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Item 12 of the provisional agenda\*

**UNICEF Office of Internal Audit and Investigations  
2023 annual report to the Executive Board***Summary*

This report summarizes the activities of the Office of Internal Audit and Investigations for the period 1 January to 31 December 2023. The addendum to this report ([E/ICEF/2024/AB/L.3/Add.1](#)) provides information on the investigations cases that were closed during that period.

As requested by the Executive Board in decision 2015/11 and in relation to internal audit activities, this report includes: (a) an opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the organization's framework of governance, risk management and controls; (b) a summary of work and the criteria that support that opinion; (c) a statement of conformance with the internal audit standards to which UNICEF adheres; and (d) a view on whether resourcing of the function is appropriate, sufficient and effectively deployed to achieve the desired internal audit coverage. The report provides an overview of the status of management implementation of internal audit recommendations and reflects the harmonization of practices on audit and investigation matters agreed with the oversight functions of the other United Nations funds and programmes. The report also provides updates on other requests from the Executive Board.

Elements of a draft decision for consideration by the Executive Board are provided in section XIII. The management response to this report is presented in document [E/ICEF/2024/AB/L.4](#).

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\* [E/ICEF/2024/10](#).



## I. Overview

1. In 2023, the Office of Internal Audit and Investigations (OIAI, or the “Office”) continued to expand the value and impact it brings to UNICEF, and to strengthen its role as a trusted adviser to the Executive Director, senior leadership and UNICEF staff. The Office strived to help to maintain a framework of integrity and promote robust risk management to ensure UNICEF resources are used efficiently and only for their intended purposes.

2. The Office confirms that during 2023 it was free from management interference in determining the scope of its internal audits and investigations, performing its work and communicating its results.

3. Pursuant to Executive Board decision 2015/11, OIAI is pleased to report that, based on the scope of work undertaken in 2023, nothing came to the attention of the Office that would lead it to believe that the UNICEF governance, risk management and control processes were not adequate and effective to achieve the organization’s objectives. The criteria for this opinion include the risk-based audit workplan, the results of internal audits and advisory services, the non-discovery of any material deficiencies in the completed audits, and the status of implementation of internal audit agreed actions. Pursuant to Executive Board decision 2022/15, this report summarizes key internal control issues from audits and investigations in sections VIII and X.

4. Twenty-five internal audit reports were issued in 2023. These included 19 country office audit reports, 5 audit reports on thematic and cross-cutting activities and 1 joint advisory report. The overall conclusions of 63 per cent of the internal audit reports issued in 2023 were either “satisfactory” or “partially satisfactory, improvement needed”.<sup>1</sup> As at 31 December 2023, only one agreed action identified in an audit had been open for more than 18 months. The Office published all 24 internal audit reports issued in 2023; the advisory report was not subject to publication.

5. In 2023, the Investigations Section handled 912 cases as part of its overall caseload, an 18 per cent increase over 2022. The number of cases closed increased by 3 per cent compared to 2022.

6. In 2024, OIAI will open an office in Nairobi. It has developed a budgeting model to project non-post needs for 2024–2025, thus minimizing the need for discretionary allocations and preserving its independence. A comprehensive assessment of the overall resource needs will be undertaken as part of the 2026–2029 integrated budget cycle.

7. The OIAI data analytics programme continues to mature and is integral to the operations of the Office. After delivering a suite of analytic tools, it is set to pilot the use of artificial intelligence in support of the OIAI workplan.

## II. Mandate

8. The mission of OIAI, as reflected in its Charter, is to provide independent and objective assurance, investigative and consulting services through internal audits and investigations. The Office promotes accountability, proper risk management, integrity and ethical behaviour in all activities undertaken by UNICEF.

9. Internal audits evaluate the adequacy and effectiveness of the UNICEF framework of governance, risk management and controls. They aim to support the:

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<sup>1</sup> See paragraph 15 and annex I for the definitions of the four audit conclusions.

- (a) Achievement of the organization's strategic objectives;
- (b) Adequacy and effectiveness of risk identification and prioritization, determination of risk tolerance, and efficiency and effectiveness of actions required to mitigate residual risks;
- (c) Reliability and integrity of financial and operational information;
- (d) Effectiveness, economy and efficiency of operations and programmes;
- (e) Safeguarding of assets;
- (f) Compliance with applicable regulations, rules, policies and procedures.

10. The Office is also responsible for assessing and conducting investigations into possible misconduct or wrongdoing associated with UNICEF. This includes allegations of fraud, corruption and other forms of misconduct and wrongdoing involving UNICEF staff and non-staff personnel, institutional contractors, implementing partners and other third parties.

### **III. Internal audit assurance opinion for 2023**

#### **A. Overall opinion**

11. UNICEF management is responsible for designing and maintaining governance, risk management and control systems and processes to achieve organizational objectives. Based on the scope of work undertaken by OIAI in 2023, nothing came to the attention of the Office that would lead it to believe that the UNICEF governance, risk management and control processes were not adequate and effective to achieve the organization's objectives.

#### **B. Basis of opinion**

12. The overall opinion for 2023 is based on the following:

- (a) Confidence that OIAI risk-based audit planning resulted in the effective utilization of audit resources to evaluate the key risks to achieving the organization's objectives;
- (b) Conclusions of the internal audits completed during the year;
- (c) The absence of material deficiencies identified in any audit that might have indicated limitations in the organization's overall framework of governance, risk management and controls and thus inhibiting the achievement of significant outcomes;
- (d) Implementation rate of agreed actions to mitigate the risks identified.

#### **C. Implementation of the risk-based workplan**

13. In developing the internal audit workplan for 2023, OIAI focused on areas that embody significant risks to UNICEF. Based on the risk assessment, 29 high-risk areas, processes and systems were identified. Of these, 22 were deemed as warranting an assurance activity and prioritized in allocating available resources. Residual resources were then allocated to a selection of 10 medium- and low-risk areas. Thus, the 2023 internal audit workplan included a total of 32 engagements as follows:

- (a) 13 high-risk country office audit engagements
- (b) 7 thematic audit engagements

- (c) 2 high-risk information and communications technology audit engagements
- (d) 10 medium and low-risk audit engagements

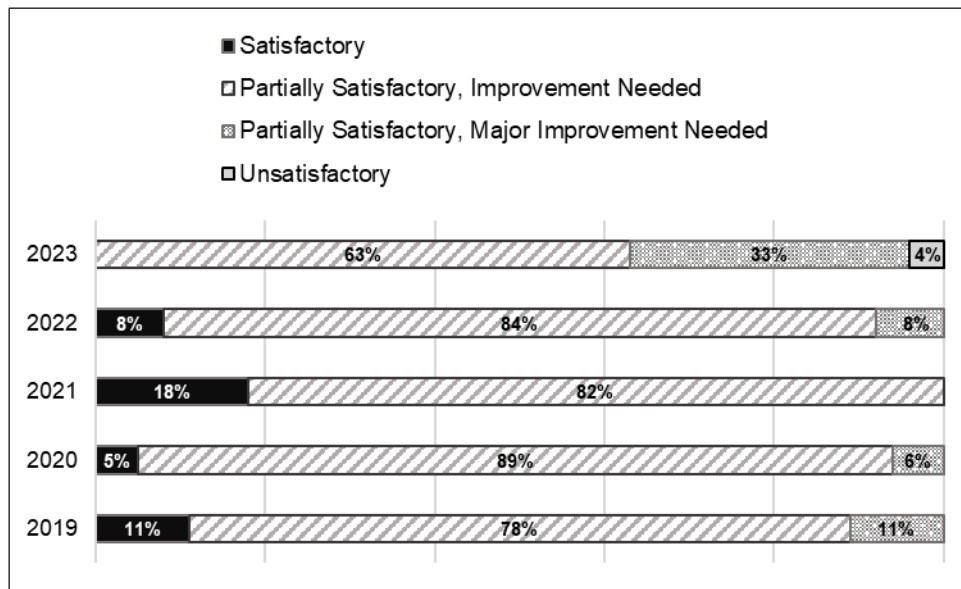
14. As at 31 December 2023, 25 engagements in the revised workplan were completed and, as anticipated during the 2023 workplanning process, 7 engagements initiated during the last quarter of 2023 are expected to be completed during the first quarter of 2024.

**D. Conclusions of internal audit engagements completed**

15. The Office uses a four-tier scale for rating the conclusions in its internal audit reports. The first two tiers – “satisfactory” and “partially satisfactory, improvement needed” – signify a generally satisfactory conclusion and the absence of any materially negative impact. The third tier – “partially satisfactory, major improvement needed” – signifies the presence of weaknesses that could have a materially negative impact on the performance of the audited areas. The fourth tier – “unsatisfactory” – signifies the presence of fundamental deficiencies that require remediation to avoid severe adverse consequences for the audited areas, or for the entire organization.

16. In 2023, 63 per cent of the completed audit engagements resulted in ratings of “satisfactory” or “partially satisfactory”. Figure I presents the audit report conclusion ratings for 2019 to 2023.

Figure I  
Audit report conclusions, 2019–2023



**E. Material deficiencies**

17. Audits undertaken by OIAI include an analysis of the root causes of identified deficiencies, followed by consultations with the relevant managers to agree on appropriate actions for effective and efficient management of the risks identified. The agreed actions are rated as high, medium or low priority, depending on the materiality of the potential impact should the risks materialize. Only high- and medium-priority actions are included in audit reports; low-priority actions are informally communicated to the audited entity.

18. Twenty-five per cent of the 179 agreed actions in the internal audit reports issued in 2023 were rated as high priority (see annex I). While the deficiencies that required these high-priority actions were considered material, in the view of OIAI, individually or collectively, they are not expected to adversely impact the achievement of expected global outcomes.

## F. Implementation rate of agreed actions

19. As at 31 December 2023, 87 per cent of all agreed actions stemming from audit engagements completed in 2022 had been implemented. Only one agreed action was pending implementation for more than 18 months as at 31 December 2023 (see annex II). Table 1 shows the age of outstanding agreed actions stemming from internal audits completed in 2022 and 2023. While it is still too early for the agreed actions stemming from the 2023 audit engagements to be fully implemented, based on past performance, OIAI is hopeful that offices will implement these actions within the agreed dates.

Table 1  
Age of outstanding agreed actions, 2022–2023\*

Priority of agreed action	Total outstanding agreed actions (2022–2023)	Time agreed actions have been outstanding (from issuance of the final audit reports)		
		<12 months	12–18 months	>18 months
High	55	42	13	0
Medium	138	104	33	1

\*As at 31 December 2023.

## IV. Independence

20. In accordance with the OIAI mandate:

(a) The OIAI Director continued to report and be accountable to the Executive Director in respect of the planning and execution of the work of the Office;

(b) The OIAI Director maintained direct communication with the Executive Director, including on the OIAI staffing and budget;

(c) The Audit Advisory Committee continued to provide independent advice to the Executive Director on the work of OIAI;

(d) The Office independently reported to the Executive Board on its findings and concerns.

21. In 2023, the Executive Board instituted periodic closed briefings with OIAI.

22. The Office confirms that during 2023 it was free from management interference in determining the scope of its audits and investigations, performing its work and communicating its results.

## V. Professional standards

23. Internal audit work is conducted by OIAI in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

24. The Office maintains an internal quality assurance and improvement programme for its audit function, which includes engagement-level quality assurance, ongoing

internal self-assessments, feedback from clients and external quality assessments. A 2019 external quality assessment<sup>2</sup> awarded OIAI the highest rating possible.

25. The Office conducts investigations in accordance with the Uniform Principles and Guidelines for Investigations and applicable UNICEF policies.

26. A January 2022 external quality assessment of the investigations function<sup>3</sup> found the function to be in conformity with the Uniform Principles and Guidelines for Investigations and in compliance with the OIAI Charter and other applicable UNICEF legislative instruments.

27. Pursuant to Executive Board decision 2018/12, annex III includes a report on OIAI 2023 performance against key indicators and targets.

## **VI. Professional network**

28. During 2023, OIAI remained an active member of Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions (UN-RIAS) and the United Nations Representatives of Investigative Services. In August, OIAI participated in the 15th Conference of UN-RIAS and 52nd Conference of RIAS.

29. In November 2023, OIAI participated in the 23rd Conference of International Investigators.

30. The Office communicated with representatives of the Board of Auditors to coordinate workplanning and avoid overlaps in assurance coverage, and also engaged with other internal oversight functions within UNICEF and with donor oversight bodies.

31. The Office co-led the development of the ‘Key principles for donor engagement’, which seeks to harmonize the efforts of the United Nations entities in addressing the challenges posed by increasing donor conditionalities. The principles were endorsed by UN-RIAS and the United Nations Representatives of Investigative Services.

## **VII. Resources**

32. In 2023, the OIAI budget was \$14.9 million. As at 31 December 2023, OIAI had 60 authorized posts (with 16 vacancies), including the Director (supported by an Adviser); Deputy Director, Audit; Deputy Director, Investigations; 28 posts in the Internal Audit Section; and 28 posts in the Investigations Section. Of the 60 posts, 42 are based in New York, 13 in Budapest and 5 in Nairobi. The office also has one Junior Professional Officer post. It is anticipated that by the end of 2024 approximately one third of OIAI posts will be based outside New York.

33. To ensure sufficient funding and minimize the impact of non-post budgeting on operational independence, OIAI developed an objective model to calculate non-post budget needs in 2024 and beyond.

34. A comprehensive assessment of the overall resources (post and non-post) needed by OIAI to meet its rapidly growing workplan will be undertaken as part of the 2026–2029 budget cycle.

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<sup>2</sup> Available at [www.unicef.org/auditandinvestigation/documents/iia-external-quality-assessment-eqa-unicef-internal-audit-2019](http://www.unicef.org/auditandinvestigation/documents/iia-external-quality-assessment-eqa-unicef-internal-audit-2019).

<sup>3</sup> Available at [www.unicef.org/auditandinvestigation/documents/2021-external-quality-assessment-eqa-unicef-investigations-function](http://www.unicef.org/auditandinvestigation/documents/2021-external-quality-assessment-eqa-unicef-investigations-function).

## VIII. Internal audit results

35. In 2023, OIAI issued 25 engagement reports (see annex I).

### A. Distribution of audit conclusions

36. The distribution of audit conclusions is shown in table 2 below.

Table 2

**Distribution of audit conclusions, by region and thematic area, 2023<sup>a</sup>**

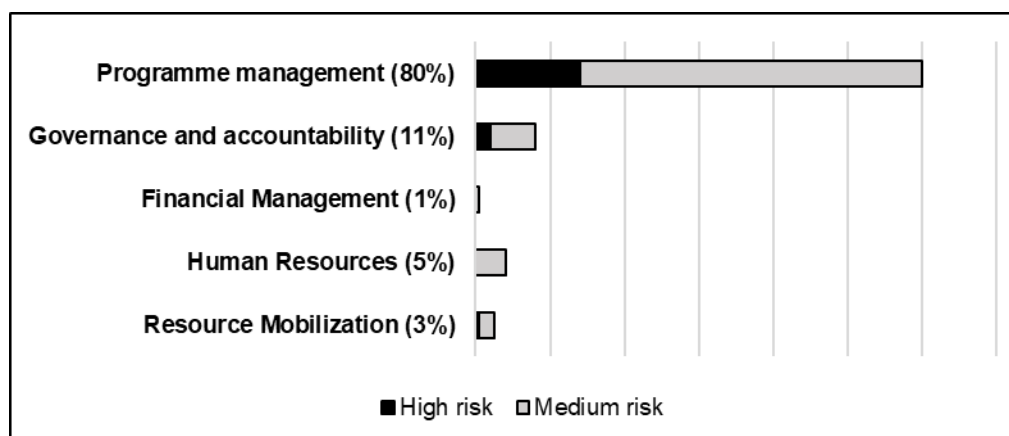
<i>Audited area</i>	<i>Number of audits</i>	<i>Conclusions</i>			
		<i>Satisfactory</i>	<i>Partially satisfactory, improvement needed</i>	<i>Partially satisfactory, major improvement needed</i>	<i>Adverse</i>
<b>A. Country office audits (by region)</b>	<b>19</b>	<b>0</b>	<b>13</b>	<b>5</b>	<b>1</b>
Eastern and Southern Africa	7	0	4	3	0
Middle East and North Africa	2	0	2	0	0
West and Central Africa	4	0	3	1	0
Europe and Central Asia	3	0	2	1	0
Latin America and Caribbean	1	0	1	0	0
South Asia	1	0	1	0	0
East Asia and the Pacific	1	0	0	0	1
<b>B. Thematic/headquarters audits</b>	<b>5</b>	<b>0</b>	<b>2</b>	<b>3</b>	<b>0</b>
<b>Total (A+B)</b>	<b>24</b>	<b>0</b>	<b>15</b>	<b>8</b>	<b>1</b>

<sup>a</sup> One advisory report issued in 2023 that does not include standard conclusions has not been included in this table.

### B. Significant results from internal audits of country offices

37. In 2023, OIAI completed audits of 19 UNICEF country offices. The objective was to determine whether the audited offices' governance, risk management and control processes were adequate and effective to ensure the achievement of their strategic objectives. Figure II shows the proportion of identified deficiencies by risk area and highlights the priority levels of the actions agreed to address those deficiencies.

Figure II  
Deficiencies categorized by risk area of country offices audited



38. The following paragraphs provide an overview of the major observations and trends from the audit reports completed in 2023.

### 1. Programme management

39. Programme management includes planning of country programmes and workplanning, monitoring and evaluation, management of implementing partnerships, programme supplies and services, programming tools such as humanitarian cash transfers, protection from sexual exploitation and abuse, and accountability to affected populations. The key observations and actions stemming from the audits of country offices in 2023 related to implementing partnerships and distribution of programme supplies.

(a) **Implementing partnerships:** UNICEF country offices work through governmental entities and non-governmental organizations (NGOs) to implement their approved country programmes. The country offices audited in 2023 disbursed approximately \$935 million to governmental entities and \$772 million to NGOs, representing 24 per cent of the 2022–2023 budgets of the country offices audited. Of these, 77 per cent were advances in the form of direct cash transfers, which require the partners to substantiate their use for the specific activities assigned to them. The Office observed that the assurance activities required to be undertaken by offices under the harmonized approach to cash transfers (HACT) only enabled UNICEF to obtain a minimum level of assurance that funds provided to the partners were used for their intended purposes, particularly in emergency contexts. While a significant percentage of the findings from HACT assurance activities related to the partners' failure to provide adequate substantiating documentation on the intended use of funds, the assurance obtained, and the actions taken by the country offices to hold partners accountable, were quite varied. Although offices were generally likely to comply with HACT minimum assurance requirements, they did not consistently prioritize high-risk partners for assurance activities. There were also challenges with the timely conduct of assurance activities and prompt recovery of, or action on, questionable expenses. The key agreed actions included:

- (i) Assessing the risks of working with partners and adjusting assurance plans and activities accordingly;
- (ii) Using competitive selection methods for civil society organizations, where feasible;



(iii) Strengthening monitoring and assurance activities, particularly with respect to high-risk partners, and effectively utilizing the results of those activities;

(iv) Adjusting assurance activities to adequately cover the unique risks arising from supplies, construction and cash to beneficiaries paid out of direct cash transfers.

(b) **Distribution of programme supplies:** UNICEF country offices also work through governmental entities and NGOs to distribute programme supplies to beneficiaries. Although the majority of programme supplies are procured centrally by the Supply Division, country offices also procure supplies locally. In 2022–2023, Supply Division and country offices procured programme supplies valued at \$3.4 billion. The country offices audited in 2023 transferred supplies valued at approximately \$1.3 billion in 2022–2023 to partners for onward distribution to beneficiaries. The lack of a reliable corporate system to track supplies once they are expensed and transferred to partners elevates the risk of loss and diversion. The audit noted that the management of this risk by country offices varied, largely because of differences in partner capacity to maintain accounting systems and country office capacity to oversee partners. For example, OIAI noted that:

(i) In several country offices, the warehouse and logistics capacities of implementing partners were not always assessed before the supplies were transferred to them;

(ii) Supplies were delivered even when the partners had not requested them or without a formal agreement; or

(iii) Supplies were often delivered to partners without approved distribution plans in place.

(c) The Office also noted that partners lacked accurate inventory records and often had poor warehousing and storage conditions. These challenges were compounded by gaps in end-user monitoring, resulting in insufficient evidence to confirm that implementing partners were distributing supplies appropriately. The key agreed actions included:

(i) Refining procurement plans to include comprehensive distribution planning;

(ii) Conducting warehouse and logistics capacity assessments for implementing partners handling supplies;

(iii) Improving in-country logistical set-ups to enhance visibility of the supply chain over supplies held by partners prior to distribution to intended beneficiaries;

(iv) Refining end-user monitoring processes to confirm the proper distribution and utility of supplies to beneficiaries;

(v) Embedding supply end-user monitoring into existing beneficiary feedback mechanisms.

## 2. Governance and accountability

40. The 2023 audits noted that country offices had achieved varying degrees of maturity in implementing the UNICEF anti-fraud strategy. In some country offices, fraud and corruption risk assessments were not undertaken and, where they were done, the oversight of the assessment and mitigating actions appeared limited or non-existent. In many instances, fraud and corruption risk management did not appear to

be a priority for senior management and risk assessments did not cover all the high-risk programme areas. Where measures were implemented, they at times appeared to be inadequate to manage the underlying risks. In other country offices, further training of staff and implementing partners was needed to ensure that they can effectively fulfil their accountabilities for fraud prevention, detection and reporting. The key agreed actions included:

(a) Regularly updating fraud risk assessments, developing anti-fraud plans and developing and implementing targeted action plans focusing on key service providers, vendors and beneficiaries;

(b) Enhancing staff awareness and training, particularly in high-risk areas like construction projects, and in remote locations with limited access to staff;

(c) Ensuring the effective decentralization of operations by using a clear accountability framework and systematic monitoring based on location-specific risk profiles;

(d) Leveraging inter-agency risk management structures, particularly regarding fraud risks in emergency contexts.

## **C. Significant results from thematic audits**

### **1. UNICEF regulatory framework**

41. Regulatory instruments are a critical aspect of the UNICEF internal control framework used to guide and govern the behaviour and performance of staff in executing their functions towards achieving the strategic goals of UNICEF.

42. In its 2023 audit report on the UNICEF regulatory framework, OIAI noted that there was insufficient evidence of the Executive Director's actual involvement in the development of policies and procedures. Additionally, the manner in which policies and procedures were developed often made their application challenging and posed a risk of overlap and inconsistencies. Policies and procedures generally did not describe the instances where they would not be applicable, nor did they define the criteria for granting exceptions. Moreover, due to the absence of detailed guidance, end-users routinely chose to develop documents themselves, such as standard operating procedures and tool kits, thus creating risks to the effectiveness of the relevant policies. The key agreed actions stemming from the audit were as follows:

(a) Create a policy governing the regulatory framework issued by the Executive Director; revise the existing procedure on the regulatory framework; and create a centralized, independent policy function with commensurate resources to oversee the identification, development, issuance, monitoring and enforcement of regulatory content;

(b) Ensure that the regulatory policy describes the exceptional circumstances in which exemptions to its otherwise mandatory application may be allowed and specifies a transparent decision-making process for granting exceptions.

### **2. Public Partnerships Division**

43. The Public Partnerships Division (PPD) engages in policy advocacy and public sector resource mobilization to support the work of UNICEF across the globe. Despite a competitive funding landscape and declining official development assistance, PPD successfully mobilized significant resources, exceeding its targets for 2023. Additionally, PPD regularly shared insights related to the changes in donor countries that are relevant to organizational resource mobilization efforts with offices across UNICEF. However, OIAI noted the following:

(a) The roles, responsibilities and accountabilities of UNICEF offices in respect of their interaction and engagement with public sector donors were not always clear and in alignment with the existing regulatory framework;

(b) While PPD resource mobilization targets had increased significantly, there was limited growth in the resources needed to ensure achievement of the targets;

(c) It was not clear how PPD advocacy priorities would be pursued and what specific results were expected.

44. The key actions stemming from the audit were as follows:

(a) Update all relevant policy documents to ensure clarity of roles, responsibilities and accountabilities for the negotiation and management of contribution agreements;

(b) Formalize subdelegation of authority from the PPD Director to other offices and implement a monitoring system to obtain reliable assurance of compliance;

(c) Prepare a business case for a review of the PPD funding model to increase funding for critical resource mobilization activities.

### **3. Performance management and career development**

45. The UNICEF workforce has grown significantly over the past decade and the UNICEF People Strategy 2022–2025 identifies performance management and career development as a key priority.

46. The Office identified several positive initiatives designed to create a workplace environment anchored in UNICEF core values. Moreover, OIAI found that the intended outcomes of the performance management and career development programme were not clear. A detailed analysis of the resources and skills required to implement the proposed strategy and supporting organizational structure had not been conducted, interdependencies with the wider talent management framework had not been fully thought through, and process or system requirements had not been reviewed. Despite positive initiatives, significant improvement was needed with respect to the workplace culture that is required for constructive, fair, transparent performance management. While many reward and recognition practices existed across UNICEF, they were inconsistent and lacked central oversight. This, coupled with a lack of structured career opportunities, contributed to the risk of a negative impact on staff morale. The key agreed actions stemming from the audit were as follows:

(a) Develop a vision and strategy for the future performance management structure and process, as part of an integrated talent management framework;

(b) Develop a plan for implementing the performance management and career development strategy, with clear accountabilities and realistic timelines;

(c) Implement a capacity-building programme focused on senior leaders and people managers to ensure a strong tone at the top and reinforce accountabilities for managing performance and career development;

(d) Develop guidance for the weighting of people management skills and technical competencies for evaluating candidates for recruitment and during staff performance evaluations;

(e) Develop a fit-for-purpose reward and recognition framework with clear criteria for application;

(f) Ensure clear and effective linkages between performance management, learning and career development to incentivize staff ownership of their careers.

#### **4. Hosted partnerships**

47. Hosted partnerships are critical to UNICEF programming. As a host, UNICEF has received approximately \$1 billion since 2019 on behalf of its hosted partnerships in direct contributions (87 per cent) and bilateral contributions (13 per cent). While direct contribution agreements limited UNICEF exposure as they specifically required the organization to disburse funds as instructed by the partnerships, there were no similar requirements in respect of bilateral contributions. Therefore, the organization must implement additional controls to mitigate the potential risks in the event of fraud or misuse of the funds for bilateral contributions.

48. Furthermore, there was no formal instrument governing the relationship between UNICEF and the hosted partnerships and UNICEF did not integrate risk management practices into its hosting arrangements. The key agreed actions stemming from the audit were as follows:

(a) Implement appropriate controls for hosted partnerships' utilization of bilateral contributions to manage the risks of fraud, waste and abuse;

(b) Develop a hosting agreement template that contains appropriate provisions commensurate with UNICEF accountabilities and the risks the organization assumes for hosting a partnership;

(c) Set clear success/performance goals and metrics for UNICEF engagement in hosted partnerships and clarify who in UNICEF is ultimately responsible for managing and reporting on progress towards the achievement of those goals and metrics;

(d) Revise standard operating procedures to ensure they clearly describe specific actions and processes commensurate with the risks that UNICEF is exposed to by hosting the partnerships.

### **IX. Disclosure of internal audit reports**

49. Pursuant to Executive Board decision 2012/13, all internal audit reports issued in 2023 were published in full and without redaction. All internal audit reports disclosed to date can be accessed from the OIAI website.<sup>4</sup> Advisory reports are not subject to public disclosure.

### **X. Investigations results**

50. The Investigations Section assesses and investigates reports of possible misconduct and wrongdoing that involve UNICEF resources, staff and non-staff personnel as well as implementing partners, institutional contractors and other third parties. The results of the fact-finding activities are transmitted to the appropriate offices to guide UNICEF management in deciding on administrative, disciplinary or other actions to be taken. The Section also reviews investigations of fraud and sexual exploitation and abuse involving personnel of implementing partners and institutional contractors that are conducted by those entities with internal investigation capacity or by other third-party investigative entities.

51. All reports of possible misconduct and wrongdoing are reviewed by the OIAI intake team, which, together with Investigations Section management, provides

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<sup>4</sup> See [www.unicef.org/auditandinvestigation/internal-audit-reports](http://www.unicef.org/auditandinvestigation/internal-audit-reports).

guidance to staff and managers on the options available for resolution, including informal and alternative resolution mechanisms. The intake team assesses allegations and collects additional information to determine whether a full investigation should be initiated. Matters determined to be outside the purview of OIAI may be referred to another office. Where an investigation is initiated and the allegations are substantiated, the outcome is documented in an investigation report; in cases where the allegations cannot be substantiated consistent with the burden of proof, the findings are documented in a closure report.

52. In 2023, the Investigations Section supported other United Nations investigation services, including by conducting two investigations on behalf of other United Nations entities. The Investigations Section also sought support from other United Nations investigation services with assessments and investigations.

53. Working with the office of the Deputy Executive Director, Management, the Section sought to address its growing caseload by piloting the use of options letters to resolve credible allegations in certain types of cases and expanding the types of matters directly referred for possible disciplinary action without conducting a full investigation.

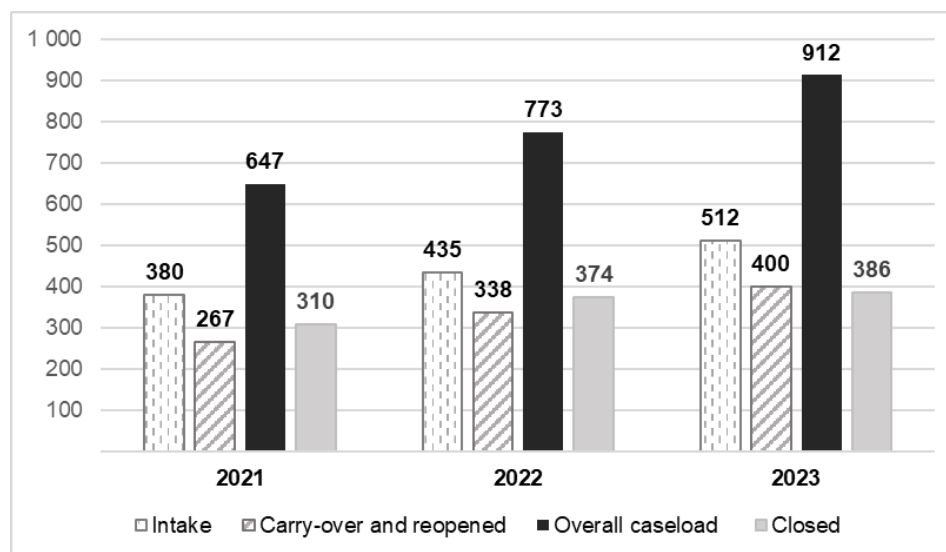
## A. Case management

54. Figures III and IV and table 3 below provide a snapshot of OIAI case activity, with allegations grouped by category. To harmonize data with other United Nations funds and programmes, “prohibited conduct” includes harassment, abuse of authority and discrimination, but excludes sexual harassment, which is grouped with sexual exploitation and abuse and sexual assault under “sexual misconduct”.

55. In 2023, there was an 18 per cent increase in complaints of misconduct and wrongdoing registered as new cases (512 cases) over 2022, which represented an increase of 35 per cent since 2021 (see figure III). The Investigations Section hotline received almost 15,000 communications requiring further review and action. Continued significant growth in the caseload continues to outstrip available resources, contributing to a growing gap between the caseload and case closures.

Figure III

### Investigations intake, caseload and completion, 2021–2023



56. The Investigations Section managed 912 cases in 2023 (see table 3), representing an 18 per cent increase from 2022. This includes 399 cases carried over from the previous year, 512 new cases and 1 reopened case. Notwithstanding its growing caseload and several new vacancies, the team increased the number of closures by 3 per cent, with 386 cases closed by the end of 2023.

**Table 3**  
**Investigations cases handled in 2023**

<i>Status of cases</i>	<i>Number of cases</i>
Carry-over as at 1 January 2023	399
Intake during 2023	512
Reopened from previous year	1
<b>Total cases during the year</b>	<b>912</b>
Closed during year	386
Cases ongoing as at 31 December 2023	526

57. The Office strives to complete assessments within 90 days and investigations within nine months. This time frame serves as a guide rather than a target, given that individual cases may remain open for many valid reasons. It also avoids implementing a metric that could incentivize inadequate investigations, minimize due process-related considerations, or result in the premature closure of investigations. The Office remains focused on prioritizing the most critical cases and improving the efficiency and effectiveness of its case resolutions.

58. In 2023, OIAI completed 184 assessments (48 per cent of total assessments) within 90 days (see figure IV). Of the 56 cases closed following investigation, 33 (59 per cent) were finalized within nine months (see figure V).

59. The speed of closure is impacted by several factors, including the nature of a case, its prioritization and its complexity. In 2023, the duration of OIAI cases was also impacted by the significant increase in the number of new matters requiring review, staff turnover and vacancies and numerous non-investigative demands, in particular donor relations management and increasing reporting requests.

Figure IV

**Percentage of assessments closed within 90 days in 2023, by case type**

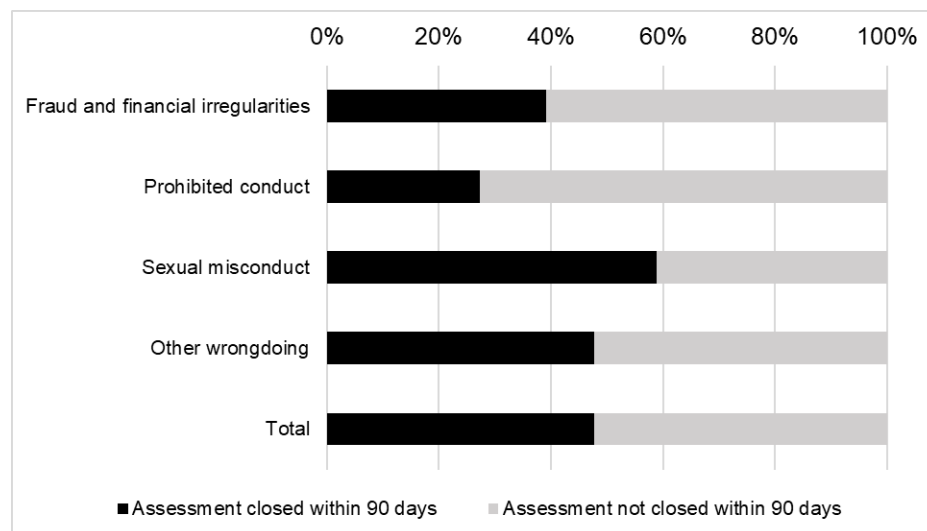
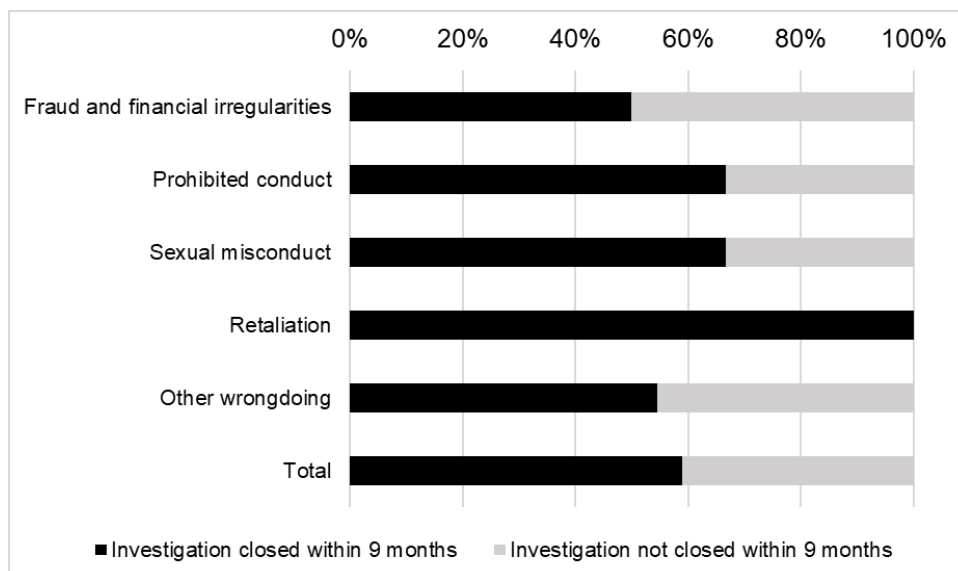


Figure V  
**Percentage of investigations closed within nine months in 2023, by case type<sup>a</sup>**



<sup>a</sup> In 2023, one retaliation investigation conducted by OIAI on behalf of another United Nations entity was completed.

## B. Analysis of allegations received

60. Figure VI and Table 4 categorize the 512 cases opened in 2023, by type. The largest category was fraud and financial irregularities (216 cases), followed by sexual misconduct (149 cases), with both categories showing an increase from 2022. The increase in sexual misconduct cases (110 in 2022; 149 in 2023) reflects a significant increase in sexual exploitation and abuse cases (83 in 2022; 127 in 2023) but a similar number of sexual harassment cases (23 in 2022; 22 in 2023). The number of harassment, abuse of authority and discrimination cases remained steady, with 38 in 2023 and in 2022. In 2023, OIAI opened eight cases that alleged discrimination, including based on race, gender, ethnicity and other characteristics.

Figure VI  
**Case intake in 2023, by category of allegation**

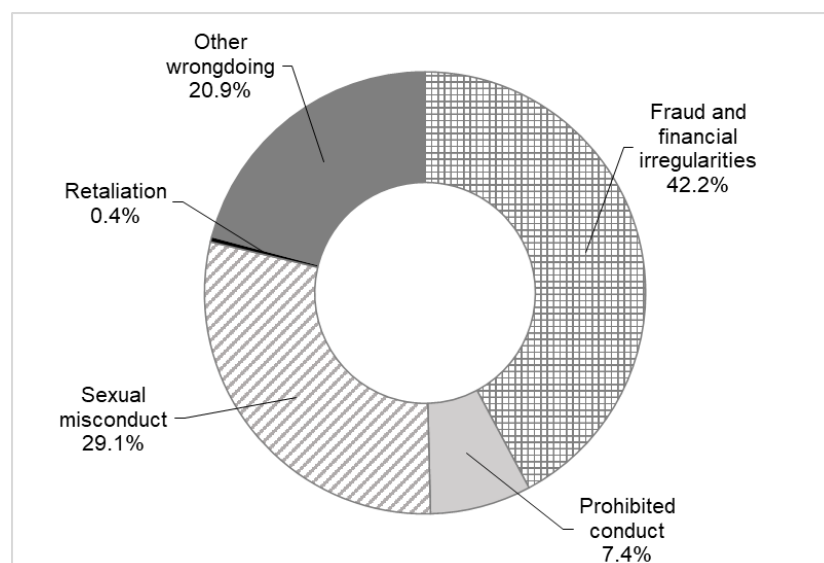


Table 4  
Case intake by category of allegation, 2021–2023

<i>Allegation category</i>	<i>Cases in 2021</i>	<i>Cases in 2022</i>	<i>Cases in 2023</i>
Fraud and financial irregularities	152	193	216
Prohibited conduct	50	38	38
Sexual misconduct	95	110	149
Retaliation <sup>a</sup>	0	1	2
Other wrongdoing	83	93	107
<b>Total</b>	<b>380</b>	<b>435</b>	<b>512</b>

<sup>a</sup> Includes one matter investigated by OIAI on behalf of another United Nations entity.

61. Table 5 shows the breakdown of allegations received, by location.

Table 5  
Case intake in 2022 and 2023, by region

<i>UNICEF region/location</i>	<i>2023</i>		<i>2022</i>	
	<i>Number of cases</i>	<i>Percentage of the total</i>	<i>Number of cases</i>	<i>Percentage of the total</i>
Headquarters	26	5	30	7
East Asia and the Pacific	22	4	24	6
Eastern and Southern Africa	120	23	94	22
Europe and Central Asia	22	4	24	6
Latin America and Caribbean	29	6	15	3
Middle East and North Africa	88	17	80	18
South Asia	108	21	73	17
West and Central Africa	91	18	88	20
Other <sup>a</sup>	6	1	7	2
<b>Total</b>	<b>512</b>	<b>100</b>	<b>435</b>	<b>100</b>

<sup>a</sup> “Other” comprises matters where the location is unknown or the allegations concern non-UNICEF entities or cross-regional allegations.

*Note:* Due to rounding, some of percentages do not total 100 per cent.

### C. Disposition of completed cases

62. In 2023, OIAI issued 44 investigation reports, 49 referrals and 1 advisory memorandum that highlighted risks related to inadequate screening of candidates under recruitment with respect to possible sexual misconduct. Fifteen of the 386 completed cases in 2023 were closed because the allegations could not be substantiated. Of the remaining 278 completed cases, 19 were closed after the alleged victims withdrew their complaints or declined to consent to proceed with a formal investigation and the allegations could not be established through other means.

63. The Office closed 142 cases following investigations of sexual exploitation and abuse, or investigations or special audits of fraud involving implementing partner personnel, conducted by implementing partners with internal investigative capacity, or by other third parties. The disposition of cases completed in 2023 is summarized in table 6 and details of the closed cases are provided in the addendum to this report.



Table 6  
**Disposition of cases completed in 2023**

<i>Type of closure</i>	<i>Number of cases</i>
<b>Investigation report</b>	<b>44</b>
(a) Submitted to senior management under UNICEF disciplinary policy*	36
(b) Submitted to other UNICEF offices or United Nations entities**	8
<b>Closure report</b>	<b>15</b>
(a) Allegation not substantiated	15
<b>Other</b>	<b>278</b>
(a) Lack or withdrawal of consent to proceed with an investigation in case involving a victim of direct harm	19
(b) Review of third-party investigation or audit	142
(c) Lack of actionable information sufficient to commence an investigation	117
<b>Referral made to another UNICEF office or other entity***</b>	<b>49</b>
<b>Total cases closed in 2023</b>	<b>386</b>

\* Includes cases submitted under paragraphs 21 and 33 of the UNICEF policy on the disciplinary process and measures.

\*\* Includes investigation reports in non-staff contractual matters, investigation reports completed on behalf of other United Nations entities and investigation reports in matters concerning United Nations Volunteers (UNV) that are submitted to the UNV Executive Coordinator.

\*\*\* Referrals may be issued when a matter falls outside the mandate of OIAI, and/or when the Office has determined that an investigation is not warranted and has identified issues appropriate for management intervention.

64. The largest number of closed cases related to sexual exploitation and abuse (119 cases), followed by fraud involving misuse of programme funds by third parties (69 cases) and inappropriate staff conduct (36 cases). The Office established financial losses to UNICEF from 10 cases of misconduct or wrongdoing, or both, amounting to \$99,398. These losses generally reflect findings attributable to misconduct, or wrongdoing, or both, and therefore may not reflect the organization's total losses, such as expenditures that may not be attributable to fraud but were nonetheless determined to be unauthorized or "ineligible" under contractual agreements with UNICEF. The figure also does not include losses to third parties, for example losses from medical insurance plan fraud.

#### **D. Disciplinary measures and other actions taken by UNICEF**

65. While OIAI is responsible for conducting investigations, senior management is responsible for taking appropriate action based on investigation reports shared by OIAI. In this regard, OIAI submitted 36 matters to senior management for consideration of disciplinary action under the UNICEF policy on the disciplinary process and measures. Disciplinary actions taken as a result of OIAI findings are reported to staff by the Deputy Executive Director, Management, in periodic reports on disciplinary measures and other actions in response to misconduct. In 2023, the Deputy Executive Director, Management, completed a disciplinary process in 23 cases, some of which related to cases submitted by OIAI in 2022. Twenty-one of those cases involved serving staff members and 2 cases involved former staff members who were informed that a disciplinary measure would have been imposed had they remained in service. The disciplinary measures included dismissal or separation from service (16 cases) and loss of steps in grade (7 cases).

66. In a case involving one additional former staff member, appropriate action was taken to record the case for accountability purposes.

## E. Non-case specific activities

67. In 2023, Investigations Section personnel participated in training initiatives, including an inter-agency training organized by the Office of the United Nations High Commissioner for Refugees; training on trauma-informed interviewing; and workshops on open-source intelligence, information and communications technology tools for investigators and conducting sexual misconduct investigations.

68. The Section provided advisory and other non-investigative services in areas including:

(a) **Advice to UNICEF personnel and management:** The Section received an increasingly large volume of requests for guidance and advice from managers and staff across UNICEF concerning possible misconduct and wrongdoing, as well as matters falling outside the OIAI mandate. These requests took significant time to address and comprise an increasing proportion of the Section's workload.

(b) **Policy initiatives:** The Section contributed to several organizational initiatives, including policies and procedures related to environmental and social standards and safeguarding. The Section also continued to participate in the United Nations working group on best practices for addressing allegations of harassment, sexual harassment, abuse of authority and discrimination.

(c) **Sexual exploitation and abuse and sexual harassment:** The Office is responsible for reporting to the Executive Office of the Secretary-General of the United Nations allegations of sexual exploitation and abuse related to UNICEF against an identifiable perpetrator or victim.<sup>5</sup> Staff of the Investigations Section also delivered presentations on sexual exploitation and abuse and sexual harassment to UNICEF personnel and implementing partners in various regions.

(d) **Fraud and corruption:** The Section managed an external review of the UNICEF anti-fraud framework, participated in a cross-divisional working group to develop practical guidance on responding to fraud and corruption and delivered presentations on the topic to several UNICEF offices. The Section also collaborated with the Afghanistan Country Office and Supply Division to conduct a proactive review of risks in the supply function in Afghanistan. This highlighted the urgent need to strengthen risk mitigation measures, including with respect to fraud and corruption. The Office also launched a recruitment process for a temporary fraud investigations task force; it anticipates that these positions will be filled by the second quarter of 2024.

(e) **Communications and training:** The Investigations Section expanded its outreach efforts, delivering over 40 presentations (compared to 31 in 2022) for staff in country and regional offices and for implementing partners. Topics ranged from an overview of the work of OIAI to sexual misconduct and responding to allegations of fraud and corruption.

(f) **Review of provisions in agreements:** In 2023, the Section participated in the drafting and review of 64 financing and legal agreements with donors and other parties, compared to 35 in 2022. The review process, complexity and non-standard nature of these agreements required reallocation of substantial higher-level resources.

(g) **Donor engagement and reporting:** In 2023, the Section handled over 75 matters related to donor reporting, including both ad hoc and periodic reporting

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<sup>5</sup> The number of sexual exploitation and abuse allegations reported to the Office of the Secretary-General may differ from the number included in this report, as OIAI also receives allegations that do not meet the criteria for reporting to the Executive Office of the Secretary-General. These include cases that OIAI may refer to other United Nations entities.

exercises and responding to follow-up inquiries. The Section actively worked on over 40 other donor-related matters, including preparing for and participating in specific donor engagement initiatives and drafting donor resource documents and tools. To meet the growing donor engagement and reporting demands, the Office created a dedicated donor relations position. The nature of the sensitive investigative information requested by donors continues to create risks to the Office's independence.

## **F. Overview of issues and trends**

69. The Office experienced a significant increase in the number of complaints of sexual misconduct, and sexual exploitation and abuse in particular. Most of these matters implicated personnel of implementing partners. The Office substantiated allegations of sexual harassment or sexual exploitation and abuse in 15 cases involving UNICEF personnel, compared to 6 in 2022. However, the lack of consent by victims to proceed with a formal investigation continued to pose challenges to investigating these cases; on that basis, OIAI closed five sexual misconduct cases in 2023.

70. While the number of cases alleging harassment, abuse of authority and discrimination remained relatively steady compared to 2022, these cases continue to require a significant investment of resources at the intake stage, even though many complaints have ultimately been determined to relate to interpersonal conflict and performance management issues that did not amount to misconduct and thus fall outside of the Office's mandate.

71. The Office faces unique investigative challenges when it receives allegations of fraud or sexual exploitation and abuse implicating personnel of government implementing partners. The Office must generally rely on the partner's ability to conduct its own investigation, and there is an acute need to strengthen the applicable legal framework so that UNICEF has more tools at its disposal to address these types of allegations.

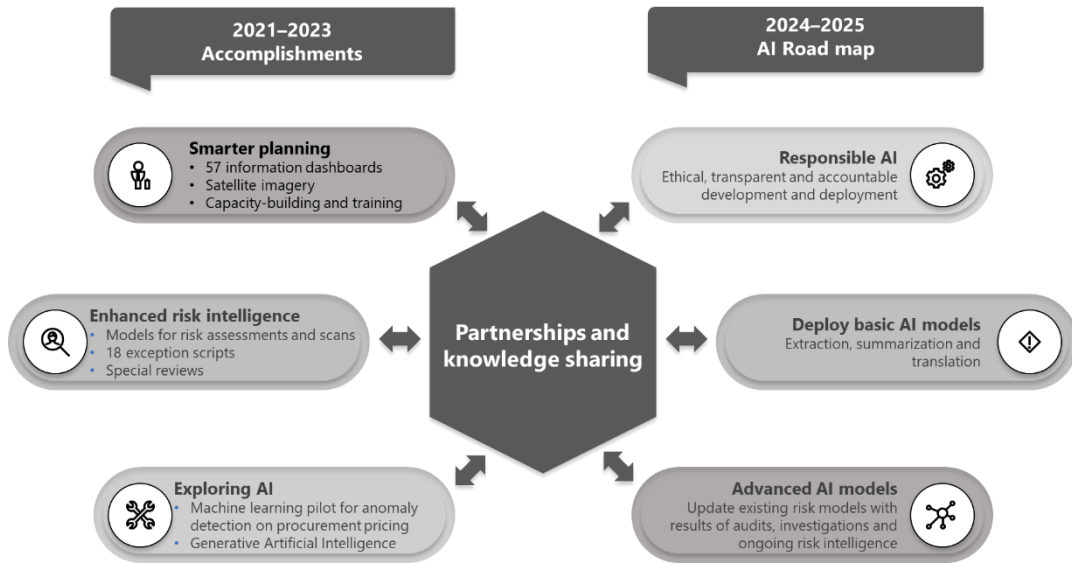
72. The UNICEF operating environment, including its work in conflict zones, poses numerous practical impediments to investigations. It is often difficult to obtain critical documentary or testimonial evidence from inaccessible or high-risk locations. The Office is also often unable to offer witness protection measures to witnesses whose complaints may expose them to safety and security risks, which can limit the Office's ability to obtain actionable evidence.

73. Fraud and corruption cases pose several additional unique challenges. For instance, the lack of supporting documentation maintained by implementing partners frequently renders it difficult for OIAI to substantiate fraud to the requisite standard of proof. In addition, there appears to be significant underreporting of fraud and corruption, particularly procurement fraud. In seeking to respond to these challenges, OIAI has taken a pragmatic approach, working closely with country offices to support assurance activities that can lead to findings of ineligible expenditures and to identify control weaknesses that require remediation, particularly where OIAI may be unable to progress a matter to investigation and substantiate wrongdoing.

74. The Office supported proactive activities, including the review of the supply function in Afghanistan. It is important to note, however, that such proactive work can be highly resource intensive and the ability of OIAI to expand its work in this area is thus limited as it must prioritize its growing portfolio of reactive cases as well as non-case-related demands.

## XI. Data analytics

Figure VII  
Analytics journey and artificial intelligence (AI) road map



75. The Office has made significant progress in embedding analytics within its day-to-day operations, including:

- (a) Dashboards that provide curated information for workplanning and execution.
- (b) Customized risk models for audit risk assessments and for assessing the need for proactive country office engagements.
- (c) Satellite imagery pilots to assess progress in construction projects.
- (d) Management monitoring reports.
- (e) Pilots on the use of artificial intelligence, including a model for detecting procurement pricing anomalies.

## XII. Strategic road map

76. The OIAI strategic priorities for 2024 are listed in the following paragraphs.

77. **Engagement with the Executive Board:** OIAI will continue to engage meaningfully with the Board with respect to risk management and assurance.

78. **Internal audit:** In 2024, the Office will undertake an external quality assurance review of its internal audit function. The Office will complete the consolidated audit reports on key common themes identified across country office audits undertaken in 2023 to provide broader learning, focusing on organization-wide issues and solutions.

79. **Investigations:** In 2024, the Investigations Section will continue to expand its work to address fraud and corruption risks across UNICEF operations, including by launching the temporary fraud investigations task force and supporting the implementation of the external review and recommendations for improvements to the UNICEF anti-fraud framework. The Office will strive for greater efficiencies in addressing donor demands for expanded reporting and the review of legal agreements.

80. **Alternative conflict resolution mechanisms:** The Investigations Section will seek to limit its involvement to matters where investigations are truly necessary. The Office will continue to work with the Division of Human Resources and the Office of the Executive Director to expand the use of alternative conflict resolution mechanisms to address interpersonal conflict, expand the use of options letters and direct referrals and pursue policies that will permit lower-level violations to be handled by offices other than OIAI.

### **XIII. Draft decision**

#### *The Executive Board*

*Takes note* of the UNICEF Office of Internal Audit and Investigations 2023 annual report to the Executive Board ([E/ICEF/2024/AB/L.3](#)), its addendum ([E/ICEF/2024/AB/L.3/Add.1](#)) and its management response ([E/ICEF/2024/AB/L.4](#)), as well as the UNICEF Audit Advisory Committee 2023 annual report to the Executive Board, and welcomes the overall opinion of the adequacy and effectiveness of the organization's framework of governance, risk management and controls.

## Annex I

### Audit and advisory reports issued in 2023<sup>a</sup>

No.	Reference number	Region <sup>b</sup>	Audit and advisory reports	Number of agreed actions		
				Total	High priority	Report conclusion <sup>c</sup>
<b>I. Audit reports</b>						
<b>A. Country offices</b>						
1.	2023/01	EAP	Management of Global Fund grant to support reduction, treatment and prevention of Tuberculosis, Malaria and COVID-19 in the Democratic People's Republic of Korea	3	1	U
2.	2023/02	ECA	Tajikistan	5	0	PS-IN
3.	2023/03	SA	Nepal	7	2	PS-IN
4.	2023/04	ESA	Madagascar	11	3	PS-MIN
5.	2023/08	WCA	Guinea	8	2	PS-IN
6.	2023/09	ESA	Burundi	6	0	PS-IN
7.	2023/11	MENA	State of Palestine	7	0	PS-IN
8.	2023/12	WCA	Togo	6	1	PS-IN
9.	2023/13	ESA	United Republic of Tanzania	5	2	PS-IN
10.	2023/14	MENA	Yemen	7	2	PS-IN
11.	2023/15	WCA	Nigeria	11	2	PS-IN
12.	2023/16	ESA	Uganda	6	0	PS-IN
13.	2023/18	ESA	Ethiopia	11	3	PS-MIN
14.	2023/19	ECA	Ukraine	10	2	PS-MIN
15.	2023/20	WCA	Niger	9	5	PS-MIN
16.	2023/21	ESA	South Sudan	9	3	PS-MIN
17.	2023/22	LAC	Peru	9	1	PS-IN
18.	2023/23	ECA	Poland	11	2	PS-IN
19.	2023/25	ESA	Somalia	9	2	PS-IN
<b>Total</b>				<b>150</b>	<b>33</b>	
<b>B. Thematic areas</b>						
20.	2023/05	N/A	Performance Management and Career Development	8	4	PS-MIN

No.	Reference number	Region <sup>b</sup>	Audit and advisory reports	Number of agreed actions		
				Total	High priority	Report conclusion <sup>c</sup>
21.	2023/06	N/A	Hosting of global partnerships by UNICEF	7	4	PS-MIN
22.	2023/07	N/A	Public Partnerships Division	7	3	PS-MIN
23.	2023/10	N/A	Financing of fundraising activities: World Bank Bond	2	0	PS-IN
24.	2023/24	N/A	UNICEF regulatory framework	5	1	PS-IN
<b>Total</b>				29	12	
<b>Grand total</b>				<b>179</b>	<b>45</b>	

## II. Advisory reports

25.	2023/17	N/A	United Nations Business Operations Strategy	-	-	-
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<sup>a</sup> Audit reports are listed by category.

<sup>b</sup> The UNICEF regions listed are as follows: EAP: East Asia and the Pacific; ECA: Europe and Central Asia; ESA: Eastern and Southern Africa; LAC: Latin America and Caribbean; MENA: Middle East and North Africa; SA: South Asia; and WCA: West and Central Africa.

<sup>c</sup> Report conclusions are classified as:

*Satisfactory (S)*: The assessed governance, risk management or control processes were adequate and functioning well.

*Partially satisfactory, improvement needed (PS-IN)*: The assessed governance, risk management or control processes 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 or process.

*Partially satisfactory, major improvement needed (PS-MIN)*: 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 (U)*: The assessed governance, risk management or control processes needed major improvement. The weaknesses or deficiencies identified could have a severely negative impact on the performance of the audited entity, area, activity or process.

## Annex II

### Open agreed actions older than 18 months as at 31 December 2023

#	Title of audit/issue month and year/age of agreed action/agreed action (by risk prioritization)	Status update (as at March 2024)
1	<p><b>Guatemala Country Office (May 2022: 19 months)</b></p> <p>(a) <b>Medium priority:</b> The country office agreed to strengthen its management of partnerships by addressing the internal control gaps in the tripartite memorandum of understanding (MOU) between the office, the Government and civil society organizations.</p>	<p>The country office Representative engaged in discussions with the Ministry of Education to strengthen the tripartite MOU. The finalization has been delayed to accommodate the government's request for further discussions. Meetings with the concerned authorities have been conducted and it is expected that the MOU will be signed in the first quarter of 2024.</p>



## Annex III

### Key performance indicators for 2023

<i>No.</i>	<i>Key performance indicator</i>	<i>Target (2023)</i>	<i>Achievement (2023)</i>
1.	Delivery of a risk-based workplan	90%	78% <sup>a</sup>
2.	Compliance with Executive Board decision 2012/13 on public disclosure	100%	100%
3.	Engagements in which feedback from clients has been “generally satisfactory” <sup>b</sup>	100%	100%
4.	General conformity with Institute of Internal Auditors standards, including external assessments (once every five years)	Yes	Yes
5.	Compliance with timeliness indicators for internal audit reporting	90%	8% <sup>c</sup>
6.	Compliance with timeliness indicators for investigations	65%	59%

<sup>a</sup> This shortfall is attributed to a combination of significant challenges. The Office of Internal Audit and Investigations (OIAI) navigated a 13 per cent staff vacancy rate, substantially exceeding the anticipated 3 per cent, which impacted its operational capacity. Additionally, UNICEF country offices faced numerous unforeseen difficulties, including civil unrest, natural disasters and local staffing issues, necessitating substantial revisions to OIAI initial workplans. This led to the suspension or postponement of several planned audits after considerable work was undertaken.

<sup>b</sup> Audit clients either agreed or strongly agreed that, overall, the individual audits added value and resulted in meaningful agreed actions and results.

<sup>c</sup> The low achievement of key performance indicators in 2023 was due to multiple challenges in the Audit Section. Among them, a 25 per cent vacancy for an audit chief post through the year and the transition for another chief position added significant pressures and delays in quality review process. Additionally, the absence of key client personnel during holidays and the need for in-depth discussions to tackle complex audit issues slowed down reporting processes.