded field presence in northern Chile. The Country Office operated within the 2023–2026 Country Programme Document, Programme Budget Review² (PBR) decisions, and the annually endorsed Private Fundraising and Partnerships Division's Strategic Plan. Governance and oversight were exercised through the representative and Country Management Team, while workforce arrangements were transitioning following the July 2025 PBR, in preparation for financial self-reliance beginning in 2026. Within this context, management developed a structured transition plan for October 2025 to March 2026, strengthened internal communication and staff engagement, and initiated governance realignment to clarify oversight and coordination. The Country Office also showed strong cross-functional and regional collaboration, including shared human resources arrangements and active engagement with LACRO, PFP and the Division of

² The PBR is a process within UNICEF that involves the review and approval of programme and institutional budgets. The process takes place at multiple levels within UNICEF, including country office, regional, headquarters and global levels, to ensure alignment with the organization's goals.

Financial and Administrative Management, while embedding cultural, behavioural and risk considerations into the transition process.

As the Country Office transitions to a self-financing model, governance arrangements operate in a context of increased structural and strategic complexity. While the PSFR operation remains robust, with solid returns on investment and established donor-protection controls, the office's financial model has become increasingly concentrated on a single domestic income stream. Diversification efforts, including corporate partnerships and legacy fundraising, are being pursued but remain constrained by the national legal and fiscal environment. This concentration heightens the office's exposure to reputational, economic, regulatory and market-related shocks that could simultaneously affect multiple dimensions of its operations. In this context, the use of loan-based financing instruments, such as Dynamo funds, introduces additional risks related to income volatility and repayment obligations that, according to management, differ from those associated with grant- or investment-based alternatives.

The Country Office's existing risk register captures political, economic and financing-related risks. However, Chile's evolving political and economic environment, along with donor sensitivity, underscores the importance of resilience to external shocks. Governance systems are sound but increasingly interdependent with domestic public confidence, and preparedness for low-probability, high-impact scenarios may require more structured consideration as the new financing model matures.

The transition to self-financing also represents an emerging office typology that is not yet fully codified within corporate governance and assurance frameworks. While the Country Office, Regional Office and HQ have engaged constructively in defining oversight and accountability expectations, the absence of formalized global guidance means that certain arrangements remain transitional and partly interpretive. This places greater reliance on ongoing coordination and management judgement to maintain consistency in governance and oversight during the transition period.

In parallel, the Country Office relies on governance, risk management and assurance processes primarily designed for a grant-funded operating model rather than for a self-financing or hybrid structure. As the office adopts a more integrated and untested operating model, the absence of a consolidated, cross-functional view of key risks and assurance activities may limit strategic visibility across programme, operations and fundraising functions during the transition.

At the corporate level, UNICEF is currently in the advanced stages of developing a High-Income Country position³ under the Future Focus Initiative.⁴ This position is intended to provide clear guidance on programming, presence and financing modalities in contexts without Regular Resources. Senior management has indicated that this position will inform updates to relevant governance and assurance mechanisms. Given that this work is underway and in development, no recommendations will be issued to UNICEF's headquarters divisions at this time.

If not carefully managed, the combination of income concentration, evolving oversight expectations, and governance processes still adapting to a self-financing model may reduce strategic visibility across programme, operations and fundraising functions. This could limit the timeliness and coherence of risk-informed decision-making during periods of financial volatility or structural change.

Root cause: The introduction of a new self-financing country office model occurred before corporate governance, risk and assurance frameworks were fully adapted and institutionalized to support this operating context, requiring interim interpretation and increased reliance on management judgement and coordination.

AGREED ACTIONS

The Chile Country Office agrees to:

- i. Conduct periodic scenario and stress-testing exercises addressing potential disruptions to domestic fundraising income, reputational events and adverse regulatory changes, and use the results to strengthen contingency planning and decision-making related to the self-financing model.
- ii. Create a concise, consolidated cross-functional risk and assurance summary for regular review by the Country Management Team to enhance strategic visibility and coordinate oversight across programme, operations and fundraising functions.
- iii. Systematically document and share key governance and oversight lessons from the transition to the self-financing model, including agreed coordination arrangements with the Regional Office and Headquarters, with the Private Fundraising and Partnerships Division to support corporate learning and ongoing refinement of the High-Income Country framework.

Staff Responsible: Representative, Deputy Representative Operations, Fund Raising Manager, and Communications, Advocacy & Partnerships Manager

Implementation Date: June 2026 and ongoing

³ A High-Income Country position refers to a classification where a country has attained a high-income status, typically based on economic indicators such as gross national income per capita.

⁴ The Future Focus Initiative is a global initiative launched by UNICEF in early 2025 with the goal of ensuring UNICEF remains affordable and fit for purpose by identifying strategic shifts and reducing costs to enhance further effectiveness, efficiency, agility and overall readiness.

2. Risk and fraud risk management

Medium

The Country Office demonstrated generally sound risk and fraud risk management practices, supported by a strong speak-up culture, risk-based partner due diligence and timely incident response. These arrangements helped mitigate operational and reputational risks. However, reliance on a limited partner base in higher-risk contexts and the presence of integrity red flags in certain vendor and partner relationships require continued attention to ensure that fraud prevention, detection and monitoring measures remain proportionate to evolving risk exposures.

Country offices are expected to maintain effective risk and fraud risk management arrangements to prevent, detect and respond to fraud, misconduct and integrity risks. This includes promoting a speak-up culture, ensuring staff awareness of formal and informal reporting channels, and applying risk-based due diligence and monitoring of implementing partners and vendors. Offices are also expected to respond promptly and appropriately to incidents, coordinate with relevant regional and HQ functions, and implement enhanced controls when partners or vendors present a higher inherent risk.

During 2024–2025, the Country Office maintained a strong speak-up culture, supported by staff awareness of formal and informal reporting channels and reinforced by management’s open-door approach to the escalation of concerns. The office applied risk-based due diligence to new private sector fundraising partners. It demonstrated effective incident response, including prompt coordination with the Information, Communication and Technology Division and LACRO following a cyber incident in 2024, thereby containing the situation without disruption.

At the same time, the office operates in contexts where fraud and integrity risks may remain elevated. In northern Chile, programme delivery relied on a limited pool of partners, including at least one organization assessed as high risk, requiring sustained attention to the adequacy of fraud prevention, administrative and monitoring arrangements. In addition, a vendor procurement case identified indicators of potential tax evasion through the creation of a related entity. While the office appropriately declined to engage with the newly established entity, the situation highlighted integrity red flags inherent in the vendor relationship itself, underscoring the need to systematically consider fraud risk indicators and red flags in partner and vendor due diligence and decision-making.

If these fraud and integrity risks are not addressed systematically, existing preventive and detective measures may no longer be fully proportionate to the evolving risk profiles of certain partners and vendors. This could reduce management’s ability to consistently identify and respond to emerging fraud or integrity concerns in higher-risk contexts, particularly where partner options are limited or legal and commercial arrangements are

complex. Over time, this may weaken confidence that fraud risks are being managed consistently across programme and private sector activities.

Root cause: Programme and vendor relationships are concentrated in a constrained operating environment, necessitating fraud risk management arrangements for a more diversified partner landscape beyond the standard design. As a result, existing due diligence and monitoring approaches are required to rely more heavily on case-by-case judgement than on systematically enhanced fraud risk indicators tailored to higher-risk contexts.

AGREED ACTIONS

The Chile Country Office agrees to:

- i. Strengthen fraud risk management of higher-risk partners by reinforcing fraud prevention, reporting and monitoring arrangements to align with their risk profile.
- ii. Before engaging, consistently identify fraud-risk and red flags in implementing partner and vendor due diligence assessments to identify and mitigate integrity and compliance concerns.

Staff Responsible: Deputy Representative Operations, Programme Manager, and Fund Raising Manager

Implementation Date: June 2026

3. Private sector fundraising Medium

[Redacted content]

[Redacted content]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

5 [REDACTED]

[Redacted]

[Redacted]

[Redacted]

Root cause:

[Redacted]

AGREED ACTIONS (Country Office)

[Redacted]

Staff Responsible: [Redacted]

Implementation Date: [Redacted]

AGREED ACTIONS (HQ)

[REDACTED]

Staff Responsible: [REDACTED]
Implementation Date: [REDACTED]

4. Harmonized approach to cash transfers

Medium

The Country Office exceeded its coverage targets in applying the HACT assurance arrangements for financial and programmatic monitoring of implementing partners. However, delays in addressing high-risk micro-assessment recommendations and weaknesses in the quality and documentation of some programmatic visits indicate gaps in the effectiveness of HACT implementation and the reliability of assurance regarding partner capacity and use of funds.

Under the harmonized approach to cash transfers, country offices are required to plan, conduct and document risk-based financial and programmatic assurance activities for implementing partners. These activities should provide reasonable assurance that cash transfers are used for intended purposes, partner financial controls are adequate, and programme results are supported by verifiable evidence, with timely follow-up of identified high-risk issues.

Between January 2024 and October 2025, the Chile Country Office worked with 11 implementing partners, comprising two government entities and nine CSOs, which received approximately US\$1.9 million in cash transfers, with CSOs accounting for about 95 per cent of the total. Programmatic monitoring was conducted internally, while financial assurance activities were outsourced to an external audit firm under a regional long-term agreement. As a good practice, the office demonstrated strong implementation of its HACT plan in 2025, achieving high coverage of planned assurance activities.

The audit reviewed micro-assessments conducted by an external audit firm in 2024 and 2025, as well as a sample of spot checks, to assess the follow-up on high-risk recommendations related to the implementing partner's financial and supply management capacity. The review found that high-risk recommendations identified in the

micro-assessment reports remained outstanding at the time spot checks were conducted in late 2025. According to the office, delays were due to overlapping assurance activities and the late transmission of micro-assessment results to the implementing partner, which limited timely corrective action. As a result, assurance activities were carried out while identified capacity gaps had not yet been addressed.

In parallel, while the office exceeded its planned programmatic visit coverage in 2025, the quality and documentation of some visits did not consistently provide verifiable assurance. A review of selected reports found instances in which visits primarily documented meetings or document exchanges rather than field verification, monitored activities were not clearly specified, or agreed action points and follow-up were not recorded in eTools. These weaknesses indicate gaps in the consistency and reliability of programmatic assurance documentation under the HACT framework.

Delays in addressing high-risk recommendations and inconsistencies in the quality and documentation of programmatic visits may weaken the Country Office's ability to rely on assurance activities to inform partner risk ratings and assurance planning. This reduces confidence that identified capacity gaps are being addressed promptly and that programmatic monitoring provides sufficient, verifiable evidence to support effective oversight of cash transfers.

Root causes: The issues observed stem primarily from weaknesses in the coordination and sequencing of assurance activities, combined with limited clarity and consistency in staff understanding of HACT requirements for follow-up and documentation. The reliance on external assurance providers, without sufficiently defined timelines and accountability for transmitting results and tracking corrective actions, reduced management's ability to ensure the timely closure of high-risk issues. In parallel, uneven application of standards for planning and documenting programmatic visits indicates gaps in capacity and quality assurance arrangements rather than isolated execution errors.

AGREED ACTIONS

The Chile Country Office agrees to:

- i. Ensure timely sharing of micro-assessment and spot-check reports with implementing partners.
- ii. Reinforce the minimum standards for field verification, documentation and recording of action points in eTools.
- iii. Systematically track and close high-risk recommendations in eTools to support improved follow-up on assurance results.

Staff Responsible: Deputy Representative Operations and Programme Manager

Implementation Date: July 2026

5. Protection from sexual exploitation and abuse

Medium

The Country Office has established solid PSEA awareness and coordination arrangements; however, reliance on a focal point with multiple additional responsibilities, and increased engagement with service providers and community-facing actors, create a risk of uneven coverage. Further strengthening of capacity and outreach would help ensure consistent awareness and application of PSEA standards across all actors.

Country offices are expected to maintain effective PSEA arrangements that ensure clear accountability, adequate capacity, and consistent awareness of reporting obligations among staff, partners, vendors, and community-facing actors. This includes designated focal point capacity proportionate to the risk profile, regular awareness raising and training, coordination with interagency mechanisms, and outreach to external actors to ensure that safeguarding standards and reporting channels are understood and applied in practice.

During the period under review, the Country Office maintained an active PSEA framework, supported by clear reporting procedures and annual staff and partner awareness updates. It held PSEA sessions with most programme sections. The office co-led the interagency PSEA working group, enabling regular risk identification and coordination with other organizations, and providing a platform for collaboratively addressing emerging contextual risks.

PSEA roles and responsibilities were clearly defined, and the designated focal point demonstrated strong knowledge of reporting channels and procedures. The focal point role, however, was combined with other substantial responsibilities, which limited capacity for proactive follow-up, systematic outreach and monitoring beyond core requirements. While periodic awareness sessions were held with programme sections, coverage across all functional areas was not yet fully completed during the period under review.

In parallel, oversight of external actors presented emerging risks. Although staff and implementing partners were regularly informed of PSEA obligations, arrangements for service providers and vendors, including those interacting directly with communities, were less clearly defined. There was limited assurance that these actors were consistently aware of PSEA standards and reporting mechanisms. Engagement with interagency partners was strong and provided a valuable platform for risk discussion; however, outreach to government counterparts and vendors relied largely on informal coordination rather than a structured, risk-based approach.

These gaps may limit the Country Office's ability to maintain consistent PSEA awareness and reporting coverage across all staff, partners and community-facing actors, particularly those operating outside direct UNICEF supervision.

Root causes: The issues observed stem primarily from capacity constraints in a small office setting, where PSEA responsibilities are combined with other core functions, and from the absence of a structured, risk-based approach to extending PSEA outreach and monitoring to service providers and other external actors.

AGREED ACTIONS

The Chile Country Office agrees to:

- i. Assess the adequacy of the time allocated to the PSEA focal point to discharge their duties.
- ii. Formally allocate sufficient time to the PSEA focal point to perform their coordination and outreach activities
- iii. Ensure that back-up arrangements are in place to maintain sustained coverage of the PSEA focal point's duties.
- iv. Establish a process to confirm and periodically verify that service providers, vendors and other community-facing actors are informed of PSEA standards and reporting channels.

Staff Responsible: Representative, Deputy Representative Operations, Programme Manager, Fund Raising Manager and Senior Human Resources Associate

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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