Report on the Internal Audit of the Croatia Country Office

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 Croatia Country Office (the Country Office), covering the period from January 2025 to February 2026. The audit was conducted from February 2026 to April 2026 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 risk areas of the Country Office. The specific risks evaluated are set out in the Audit Objectives, Scope and Approach section of this report.

The Croatia Country Office works with government and civil society organizations to implement planned programme activities. During the audited period, the Country Office transferred approximately US$1.3 million in cash to partners and procured US$0.5 million in services. There were several risks related to private sector fund-raising, cash transfers to partners, assurance activities and programme monitoring. The audit sought to determine whether and how the Country Office managed those risks.

At the time of the audit, the Country Office was awaiting confirmation from UNICEF Headquarters of a proposal for it to become part of a multi-country office (MCO) for European high-income countries, effective January 2028. This would require major changes in the structure, staffing and programmatic priorities of all country offices concerned. The audit evaluated the approach taken by the Country Office to managing the strategic, operational and reputational risks related to this potential transition and its impact on the staff and delivery of the current UNICEF Croatia country programme.

Overall Conclusion

Based on the audit work performed, OIAI concluded that the assessed governance, risk management or control processes were *Satisfactory*, meaning that the assessed governance, risk management and control processes were adequate and functioning well.

⇨	Satisfactory
	Partially Satisfactory, Improvement Needed
	Partially Satisfactory, Major Improvement Needed
	Unsatisfactory

Summary of Observations and Agreed Actions

OIAI noted the following good or innovative practices exercised by the Country Office:

- **Cost-sharing arrangement with other country offices in the region:** Due to the reduced institutional budget and uncertainty around the future MCO organizational structure, the Country Office demonstrated a collaborative, cost-effective and pragmatic approach to filling key vacancies during the transitional period. In early 2025, the Bulgaria and Croatia Country Offices agreed to a 50 per cent cost-sharing arrangement, whereby the Croatia Operations Manager divided his time between the two offices. In 2026, the Country Office signed a memorandum of understanding with the Serbia Country Office to share the cost and time of the Croatia Human Resources Associate. The audit team advised the Country Office to evaluate the benefits and challenges of these cost-sharing initiatives to inform future organizational decisions, in collaboration with the Headquarters Future Focus Initiative (FFI) team.

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

- **Governance:** The audit observed effective governance mechanisms for the ongoing country programme and a well-managed, proactive approach to the MCO transition. There was a structured change management strategy and evidence of transparent internal communication, regular staff engagement and commitment to staff well-being. The reallocation of tasks and transfer of knowledge necessitated by the abolishment of posts were carefully planned and managed to support business continuity. No formal audit recommendation has been made in this area.

- **Risk management:** While the audit identified opportunities to enhance the usefulness of the country office risk register, steps were taken during the audit to increase its reliability for use as a management tool and to ensure its regular review at Country Management Team (CMT) meetings. An ongoing focus on transparent, structured risk identification and management will be essential to ensure delivery of existing programmatic goals while navigating the transition to the MCO. In view of the actions taken by the Country Office, no formal audit recommendation has been made in this area.

- **Programme monitoring:** The Country Office did not consistently monitor the results of field visits and ensure that all necessary actions are recorded for follow-up. In addition, the Country Office did not make full use of all tools available to support effective monitoring of the results of field visits for tracking and follow-up.

The table below summarizes the actions recommended to management 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 RATING	
Programme monitoring (Observation 3): Strengthen the quality assurance process for programmatic visits, including refresher training on the use of the Field Monitoring Module (FMM) and quality standards; Establish a mechanism to ensure that relevant action points from field visits are recorded.	Medium

In addition to the above observations and recommendations, the audit noted the following from its review of risks related to the transition to the MCO:

- Further to the proposal to establish a financially self-sustainable MCO combining UNICEF's European high-income country offices, the CMT collaborated closely with the Europe and Central Asia Regional Office (the Regional Office) and the three other affected country offices[1] in developing a comprehensive concept note, which set out the value proposition for the MCO, the proposed leadership, governance and staffing structure, and the approach to ensuring affordability and financial sustainability. The proposal included a summary of the strengths, weaknesses, opportunities and threats associated with the future MCO, based on the results of individual and multi-country programme evaluations, local and regional strategic workshops and subsequent analysis, and initial high-level discussions with government partners. Key risk mitigation and change management strategies were included, together with a proposed implementation timeline.

- At the Croatia country-office level, the audit found that the Country Office was taking all reasonable measures to mitigate those risks within their control. The audit observed proactive leadership during this challenging period, with well-managed efforts to ensure a smooth transfer of responsibilities and process simplification necessitated by the abolishment of posts. There was evidence of transparent internal communication, regular staff engagement and commitment to staff well-being, to minimize the risks of reduced productivity and talent loss and ensure successful completion of the ongoing country programme. The Country Office's 2026 Annual Management Plan included a Change Management Plan in anticipation of the transition to an MCO.

- At the time of the audit, actions were pending to address some risks beyond the Country Office's control, with a potentially significant impact on the successful completion of the country programme and the transition to the MCO. This and other MCO-related risks affecting all four European high-income country offices have been reported to the accountable Headquarters stakeholders in a separate OIAI advisory report.

[1] Under the proposal, Bulgaria, Croatia, Greece and Romania are the four UNICEF European high-income country offices that will be combined to establish a multi-country office.

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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CONTEXT

Croatia has been a member of the European Union (EU) since 2013 and was classified as a high-income country by the World Bank in 2008. Since joining the EU, Croatia's Gross Domestic Product per capita has reached 64 per cent of the EU average. The country has an estimated population of 3.85 million, with children representing 17 per cent of the population.

The at-risk-of-poverty rate for children increased from 16 per cent in 2023 to 18 per cent in 2024. Roma children remained among the most vulnerable to rising inequalities, facing persistent poverty, segregation, insufficient educational inclusion, and lack of community services. In 2025, the Government of Croatia's commitment to addressing child poverty and inequities continued through the implementation of the European Child Guarantee National Action Plan.

UNICEF country programme

The 2023-2027 Country Programme Document (CPD) comprises four programme components: (i) Early child development (first decade), (ii) Adolescents and young people (second decade), (iii) Social Inclusion, protection and child right monitoring and (iv) Programme effectiveness. The overarching goal is to provide improved opportunities and support for more children and adolescents – particularly those who are marginalized and at risk of being left behind. The programme supports the Government of Croatia and partners in strengthening their preparedness and capacity to respond promptly to the needs of refugee and migrant children and affected host communities, by promoting a tailored, cross-sectoral integration of humanitarian-development nexus programming within national systems. The Country Office's work leverages strategic and institutional partnerships at national and subnational levels, in both the public and private sectors and with media, civil society, academia and children and adolescents themselves.

The total budget for the CPD is US$18.7 million, funded solely from other resources[2] including private sector fundraising. In 2025, the Country Office raised US$5.6 million from the private sector, exceeding the target of US$5.3 million by six per cent.

The Country Office reported a total expenditure for the period from 1 January 2025 to 15 March 2026 of US$4.8 million. In addition to staff salary and benefit costs, major categories of expenditure include cash transferred to partners (US$1.3 million) and service contracts (US$0.5 million). Service contract expenditure relates primarily to private sector fundraising activities.

[2] Other resources (regular) consist of contributions designated by UNICEF donors for specific purposes, such as a particular country, geographic region, theme, project, sector, or any other category agreed upon by UNICEF and the donor.

At the time of the audit, UNICEF Croatia had a total of 32 staff members, all based in the Zagreb office.

The Mid-term Programme Review: With the support of the Regional Office, the Country Office conducted a mid-term 'Strategic Moment of Reflection & Foresight' in October 2025, which resulted in the prioritization of programme areas for the remaining CPD, programmatic alignment with two key advocacy areas - Violence Against Children and Early Childhood Intervention - and an adjustment of indicators. It also involved an analysis of strengths, weaknesses, risks and opportunities related to the potential transition to the MCO.

2025 Programme Budget Review under the Future Focus Initiative (FFI): In May 2025, as part of a global restructuring initiative, the Country Office conducted a PBR, with a view to achieving further cost reductions and ensuring that UNICEF Croatia becomes a sustainable, self-funded office by 2028.

MCO transition: As part of the FFI and Global PBR, in 2025 UNICEF made a proposal to establish an MCO for European high-income countries. The Country Office has been working closely with relevant stakeholders to prepare for the transition to this MCO in January 2028, including a strategic moment of reflection in October 2025, comprehensive analysis and scenario planning. Several forward-looking evaluations have also been completed. In February 2026, a concept note was provided to Headquarters management to support a final decision on the high-income country strategy and business model, following which concrete transition plans will be developed and implemented.

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 risk areas of the Croatia Country Office.

The audit scope was determined during the audit planning process based on an assessment of the inherent[3] risks of the Croatia Country Office, and included the following areas:

- Governance
- Risk management
- Private sector fundraising
- Partnership management
- Cash transfers to partners and assurance activities
- Service contracts
- Programme monitoring (including Protection from Sexual Exploitation and Abuse coverage under programmatic visits and face-to-face fundraising activities).

The audit fieldwork was conducted in March 2026 in conformance with the Institute of Internal Auditors' Global Internal Audit Standards. For the purpose of audit testing, the audit covered the period from 1 January 2025 to 28 February 2026. The audit involved a combination of methods, tools and techniques, including interviews, data analytics, document review, tests of transactions, site visits and validation of preliminary observations.

In parallel to the audit, OIAI conducted a risk advisory exercise, with a view to developing a risk register for adoption by the Regional Office and the four MCO country offices, to support the transition to the MCO. Observations from that engagement that are specific to the Croatia Country Office are reflected in this report. Observations for the attention of the Headquarters management are the subject of a separate OIAI advisory report for relevant internal stakeholders.

[3] 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 may be needed are summarized below.

1. Governance

The audit observed effective governance mechanisms for the ongoing CPD and a well-managed, proactive approach to the MCO transition. There was a structured change management strategy and evidence of transparent internal communication, regular staff engagement and commitment to staff wellbeing. The reallocation of tasks and transfer of knowledge necessitated by the abolishment of posts were carefully planned and managed to support business continuity. No formal audit recommendation has been made in this area.

The audit reviewed the adequacy of the Country Office's governance structures and mechanisms to ensure effective risk management, oversight and compliance with all relevant policies, procedures and obligations. In view of the Mid-term Programme Review and the PBR exercise, the audit also evaluated the approach to maintaining effective governance for the remainder of the CPD period and during the transition to an MCO.

CPD governance activities: The audit team observed sound governance related to ongoing activities under the current CPD. All statutory committees functioned as required during the period under review; action points were promptly updated and regularly monitored. The Country Office monitored all corporate KPIs in regular CMT meetings and conducted a monthly Finance-PSFR meeting to review the PSFR results and reconcile the financial information with the bank statements. The 2025 PBR process was well managed and the table of authority was revised to reflect changing roles.

Change management: The audit team observed good management of the strategic and structural uncertainty during the PBR and MCO transition. For instance, the Country Office closely engaged with the Regional Office and MCO peers in the development of the MCO concept note and actively participated in the ongoing discussions on the future structure of the MCO. There was evidence of transparent internal communication, regular staff engagement and commitment to staff well-being, to minimize the risks of reduced productivity and talent loss and ensure successful completion of the ongoing country programme. The audit noted that the 2026 Annual Management Plan (AMP) included the development and implementation of a comprehensive Change Management Plan (CMP), in coordination with the other Country Offices in the future MCO. The CMP would be developed through inclusive and consultative engagement with staff at all levels and endorsed by the CMT. It would address risks associated with the transition, including reputational, financial, fiduciary, operational, and human resources.

Further examples of proactive management of the ongoing office restructuring included the following:

- **Financial and operational management back-up:** As noted above, the Country Office agreed to a 50 per cent cost-sharing arrangement for the Operations Manager position with the Bulgaria Country Office. Risks related to the Operations Manager's reduced capacity and on-site presence were mitigated by conscious efforts to establish back-up for key financial operations and controls. The Country Office informed the audit team that the Operations Manager had been coaching and mentoring the Operations Associate for several years to transfer knowledge and build capacity, in order to provide adequate cover, whenever needed.

- **Succession planning for business continuity:** The 2025 PBR submission resulted in the abolishment of the Deputy Representative position. To ensure business continuity and in view of the departure of the current incumbent in May 2026, the Country Office prepared and approved a transition plan at the CMT meeting in January 2026. From June to December 2026, the role would be split between the two most senior members of the Programme team. The Country Office developed a detailed handover task list for the gradual handover of responsibilities to the two Officers-In-Charge to minimize disruptions to the work processes. For 2027 and beyond, the Country Office would develop a solution in conjunction with the other MCO country offices, the Regional Office and Division of People and Culture.

- **Process simplification and task reallocation:** The Country Office demonstrated proactive, continuous efforts to streamline and simplify processes and ensure business continuity, following abolishment of posts. For example, following the 2025 PBR decision to abolish two GS-level posts, the Country Office conducted a thorough task reallocation exercise and subsequent review to assess the need for any changes. Several business processes (e.g., mail receipt and registration, air travel ticketing and warehouse management) were simplified following the abolishment of the Administrative Assistant post to ensure continuity, clarity and operational efficiencies. Both the 2025 and 2026 AMPs included process simplification indicators and targets.

It will be important that the Country Office continues to focus on change management throughout the transition, to minimize the risks related to employee morale and ensure effective transfer of key tasks and institutional knowledge, business continuity and maintenance of adequate internal controls, in a leaner office structure. In view of the actions taken to date to maintain effective governance, no formal audit recommendation has been made in this area.

2. Risk management

While the audit identified opportunities to enhance the usefulness of the country office risk register, steps were taken during the audit to increase its reliability for use as a management tool and to ensure its regular review at each CMT meeting. An ongoing focus on transparent, structured risk identification and management will be essential to ensure delivery of existing programmatic goals while navigating the transition to the MCO.

Country offices should identify, assess, monitor and respond to key risks to achieve their objectives and ensure that the risk environment is regularly scanned for changes and that mitigating actions are assessed for their ongoing effectiveness. A coordinated, comprehensive approach is essential to ensure sufficient management and oversight of risks and to allow timely, risk-informed decision-making and escalation of issues, as appropriate. The audit reviewed the adequacy of the Country Office's approach to ensuring regular assessment and management of significant and emerging risks, and made the following observations:

Country office risk register: The Country Office prepared a risk register before 2025 with inputs from the PSFR section and CMT. Country office management indicated that risks and risk mitigation were also discussed with all staff during the Annual Management Plan preparation for 2025 and 2026. The Country Office acknowledged that the risk register was not regularly reviewed by the CMT in 2025, due to the focus on the FFI, PBR, and MCO transition implications. The risk register included some key risks such as resource mobilization, fraud, and sexual exploitation and abuse, but needed improvement to make it a reliable management tool to support risk-informed decision-making and regular monitoring of actions. During the audit, recommendations made by the audit team to enhance the reliability and usefulness of the risk register as a management tool were taken on board and the standing CMT meeting agenda was revised to include periodic review of the key risks and adequacy of the risk mitigation measures. The audit noted that the 2026 AMP included the regular review of the risk register in CMT as a performance indicator.

Proactive risk management: The audit acknowledged the Country Office's efforts to ensure a structured, well-managed transition to operate with a significantly reduced institutional budget and to transition to a self-sustaining MCO by 2028. For instance, the Country Office closely coordinated with the Regional Office and the other MCO country offices to prepare the concept note. In addition, with the support of the Regional Office, the Country Office conducted a Mid-term Programme Review in 2025 to adjust indicators and prioritize programme areas.

As part of the forward-looking risk advisory work, OIAI supported key internal stakeholders, including the four concerned country offices, in the design and implementation of a risk register to ensure timely identification and adequate mitigation of risks related to the MCO transition. The tool would ensure visibility, integrity and communication of the risk management process and enable monitoring of progress by risk owners. The Country Office embraced this proactive approach to risk management and agreed to adopt a similar approach for the regular country office risk register. An ongoing focus on transparent, structured risk identification and management will be essential to ensure delivery of existing programmatic goals while navigating the transition to the MCO and other potential challenges.

In view of the actions taken to date to enhance the Country Office's risk management activities, no formal recommendation has been made in this area.

3. Programme monitoring — Medium

The Country Office did not consistently monitor the results of field visits and ensure that all necessary actions are recorded for follow-up. In addition, the Country Office did not make full use of all tools available to support effective monitoring of the results of field visits for tracking and follow-up.

According to the UNICEF Procedure on Monitoring, programme monitoring includes regular tracking of progress in key interventions and country programme outputs, covering implementation of work plan activities, programmatic risks and bottlenecks, the end-use of supplies, advocacy objectives, feedback from affected populations and the evolving context (including unintended effects of programmes). The audit assessed the adequacy and effectiveness of field monitoring and programmatic assurance and made the following observations:

Completeness of programmatic visit reports: Programmatic visits provide assurance with respect to the status of programme implementation compared to the agreed workplan and the reliability of programme results reported by partners. The audit reviewed a sample of 14 programmatic visit reports and noted the following exceptions:

- In three cases, some key questions including key PSEA questions were not answered. In another case for a CSO partner, some key PSEA questions were not included in the report.
- In three of the 14 reports, no action point was recorded in the Field Monitoring Module (FMM) of eTools to address the gaps identified in the visit. In two of these three cases, however, the Country Office did follow up with the partners on the gaps after the programmatic visits.
- One of the 14 reports did not qualify as a programmatic visit as the visit did not verify the results achieved and reported by the partner. This meant that the minimum required number of visits (as per the harmonized approach to cash transfers assurance plan for 2026) for this partner was not achieved.

- In the summary section of two reports, the general observations were not completed. General observations capture what is working well in implementation, bottlenecks, risks, or contextual changes affecting results. General observations often lead to specific recommendations or action points. Without written observations, follow-up becomes informal. They help demonstrate programmatic visits are evidence-based and provide documented proof of monitoring and oversight.

Root cause: The Country Office only transitioned fully from the Trip Management Module to FMM in 2025. There was a learning curve for programme staff to become fully familiar with the new functionalities and requirements in FMM.

Monitoring the results of field visits: The audit noted that the Country Office did not make full use of all tools available to support effective monitoring of the results of field visits for tracking and follow-up. In particular, the Country Office did not use the eTools field monitoring dashboard, which shows an overview of monitoring visits in the FMM, including the coverage, summarized findings, the quality of the visits and any bottlenecks.

Using the dashboard, the audit team selected 10 programmatic visits reports with 22 significant negative responses to key monitoring questions such as protection from sexual exploitation and abuse, activity implementation and community engagement and noted the following:

- In three of the 22 negative responses in the sampled reports, no action point was recorded in the FMM to ensure follow-up of the identified weakness. In two of the three cases, the Country Office followed up with the partner to address the weakness.
- In seven cases, there was no explanation as to why an action point was not required.

While no formal recommendation has been made with respect to the FMM dashboard, the Country Office is advised to consider its use as a tool to identify exceptions and areas for follow-up, as illustrated above.

AGREED ACTIONS

The Country Office agrees to:

i) Strengthen the quality assurance process for programmatic visits, including refresher training on the use of FMM and quality standards.
ii) Establish a mechanism to ensure that relevant action points from field visits are recorded.

Staff Responsible: (i) Deputy Representative; (ii) Deputy Representative, Programme Team, Country Management Team

Implementation Date: (i) June 2026; (ii) May 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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