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Management response to the UNICEF Office of Internal Audit and Investigations 2025 annual report to the Executive Board

Summary

This document presents the Management response to the UNICEF Office of Internal Audit and Investigations 2025 annual report to the Executive Board. The report summarizes the various actions that UNICEF has taken to implement the recommendations related to risk areas at headquarters, regional and country offices. It also provides insights into cases of fraud and misconduct investigated by the Office of Internal Audit and Investigations and the actions taken, including the efforts being made to pursue the recoveries of the confirmed losses. The document highlights the collective efforts made by UNICEF divisions and offices to implement the recommendations, including the actions on recommendations outstanding for more than 18 months.

Section IX of this document contains elements of a draft decision for consideration by the Executive Board.

* [E/ICEF/2026/9](#).



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I. Overview

1. This report has been prepared by the management of UNICEF in response to the UNICEF Office of Internal Audit and Investigations 2025 annual report to the Executive Board (E/ICEF/2026/AB/L.3) and addenda (E/ICEF/2026/AB/L.3/Add.1) and (E/ICEF/2026/AB/L.3/Add.2). The report includes updates on actions taken or planned by UNICEF management to address the risks and main recommendations identified in the audits undertaken by the Office of Internal Audit and Investigations (OIAI, or “the Office”) during 2025. It also elaborates on the sustained efforts made by management to improve governance, risk management, internal controls, fraud management and the recovery of losses related to reported cases of fraud or presumptive fraud, in line with Executive Board decisions 2018/3, 2019/6 and 2021/4.
2. The internal audit work conducted by OIAI in 2025 concluded that the UNICEF framework of governance, risk management and control is generally adequate and effective to achieve the organization’s objectives. Management welcomes the satisfactory audit opinion, which has been sustained over the past years, and is committed to further enhance UNICEF governance, risk management and internal controls while recognizing the heightened operational risks and organizational transformation taking place under the UNICEF Future Focus Initiative.
3. Management welcomes the OIAI affirmation of its independence, and its confirmation that in 2025 the Office was free from management interference in determining the scope of its internal audits and investigations, performing its work and communicating its results.
4. Management commends OIAI for the development of its strategic framework for 2026–2029 to sharpen its impact, relevance and value to UNICEF, as well as its continued efforts to strengthen its engagement and collaboration with the Executive Board and the Board of Auditors.
5. Management values the improvements made by OIAI to its 2025 annual report to the Executive Board, which includes a consolidation of the most significant and recurrent findings and the underlying causal analysis from recent internal audits and investigations. The highlight of these significant and recurrent findings will further support and give management insight to address their root causes across all country offices and thus better serve children.
6. Management applauds OIAI for the positive results from the January 2025 independent external quality assessment, which concluded that the internal audit function “generally conforms” to the Institute of Internal Auditors’ Global Internal Audit Standards, attesting to the quality and professionalism of the function.
7. Management notes that a total of 20 audit reports on UNICEF activities were issued by OIAI in 2025, including 2 audit reports on thematic activities. Of the 20 audit reports issued by OIAI, 60 per cent resulted in generally satisfactory conclusions (i.e. “satisfactory”, and “partially satisfactory, improvement needed”), while 35 per cent had a conclusion of “partially satisfactory, major improvement needed” and 5 per cent (one country office audit report) had an “unsatisfactory” conclusion.
8. Of the 138 agreed actions contained in the internal audit reports issued in 2025 (country offices, regional office and thematic audits), 50 (36 per cent) were rated as high priority. Management is pleased to note that while the 50 actions were considered high priority, in the view of OIAI, the identified deficiencies,

individually or collectively, are not expected to adversely impact the achievement of expected global outcomes for children.

9. Management notes that, as at 31 December 2025, 74 per cent of all agreed actions from audit engagements completed from 2022 to 2025 had been implemented, with 22 agreed actions from six thematic audits outstanding for more than 18 months, of which management is proactively developing plans to implement the required actions within the agreed revised timelines. The due dates for implementation of multiple agreed actions from the 2025 audit engagements were beyond 2025. Management is proactively developing plans to implement the required actions within the agreed timelines.

10. Management continues to support offices in ensuring the prompt implementation of OIAI audit recommendations.

11. Management recognizes the effort of OIAI to undertake a comprehensive assessment of its post and non-post resource requirements as part of the midterm review of the UNICEF Strategic Plan, 2026–2029, in light of the ongoing organizational funding constraints and an evolving risk environment aimed at ensuring that OIAI resourcing remains aligned with the UNICEF risk profile, operational footprint and assurance needs.

II. Public disclosure of internal audit reports

12. Management values the continued public disclosure by OIAI of internal audit reports, pursuant to Executive Board decision 2012/13, with consideration for requests to redact or withhold reports, under certain conditions, from the Executive Director or a concerned Member State. Management is committed to supporting disclosure efforts that demonstrate accountability and transparency to stakeholders.

III. Management actions and plans to address the overall internal audit results

13. In 2025, OIAI issued 17 audit reports for country offices, 1 audit report for a regional office and 2 thematic audit reports, with a total of 138 recommendations or agreed actions. One hundred and twenty-one of the agreed actions resulted from the audits of the country offices, 7 from the audit of one regional office while 10 emanated from the thematic audits. Of the 20 audit reports issued by OIAI, 60 per cent resulted in generally satisfactory conclusions (i.e. “satisfactory”, and “partially satisfactory, improvement needed”), while 35 per cent had a conclusion of “partially satisfactory, major improvement needed” and 5 per cent (one country office audit report) had an “unsatisfactory” conclusion.

14. These “satisfactory” and “partially satisfactory, improvement needed” ratings assure management that the relevant controls and processes have generally been established and are functioning as intended, with only minor remediation actions needed.

15. Management acknowledges that 50 (36 per cent) of the total agreed actions in the audit reports issued in 2025 were rated as high priority and require immediate action to reduce exposure to higher risks that may adversely impact the organization’s overall framework of governance, risk management and control. Management is pleased to note that, while those actions were considered high priority, in the view of OIAI, the identified deficiencies, individually or collectively, are not expected to adversely impact the achievement of expected global outcomes.

16. In implementing Executive Board decision 2017/10 on the prioritization of the implementation of actions in areas of recurring identified risks, management values the insight from OIAI and appreciates that the Office has grouped the 128 agreed actions from the regional office and country office audits into seven categories.

17. Management has sustained its efforts to expedite the implementation and closure of outstanding recommendations. In 2025, management continued the close monitoring of outstanding agreed actions and supported offices to promptly implement the necessary actions. While noting OIAI acknowledgement that the implementation of the 22 agreed actions beyond 18 months are inherently time-intensive, management will strengthen its efforts to implement the pertinent actions within the revised implementation timelines agreed with OIAI.

IV. Management actions and plans to address the recommendations to country offices and a regional office

18. Management commends OIAI for the scope of the internal audit activities conducted in 2025, which covered 17 country offices and 1 regional office across the seven UNICEF regions. The 2025 country office audit coverage exceeded that of 2024 (10 country offices).

19. Management prioritizes the implementation of agreed actions from OIAI audits and will continue to support offices to help to ensure their prompt completion.

20. Management notes that a significant number of all the outstanding recommendations (70 per cent) had been open for less than 12 months by the end of 2025, while about 30 per cent had already been implemented. Most of the audit reports for the country offices and regional office audited that were issued in the second half of 2025 (11 out of 18) account for 61 per cent of the 128 agreed actions in 2025. Plans to implement these recommendations are already in place by the concerned offices and the implementation of the agreed actions is in progress. The following section provides a summary of the actions being taken for each of the seven categories.

A. Cash transfers and harmonized approach to cash transfers assurance

21. Management notes that actions related to cash transfers and harmonized approach to cash transfers assurance represented 24 per cent of the total of 128 agreed actions from the country offices and regional office audited in 2025.

22. Management welcomes OIAI recommendations to ensure timely liquidation of advances, transfer of cash to high-risk partners in compliance with UNICEF policy, availability of supporting documents for liquidated certified funding authorization and certificate of expenditures (FACE) forms, as well as adequate review of expenditure reports and follow-up on assurance findings. UNICEF offices have started rolling out targeted trainings for staff and partners to reinforce the capacity of UNICEF requirements for timely liquidation of advances.

23. Country offices are committed to increase the use of reimbursement and direct-payment cash transfer modalities through mobile money financial services providers and purchase orders, where appropriate, to mitigate the risk of delayed liquidation and reduce exposure to ineligible expenditures by high-risk implementing partners. Management has mapped out refresher training for staff who conduct spot checks and reviews of FACE forms to ensure liquidations are accurate and adequately supported by appropriate documentation.

24. Joint team verification (programme and operations) has been introduced, aimed at reviewing the timeliness and accuracy of implementing partners' liquidations before the release of additional funds. Follow-up on outstanding cash transfers has also been intensified through regular direct engagement with implementing partners and escalation mechanisms.

25. To further ensure timely liquidations by implementing partners, the Procedure on Cash Transfers: Subsequent Payment of Direct Cash Transfers (DCT) to Implementing Partners with Unliquidated DCT Older than Six Months introduced safeguards. These include system controls in eZHACT (which manages the harmonized approach to cash transfers) that block further advances when older direct cash transfers remain unliquidated over six months unless exceptionally approved by the head of office, documented reviews of programmatic performance, audits, spot checks, receivables and mitigation measures.

B. Programme monitoring and follow-up

26. Management appreciates the recommendation to ensure adequate last-mile verification and to strengthen field visits monitoring modalities for coverage and frequency in follow-up of high-priority actions and documentation. Country offices have developed and implemented risk-informed programme monitoring guidelines to classify and track monitoring visits using risk-based criteria.

27. Country offices have reinforced the follow-up of recommendations arising from field visits using the action points module in eTools, which enables a structured workflow in the recording, tracking and follow-up of recommendations. The coverage, frequency, risk and assurance considerations are properly planned and high-priority actions are monitored. Monitoring findings are recorded and linked to implementing partners, programme outputs, geographic locations and monitoring activities, enabling standardized documentation and consolidated analysis.

28. The concerned offices agreed to strengthen periodic reviews of the action points dashboard to monitor progress on outstanding follow-up actions, reviewing completion evidence and ensuring corrective actions are implemented before closure. In addition, management is conducting refresher orientations and guidance sessions for programme staff on documenting monitoring visits, recording findings in eTools, creating and managing action points, and uploading closure evidence to ensure documentation and tracking of action points are adequately completed.

29. Management is pleased to report that the Last Mile Supply Monitoring solution has been integrated into the existing UNICEF eTools platform to enhance monitoring and visibility of supplies provided to beneficiaries. Management will further develop a guideline that will define the steps, roles, competencies and responsibilities related to Last Mile Supply Monitoring solution activities. Management continues to oversee and support offices to strengthen the oversight of planned monitoring activities.

C. Procurement and contract management

30. UNICEF management notes that actions related to procurement and contract management represented 16 per cent of the 128 actions agreed to by the country offices and regional office audited in 2025.

31. Management welcomes the identification of areas for improvement relating to appropriate procurement planning and maintenance of procurement documentation, timely closure of contracts, and oversight of vendor selection and performance. The concerned offices are committed to reinforce annual and quarterly procurement

planning aligned with programme workplans and budgets to proactively address potential last-minute purchases before grant expiry.

32. Management will further strengthen the vendor selection and competitive bidding safeguards through enhanced oversight by the Contract Review Committee, supported by targeted capacity-building sessions and the systematic use of vendor performance evaluations to inform award and renewal decisions. Affected offices are reinforcing compliance with contractual security deposits and have introduced a register to track defect liability periods and support timely follow-up before releasing retention or performance securities.

33. Management has proposed continuous investments and improvements in supply chain optimization – including through strengthened internal processes and staff capacity and orientation. Management will advance supply chain digitalization and increase the usability and availability of data for informed decision-making. Management will continue to work with affected offices to mitigate the risk of loss and enhance value for money.

D. Fraud risk management and anti-fraud capacity

34. UNICEF management welcomes OIAI recommendation to improve UNICEF risk management and anti-fraud capacity.

35. In addition to the issuance of the Policy on Anti-Fraud and Corruption, UNICEF has issued the new Procedure on Imposition of Sanctions and Remedial Measures on Implementing Partners, coupled with capacity-building on combatting fraud for offices.

36. Management is taking steps to further strengthen fraud risk management. These efforts include, among others, the development of a global fraud risk assessment guide to assist offices when conducting fraud risk assessments; and in the periodic capacity enhancement of staff and partners to ensure effective fulfilment of their accountabilities for fraud prevention, detection and reporting.

37. The global fraud risk assessment guide will facilitate a structured process that will help offices to consistently undertake effective fraud risk assessment to identify the likelihood and significance of potential fraud; determine how to respond to the risk, and ensure proper reporting and use of escalation mechanisms as well as consistent application of anti-fraud controls.

38. In 2025, UNICEF formed the Implementing Partner Review Board, which has commenced the review of implementing partner fraud cases that were referred by OIAI. The results have been encouraging and serve as a demonstration that implementing partners who are found to be complicit in fraud, corruption and or other forms of wrongdoing are being held accountable.

E. Risk management and governance

39. Management welcomes the recommendations on risk management and governance and is pleased to report that, in addition to the key measures to enhance fraud risk management, management is taking steps to further strengthen UNICEF risk management. These efforts include, among others, the revision of the enterprise risk management policy and procedure to codify clearer parameters and requirements for risk identification, monitoring and escalation. The new policy will also set out clear accountabilities and requirements for risk governance structures, such as risk committees, and standing items on risk in senior management meetings across different levels of the organization.

40. The launch of the new policy will be accompanied by actions to support risk managers across UNICEF, including the development of new training materials, and the establishment of frequent communications, an intranet site and communities of practice. The new policy will adopt a more systematic, harmonized and cross-cutting approach to decentralized and sometimes siloed or fragmented risk management capabilities.

41. The risk register tool has been replaced with a more user-friendly tool that will support improved quality and use. Management commits to put in place a more robust quality assurance approach for submitted risk registers, together with regional office risk managers overseeing country office risk management.

F. Supply planning and warehouse management

42. Management values the results and the recommendations reported by OIAI in relation to the enhancement of inventory management, end-user monitoring of supplies, assessments of partners' logistics capacity and the alignment of supply planning and programme needs.

43. UNICEF offices have committed to action plans that enhance supply planning and warehouse management. For instance, verification of partners' storage capacity and confirmation of warehouse insurance are now required prior to any transfer of programmatic supplies. Concerned offices are instituting regular reviews of the supply plan to ensure alignment between procurement plans and evolving programme needs. To reduce reactive procurement, programme and supply teams are reinforcing joint annual and quarterly planning processes, including early involvement of supplies in programme design, workplanning, budgeting and programme midterm review.

44. The end user monitoring strategy offices are being updated to strengthen oversight of programme supplies, particularly for key partners, while an existing tracking tool is being used to monitor timely delivery, anticipate bottlenecks and address delays. In parallel, impaired or lost stock are promptly recorded in the VISION system, reviewed during country management team meetings when required and reported to the Property Survey Board.

45. Management has proposed key interventions in strategic procurement and delivery to ensure availability of supplies through robust planning, forecasting, logistics management and in-country monitoring. Digital platforms for that purpose include the Country Office Supply Planning Tool, the Access and Coverage Evaluation Survey Tool and the Last Mile Supply Monitoring solution.

G. Protection from sexual exploitation and abuse and accountability to affected populations

46. UNICEF management notes that actions related to protection from sexual exploitation and abuse and accountability to affected populations represented 9 per cent of the 128 actions agreed to by the country offices and regional office audited in 2025.

47. Management welcomes OIAI recommendations to enhance consistent integration of protection from sexual exploitation and abuse and accountability to affected populations into programme design and ensure partner oversight and routine monitoring of those areas. Management is pleased to report that some of the affected offices have implemented recommendations on accountability to affected populations and protection from sexual exploitation and abuse by the development of a 2026–2028 accountability to affected populations strategy with the

implementation of action plans. UNICEF offices also use the Inter-Agency Standing Committee's implementing partner harmonized capacity assessment tool. The protection from sexual exploitation and abuse assessment determines civil society organizations' capacities to prevent and respond to sexual exploitation and abuse, assesses the level of sexual exploitation and abuse risk in partnering with a civil society organization, and establishes corresponding risk mitigation measures and requirements to further strengthen their capacity. Partnerships assessed as low capacity require additional risk mitigation measures, including the integration of a minimum set of dedicated protection from sexual exploitation and abuse activities within their Programme Corporation Agreements.

48. Country offices have strengthened accountability to affected populations and protection from sexual exploitation and abuse and have begun integrating the former into the terms of reference for the Emergency Task Force and monthly country management team meetings. In addition, country offices have included protection from sexual exploitation and abuse training in the annual learning plan for both civil society organization and government partners, and protection from sexual exploitation and abuse monitoring is now mandatory during programme visits for civil society organization implementing partners, with designated focal points accountable for compliance. The UNICEF eTools field monitoring module includes questions on accountability to affected populations and protection from sexual exploitation and abuse embedded within the standard checklist used by country offices during monitoring visits. These questions form part of the standardized monitoring framework and support the review of key protection from sexual exploitation and abuse system components in line with the assessment core standards, including the availability of reporting channels for sexual exploitation and abuse, community awareness-raising efforts and mandatory staff training. As of January 2026, accountability to affected populations is included in the standard programme document template, aimed at integrating the issue in programme design and implementation across partnerships with civil society organizations. The aim is to strengthen community trust, promote transparency and ensure that concerns and allegations can be safely raised and referred through appropriate protection from sexual exploitation and abuse reporting and response mechanisms.

49. In parallel, UNICEF continues to engage through the Implementing Partner Protocol Working Group to reinforce inter-agency coordination and promote greater transparency and shared accountability. With regard to government implementing partners, UNICEF continues to lead inter-agency efforts to adapt the protection from sexual exploitation and abuse capacity-strengthening process through its engagement in the working group. The group aims to release an interim version of the capacity-strengthening process for government implementing partners in 2026, which will be piloted in selected country contexts. This initiative complements and is reinforced by the Joint United Nations–Government Framework for Protection from Sexual Exploitation and Abuse, which provides the overarching system-wide approach to strengthening protection from sexual exploitation and abuse capacities among government partners. The framework, developed under UNICEF leadership on behalf of the United Nations system, began its roll-out in 2025, with model protection from sexual exploitation and abuse clauses integrated into United Nations Sustainable Development Cooperation Frameworks for countries entering a new cycle in that year. The framework represents a significant step towards more coordinated, system-wide engagement on protection from sexual exploitation and abuse.

V. Management actions and plans to address the recommendations of the thematic audits

A. Treasury and investment management

50. Management welcomes the outcomes of the audit of the treasury and investment management operations and is pleased to report that it has implemented the recommendation. The UNICEF Policy on Treasury and Investment Management has been updated to clarify the alignment of practices between brokers and dealers and the nature of the UNICEF relationships with broker-dealers.

B. Business continuity

51. Management appreciates OIAI recommendations on the need to integrate business continuity management into strategic operations, strengthen senior management oversight over business continuity and enhance performance monitoring of business continuity plans, supported by targeted training. Management is pleased to report that it has incorporated business continuity management and the organizational risk management framework into the updated enterprise risk management framework, with business continuity management and organizational resilience positioned as second-line accountability and included under the “crisis and disruption” taxonomy.

52. Management has enhanced collaboration among divisions and offices to strengthen the linkages between risk management, emergency preparedness and business continuity. Management is pleased to report that it has integrated the annual business continuity plan requirements into the UNICEF inSight dashboard for offices to track compliance and performance in real time through the “Alerts 2026” feature alongside quarterly reporting.

53. The quarterly business continuity management meetings with organizational resilience management focal points have proven particularly valuable, creating a forum for knowledge exchange, feedback and coordination across offices and divisions. Further, the focal points have been asked to keep business continuity management visible in leadership discussions, including by integrating the issue into team and regional meeting agendas and embedding it within strategic planning and business models to ensure it informs decision-making and receives the appropriate allocation of resources.

VI. Management actions and plans to address the recommendations on advisory engagements

54. Management welcomes the six advisory engagements undertaken by OIAI to promote improvements in governance, risk management and control processes at UNICEF.

A. Support to risk management in three country offices

55. Management appreciates the areas for improvement identified by OIAI for the Afghanistan Country Office. The country office is pleased to report that it has undertaken a comprehensive review of implementing partnerships in 2025, and has enhanced the screening process for non-governmental organizations while carrying out due diligence through the United Nations Partner Portal. The country office also conducted refreshed capacity-building for staff on the importance of compliance with civil society organization procedures and UNICEF guidance; and updated the

UNICEF guidance on partnerships with civil society organizations to clarify the role of the technical review committee during development of programme documents, partner contribution, supply requirements and timelines for processing. The country office further reviewed the implementation of the construction projects and will be piloting a hybrid payment modality to contractors through both direct payment and direct cash transfer modalities, with continuous capacity-building for non-governmental organizations implementing construction projects.

56. The results of the advisory review allowed the Syrian Arab Republic Country Office to implement corrective measures that included engaging key stakeholders from government entities in the situation analysis process; conducting a market survey to assess supply conditions and vendor capacity; developing a plan of action for supply end-user monitoring to ensure systematic tracking of supplies to beneficiaries; implementing a strengthened review process for construction contracts to minimize the risks of non-compliance; and launching significant advocacy efforts to raise awareness, build trust and address barriers in protection from sexual exploitation and abuse reporting and survivor support.

57. Advisory services were also performed by OIAI for the Sudan Country Office and the results helped the office during the UNICEF country programme management plan process, from October 2025 to January 2026, to prepare an updated accountability framework with clear delegation of approval and authorization of processes, subject to limits. The Sudan Country Office will further provide clear definitions of managerial and functional accountability lines between programme chiefs, chiefs of field offices and the operations and emergency functions. New guidance on incident management was prepared to establish an effective approach for managing incidents, complaints and feedback in the Sudan Country Office.

B. Pre-positioned supplies at implementing partners warehouses

58. Management welcomes OIAI recommendations on the management of pre-positioned supplies at implementing partners' warehouses. As a proactive measure, management is seeking to determine the feasibility of aligning the timing of expense recognition for transfers of programme supplies at the point at which redistribution to final beneficiaries is confirmed by the implementing partner, taking into consideration the implementation of International Public Sector Accounting Standard 48. Management will update the UNICEF policy framework to clarify the accounting and reporting aspects of pre-positioned supplies at implementing partners' warehouses to ensure consistency and compliance with the standards.

59. To strengthen monitoring and oversight arrangements for pre-positioned supplies at implementing partners' warehouses, management is in the process of developing a guideline that will define the steps, roles, competencies and responsibilities related to the Last Mile Supply Monitoring solution. Management is developing a focused training programme for relevant staff and implementing partners to build their competencies in the Last Mile Supply Monitoring solution-related processes. Further, management has integrated the solution into the existing UNICEF eTools platform to improve end-to-end tracking and last-mile visibility of supply management.

C. Fraud risk management

60. Management appreciates the advisory engagement by OIAI on the review of the organization's fraud risk management and is pleased to report that, in addition to the issuance of the Policy on Anti-Fraud and Corruption, management is developing a global fraud risk assessment guide to assist offices in fraud risk management. The guide will expand on the principles, concepts and processes outlined in the UNICEF Policy on Anti-Fraud and Corruption and will serve as a practical reference for managers and staff while conducting risk assessments.

61. The issuance of the guide will support offices to consistently and in a structured process undertake risk assessments to identify and evaluate fraud and corruption risk factors that could enable their occurrence. Management will continue to promote ethics, integrity and anti-fraud measures in all its operations in several ways, including through training and awareness-raising.

D. Governance of digital initiatives

62. Management takes note of the identified area for improvement on the UNICEF digital transformation agenda and the increased investments in digital solutions in 2026–2029. Management, through the Digital Impact Division, launched a dedicated workstream and the division is working with the Digital Transformation Board to update the Board's terms of reference, which will serve as a foundational element for enhancing governance, accountability, funding transparency and risk management.

63. Robust governance and monitoring are clearly defined and embedded within the Digital Transformation Strategy. They institutionalize digital processes in the governance framework, strengthen measurement and reporting mechanisms and offer an approach to organizational agility balanced with appropriate risk tolerance. The Digital Transformation Strategy further establishes a matrix management structure that strengthens collaboration across headquarters, regional offices and country offices. The combination of direct supervision with functional or technical oversight in the matrix management structure further strengthens alignment, consistency and flow of expertise across the digital ecosystem.

64. Finally, several transformational monitoring and reporting tools are being explored. Upon deployment, the tool selected will expose and bring visibility to transformation progress and trends and create a reporting platform for self-service reporting and dashboarding.

VII. Management actions on investigations results, financial loss and recovery

65. Management takes note that the number of investigations cases OIAI managed in 2025 increased by 32 per cent from the previous year (1,837 in 2025 compared with 1,387 in 2024), due to the large number of cases carried over from previous years. This includes 931 cases from 2024 and a case intake of 906 for 2025.

66. Management commends OIAI for the progress made in reducing the backlog and accelerating case closures despite continued growth in the overall case volume. The number of closures increased by 107 per cent, with 945 cases closed by the end of 2025, with much of the progress made due to accelerated closures of cases of fraud and cases of sexual exploitation and abuse.

67. The total financial loss on the 47 cases substantiated by OIAI in 2025 related to misconduct and/or wrongdoing amounted to \$1,258,564.91. Seventy-five per cent

(\$940,422.05) of the total financial loss relates to internal fraud in three country offices. As of April 2026, management had recovered approximately \$155,000.00 of the total financial loss. Management will continue to pursue recoveries of the losses through various channels, including staff entitlements, where applicable. UNICEF is strengthening its efforts on fraud reporting systems to better detect allegations of fraud and the substantiation of fraud allegations.

68. Through investigations conducted by independent firms contracted for project-specific cases in the Yemen Unconditional Cash Transfer Project, the loss substantiated on fraudulent transactions amounted to the equivalent of \$9,149.00, all of which was recovered. The Yemen project management unit's mitigation measures and response to fraud cases during the implementation of the cash transfer project continue to show encouraging results in terms of recoveries.

69. Management values the participation of OIAI in other non-case-specific activities, including the review of policy initiatives, fraud- and corruption-related training, review of integrity provisions in donor agreements, responding to allegations of sexual exploitation and abuse, and participation in dedicated meetings with donors, among others.

70. Management commends OIAI for the use of artificial intelligence, which supports the distinct operational needs of both the internal audit and investigations functions and is embedded in oversight workflows. Management further appreciates OIAI for the addition of communication as a core enabler of its mandate to expand its reach and make knowledge about oversight more accessible to a wider and more diverse audience.

71. Management will continue to promote ethics, integrity and anti-fraud measures in all its operations in several ways, including through training and awareness-raising. UNICEF will further strengthen its fraud management governance by developing a global fraud risk assessment guide to support offices to effectively undertake risk assessment.

Disciplinary measures and other actions taken by UNICEF

72. As stated in its 2025 annual report to the Executive Board, OIAI is responsible for conducting investigations, while the senior management of UNICEF is responsible for taking any appropriate action based on investigation reports.

73. In 2025, OIAI submitted 43 matters to senior management for the consideration of disciplinary proceedings and/or other actions. These matters were acted upon by the Deputy Executive Director, Management. The specific actions taken in 2025 for 25 cases are summarized as follows:

- (a) Twenty staff members were dismissed or separated from service.
- (b) Four staff members lost steps in grade or had their eligibility for within-grade salary increments deferred.
- (c) One staff member was given a fine.

74. All 25 cases involved serving staff members. In seven other cases involving seven former staff members, appropriate action was taken by UNICEF to record the cases for accountability purposes.

75. Management continues to take strong action to ensure accountability for current and former staff members; the latter group is typically informed that a disciplinary measure would have been imposed had they remained in service.

76. Management places high value on OIAI investigations, which enable UNICEF to take appropriate action against those who are found to have engaged in misconduct.

VIII. Management comments on the UNICEF Audit Advisory Committee’s annual report for 2025

77. Management welcomes the UNICEF Audit Advisory Committee’s 2025 annual report to the Executive Board and appreciates the advice the Committee provided to the Executive Director throughout the year.

78. Management welcomes the three strategic memorandums issued by the Audit Advisory Committee (AAC or “the Committee”) in 2025 and the advice therein as valuable contributions to enhancing oversight and management practices at UNICEF. It should be noted that the Executive Director formally responds to the Committee on the key advice provided in these strategic memorandums.

79. In line with the AAC Charter, the Executive Director, along with other members of management, continued to be actively and regularly engaged with the Committee through regular sessions and, as needed, via other communication channels. The Committee members regularly interacted with UNICEF senior management, including several Deputy Executive Directors, the Director of the Office of Internal Audit and Investigations, the Chief Legal Counsel, the Comptroller and Director of the Division of Financial and Administrative Management, the Chairperson of the Global Staff Association and the Director of the Board of Auditors upon invitation. As part of its annual self-assessment, the Committee sought the Executive Director’s feedback on its work and priorities for 2025.

80. UNICEF management appreciates the AAC active engagement in management actions to address major organizational issues that in 2025 were considered to be evolving, including: the recalibration of its workplan; the Committee’s decision to implement austerity measures by convening a remote meeting in early 2025; and the deferral of a planned field visit. Management appreciates that the AAC priorities on emerging risks in 2025 included the Future Focus Initiative, while continuing discussions on strategy, governance and accountability; risk management, internal control, financial management and reporting; and internal and external oversight (internal audit, investigations, evaluation, ethics, Board of Auditors and Joint Inspection Unit).

81. UNICEF commends the Committee’s willingness to convene additional ad hoc meetings to address time-sensitive matters, such as discussions on the UNICEF draft financial statements; the internal audit draft workplan and results of the external quality assessment; interim feedback on the 2026–2029 budget submissions, with a focus on the independent offices; and feedback on the enterprise risk management policy. Management appreciates the opportunity to brief the Committee and engaged in discussions on these matters during AAC sessions. The following paragraphs highlight management’s actions in response to a selection of the Committee’s advisories.

1. Accountability

82. Management recognizes the importance of maintaining a strong culture of accountability across the organization as a fundamental pillar of effective governance, responsible stewardship of resources and delivery of results for children. The organization remains committed to reinforcing clear lines of responsibility, strengthening performance management practices, and ensuring that managerial and operational decisions are aligned with UNICEF values, policies and

standards of conduct. Through its existing oversight, risk management and internal control frameworks, UNICEF continues to promote transparency, learning and continuous improvement, while fostering an environment in which accountability, ethical behaviour and sound management practices are expected and upheld at all levels of the organization.

2. Future Focus Initiative

83. UNICEF recognizes the significance of the organizational adjustments being undertaken under the Future Focus Initiative in response to the evolving and constrained funding environment. The organization continues to closely monitor the implementation of these measures, including their operational, programmatic and risk management implications. UNICEF remains committed to ensuring that the transition to the new operating model is managed carefully, with appropriate oversight, risk monitoring and transparency. As implementation progresses, UNICEF will continue to assess evolving risks and lessons learned while ensuring that decision-making remains aligned with its mandate to deliver results for children and maintain the effectiveness and sustainability of its operations.

3. Artificial intelligence

84. UNICEF acknowledges the opportunities presented by advances in artificial intelligence and the importance of ensuring that its adoption is undertaken responsibly, with appropriate safeguards and governance. The endorsement of the Digital Transformation Strategy by the Digital Impact Division in November 2025 establishes a structured framework for organization-wide digital transformation and articulates the objectives, challenges and institutional changes required to achieve meaningful results for children. UNICEF is enhancing monitoring and financial oversight of transformation initiatives and piloting new tools to improve visibility on progress and results. These efforts aim to support the responsible and strategic use of emerging technologies, including artificial intelligence, to enhance programmatic, operational and oversight functions.

4. Succession planning

85. UNICEF acknowledges the Committee's emphasis on the importance of timely succession planning during a period of significant organizational change. The Executive Director remains committed to ensuring leadership continuity and avoiding gaps in key positions, with appropriate oversight to support stable and accountable transitions. Due consideration is being given to maintaining the continuity and effectiveness of the oversight functions as leadership changes occur, while ongoing engagement with the Committee will help to sustain confidence in governance arrangements throughout the transition.

5. Talent management

86. As part of integrated talent management vision, UNICEF will be strengthening the strategic workforce planning approach to ensure that the organization is equipped with the right talent, skills and leadership capacity, both now and in the future. Management's central priority is the proactive identification of critical positions across the organization and the development of high potential staff as potential successors who can step into these roles seamlessly when vacancies arise. Actions to achieve this central priority include targeted development plans, readiness assessments, leadership development programmes and opportunities for exposure, which collectively prepare staff to succeed in these pivotal roles.

6. Enterprise risk management

87. The UNICEF enterprise risk management policy and procedure are being revised taking into account the Committee's feedback and codifying changes in risk management capacities, accountabilities and risk governance structures in line with organizational changes resulting from the Future Focus Initiative.

7. Regulatory framework

88. UNICEF acknowledges the Committee's observations on the regulatory framework and notes material progress in key policy areas in 2025, alongside a stronger focus on governance coherence across the regulatory framework, delegation of authority and enterprise risk management frameworks, accountability system, combined assurance mapping and decision-making. Digital solutions, including responsible use of artificial intelligence, will continue to be leveraged to improve, accelerate and scale up effective and efficient implementation of the regulatory framework and delegation of authority policies in support of robust organizational governance.

8. Anti-money laundering and countering the financing of terrorism

89. The Division of Financial and Administrative Management emphasizes the importance of anti-money laundering and countering the financing of terrorism controls in UNICEF operations, especially when engaging with implementing partners and vendors in complex and emergency settings. In 2022, UNICEF introduced the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Policy, and the Division of Financial and Administrative Management aids its enforcement through financial oversight, risk management and due diligence processes. These include screening of third parties through sanctions lists, watchlists, politically exposed persons databases and adverse media monitoring, as well as the use of risk intelligence and data analytics to support continuous monitoring of potential risks. These controls apply across key operational areas, including programme implementation modalities, procurement of goods and services, and direct cash transfers through financial service providers, helping to mitigate the risks of money laundering and terrorist financing while supporting compliance with United Nations requirements.

9. Digital risks

90. The Digital Impact Division acknowledges the Committee's advice regarding digital risks, modernization, the transition to cloud infrastructure and the responsible adoption of artificial intelligence. The Digital Impact Division recognizes the AAC suggestion to commission an independent, comprehensive review of information technology systems and infrastructure to strengthen cybersecurity oversight. However, the Digital Impact Division proposes that immediate attention be given to addressing already identified and unmitigated risks, particularly those stemming from resource constraints in core cybersecurity functions, weak governance of technology for development and local innovation initiatives, regulatory gaps and inconsistent enforcement of policies and procedures. Given that two external reviews by third parties, KPMG and the Board of Auditors, have recently assessed the review of information technology systems and infrastructure domains, the Digital Impact Division believes that commissioning yet another comprehensive review at this time would further divert very limited resources and focus from active mitigation efforts. The commissioning of an independent, comprehensive review of information technology systems and

infrastructure risks delaying progress across cybersecurity and digital risk management, infrastructure modernization and cloud migration, and safe and secure artificial intelligence, where timely action is crucial.

10. Implementation of audit recommendations

91. Management values the professional collaboration between the AAC and the Board of Auditors and appreciates the Committee's acknowledgement of the high implementation rate of 84 per cent of the recommendations from the Board of Auditors, which was the highest implementation rate among the 18 United Nations organizations audited in 2024. Management will work towards establishing annual high-level strategic dialogue between the Executive Director and the Board of Auditors on audit outcomes and emerging risks. Management notes and shares the concerns of the AAC regarding OIAI long outstanding (more than 18 months) audit recommendations. Based on management's efforts and commitment to implementing these recommendations, the number of OIAI long outstanding audit recommendations was 22 as at 31 December 2025. These recommendations relate to six thematic audits. Management is proactively developing plans to implement the required actions within the agreed revised timelines.

11. Joint Inspection Unit

92. UNICEF appreciates the Committee's consideration of the implementation of the Joint Inspection Unit recommendations. As noted in the AAC report, as at September 2025, there were no recommendations considered long outstanding (older than 24 months). As reported in the UNICEF report on the recommendations of the Joint Inspection Unit, as at 31 January 2026, there were two recommendations considered long outstanding. Significant progress has already been made towards the implementation of both recommendations, and the relevant divisions continue to work on the remaining, more complex elements required to bring these recommendations to closure.

12. Board of Auditors audit opinion

93. Management welcomes the unqualified audit opinion issued by the Board of Auditors on the financial statements for the year ended 31 December 2024. While an unqualified audit opinion has become the norm for UNICEF, management wishes to highlight the importance of this accomplishment and the effort that went into achieving such an opinion, including AAC feedback and advice to the UNICEF 2024 draft financial statements and management letters.

94. In conclusion, management appreciates the valuable insight and advice provided by the Committee throughout 2025 and looks forward to continued engagement.

IX. Draft decision

The Executive Board

Takes note of the UNICEF Office of Internal Audit and Investigations 2025 annual report to the Executive Board ([E/ICEF/2026/AB/L.3](#)), its addenda ([E/ICEF/2026/AB/L.3/Add.1](#)) and ([E/ICEF/2026/AB/L.3/Add.2](#)) and its management response ([E/ICEF/2026/AB/L.4](#)), as well as the UNICEF Audit Advisory Committee 2025 annual report to the Executive Board, and welcomes the overall opinion on the adequacy and effectiveness of the organization's framework of governance, risk management and control.

Annex

Update on open agreed actions older than 18 months as at 31 December 2025

1. There were 22 agreed actions from six thematic audits pending implementation for more than 18 months as at 31 December 2025. Management will continue its efforts to implement these agreed actions within the revised implementation timelines.
 2. Management appreciates the close collaboration with the Office of Internal Audit and Investigations in the revision of the implementation dates for the 22 outstanding recommendations from the six thematic areas, noting that these recommendations are inherently time intensive. The details for each of these agreed actions, including their current status and revised timelines, are contained in [E/ICEF/2026/AB/L.3/Add.1](#).
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