

Internal Audit of the Ethiopia Country Office

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Office of Internal Audit
and Investigations



Report 2020/09

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Ethiopia Country Office. The objective of the audit was to provide assurance over the office's governance, risk management and internal control processes. The audit team visited the office from 9 to 14 March 2020, after which the audit was conducted remotely from New York. The audit covered the period from January 2019 to April 2020.

The country programme

Ethiopia is progressing towards the Sustainable Development Goals (SDGs), but there is a considerable unfinished agenda. The country's population is estimated at 115 million, with a median of approximately 17.9 years of age.¹ Strong economic performance lifted about 5.3 million people out of poverty between 2010/11 and 2015/16; however, over 22 million people were still living below the national poverty line.² There have been large-scale internal displacements through successive droughts and floods and inter-ethnic conflict. The country hosted over 720,000 refugees, mainly from South Sudan, Somalia and Eritrea, 63 percent of whom were children.

The office is at the end of its 2016-2020 country programme, which focused on the most excluded children and adolescents. The new country programme (2020-2025) is designed to contribute to basic social services, capacity development, disaster risk management, social protection and a climate-resilient green economy. Other priorities include governance, participation, equality and empowerment. The country programme will mainstream risk-informed emergency preparedness and response across all sectors, in line with the Core Commitments for Children in Humanitarian Action.

The country office is in Addis Ababa; there are eight field offices. The Representative assumed duties in May 2019. The Deputy Representative, Programme and the Deputy Representative, Operations had been in the office since 2019 and 2014 respectively. As of the time of the audit, the office had a total of 411 posts. The approved budget for the 2016-2020 programme was US\$ 450 million.

Risks identified for audit

The audit focused on a number of areas including the following key risks to the effective implementation of the office's country programme:

- i. The office's strategies and plans may not be based on up-to-date knowledge and reliable evidence of the situation of women and children, which may result in the right priorities not being addressed.
- ii. Natural and manmade hazards may occur, which may result in disruption of regular programme activities and eroding gains made over the years.
- iii. Inadequate accountability to affected population (AAP) in humanitarian situations may result in reduced focus on what matters most.
- iv. Resources may not be used economically, efficiently and effectively.

¹ 2019 Revision of World Population Prospects, UN [Department of Economic and Social Affairs](#) (DESA).

² Ethiopia's Progress Towards Eradicating Poverty, UNDP Ethiopia (2018).

Results of the audit and actions agreed

The audit noted a number of areas where the office's governance, controls and risk management were functioning well. There was a comprehensive process for the development of the 2020-2025 country programme and a consultative process for developing the related country programme management plan.³ Key risks to the achievement of results had been identified, and actions proposed to address and mitigate them. The office had conducted a partners' perceptions study to guide its working relationship with the partners. Using satellite technology, the office had significantly improved its success rate of finding water in drilled wells from 50 percent in 2016 to more than 90 percent during the period covered by the audit. However, the audit identified a number of areas where further action was needed to better manage risks to UNICEF's activities. These included the following:

- i. Drilling and construction work that were planned to be completed in early 2018 had not been completed as of March 2020. The design of Water, Sanitation and Hygiene (WASH) interventions at some locations was faulty, leading to higher maintenance costs and construction of additional water towers to alleviate community conflicts. Additionally, the office had not implemented the required comprehensive strategy, including appropriate capacity-building activities. There was thus the risk that the water schemes established with the support of UNICEF may not be sustained, resulting in the shortage of water and non-achievement of planned programme results.
- ii. There was inadequate assessment of WASH contractors' capacities prior to awarding contracts to them. This had resulted in omission of crucial outputs from contracts and subsequently resulted in changes being made to the contracts at significant costs. Further, monitoring of WASH contractors was weak, resulting in delays of projects implementation, escalated costs, acceptance of construction with defects, non-achievement of expected outputs/results and non-enforcement of defects liability guarantees and performance bonds.
- iii. There were gaps in the data on the situation of women and children that were used for programming. There was thus the risk programmes and/or strategies were not appropriately formulated to address the critical needs of children.
- iv. The office had a large humanitarian programme, with over US\$ 232 million in funding from 2016 to March 2020. It had put in place an AAP strategy; however, it did not have a feedback and complaint mechanism that actively sought community views. There was thus a risk of not sufficiently adjusting interventions to ensure they met the needs of the affected population.
- v. The office did not implement adequate assurance activities to manage the risks associated with cash transfers to implementing partners, which totaled US\$ 63 million for the period audited. For example, the required spot checks and programmatic visit were not always conducted and there was no evidence of actions taken to address high-priority findings identified by those assurance activities that were conducted.

There are 10 agreed actions from this audit, of which two are rated as high priority—that is, to address risks that require immediate management attention. The high priority agreed actions relate to the management of WASH projects and procurement and management of construction contracts.

³ When preparing a new country programme, country offices prepare a country programme management plan (CPMP) to describe, and help budget for, the human and financial resources that they expect will be needed.

Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the country office's governance, risk management and internal controls were generally established and functioning during the period under audit. The Ethiopia Country Office, the Eastern and Southern Africa Regional Office (ESARO) and OIAI intend to work together to monitor implementation of the measures that have been agreed.

Audit objectives and scope

The objective of the audit was to provide independent assurance regarding the adequacy and effectiveness of the governance, risk management and control processes in the country office. The audit covered the period from January 2019 to April 2020.

This report presents the more important risks and issues found by the audit, the measures agreed with the client to address them, and the timeline and accountabilities for their implementation. It does not include lower-level risks, which have been communicated to the client during the audit.

Audit observations

Programming in WASH

UNICEF in Ethiopia works to build the resilience of populations in chronically drought-affected regions through the mapping and development of deep groundwater wells and installation of sustainable systems to manage them. The audit sought to assess how the office was managing the risks of inefficiencies and poor quality in the design and execution of WASH programming. The audit also sought to assess whether the office proactively managed the risk that the water schemes established with the support of UNICEF may not be sustained, resulting in the shortage of water and non-achievement of planned programme results. The office's work in this area was recognized by UNICEF headquarters in a 2018 good practice document.

However, the audit observed WASH facilities that had been damaged presumably because they were not suitable for the local weather condition. The audit also noted delays in implementing the interventions and non-implementation of the required comprehensive operation and maintenance (O&M) strategy including a capacity development activity. These were mainly due to inadequate capacity in the office, which contributed to weak contract and budget management, monitoring and oversight of interventions. With regard to oversight, there was a site engineer consultancy position in Semera; however, there was frequent turnover in the post, and a decision not to extend the contract for the supervision of the relevant contract was taken without first assessing required supervision of the outstanding works. Further, the field office at locations of the WASH intervention was not sufficiently involved in these activities.

Programme design: OIAI noted WASH facilities that had been damaged presumably because they were not suitable for the local weather condition. This could be due to poor design of the multi-village water schemes (MVS). There was thus the risks of inefficiencies through increased maintenance which would ultimately result in reducing their potential impact on the situation of children. For example, instead of using local designs suitable to Afar weather conditions, a highland design was used, resulting in increased cost of maintenance due to rapid deterioration of the infrastructure. Another example was the establishment of a water tower in Afdera in a rural site without population.

Ground-water mapping and drilling: Prior to 2016, the success rate of finding water was approximately 50 percent, but satellite technology mapping conducted in 2016 had significantly improved this. Water was found in 11 out of 12 boreholes drilled in nine districts during that year. Following this success, the intervention was expanded to another 40 districts, with test drilling at 16 sites. The test drilling had been completed and a similar success rate achieved.

However, the actual drilling and installation of sustainable systems at test drilling sites remained challenging in the Afar region, where MVS had been implemented in seven sites. This was especially so in four sites in the Afdera and Musily districts of the Afar region where UNICEF had invested US\$ 3.5 million where OIAI noted significant delays in the implementation of MVS. The office had stated in its 2018 donor reporting that all systems in the Afar region would be fully operational during the first half of 2018, but this was still not the case in March 2020.

Programme sustainability: To sustain the MVS', they were to be constructed through a method called Build-Capacity Build-Transfer, involving a turnkey contract in which the contractor is responsible for construction and for building the capacity of the Water Utility Authority to operate and maintain the system. However, the office had yet to implement the required comprehensive operation and maintenance strategy for the MVS'. The capacity-building work had largely not been done mainly because the office did not monitor and enforce the contract terms in this respect. Without implementation of the strategy, there is a risk that the wells constructed may stop functioning and expected programme objectives may not be met.

Agreed action 1 (high priority): The office agrees to:

- i. Conduct a programme and contract review of WASH resilience programming, with a particular focus on Afar, to identify lessons learned and mitigate the risks associated with the programme design, implementation challenges and sustainability issues.
- ii. Make sure that budget management is properly monitored and linked to the deliverables. (See also observation *Procurement and management of construction contracts*.)

Responsible staff members: Representative, Deputy Representative programmes, Deputy Representative operations, Chief of WASH

Date by which action will be taken: December 2020

Procurement and management of construction contracts

The audit's review of procurement decisions noted various deficiencies in the management and procurement of contracts and their payments. These deficiencies resulted in delays in project implementation, costs escalations, acceptance of construction with defects and non-achievement of expected outputs. These deficiencies are elaborated below.

The office issued a WASH contract valued at US\$ 1.7 million in 2017 to drill two boreholes in the Somali region. Only one bid was presented to the contracts review committee (CRC) for consideration. Although CRC raised concerns regarding whether the contractor could deliver on the required outputs, the concerns were not addressed. During the implementation of the contract, the value of the contract was increased by US\$ 43,000 in 2019, as the geological and geophysical survey cost had been omitted from the payment schedule. In another WASH contract, the office had to request a contract extension at a cost of US\$ 200,000 as two crucial outputs were omitted from the initial contracts.

Regarding MVS, the office separated the contract for geological survey from the actual borehole drilling and civil works – which complicated the process of project completion. The contractor doing the survey was not responsible for the result of the drilling, meaning that it could not be held responsible for the results if the drilling failed. In one case, the discrepancy of the topographic survey data with the actual site selected resulted in redoing the survey and revision of the design. This led to delays in project completion and untimely delivery of results.

The office had awarded all three contracts sites worth US\$ 2.5 million in Afar to one contractor that did not have the capacity to complete them. As it could only cope with one site, it invoked the termination clause in the contract for the other two. However, the termination clause is not meant for this purpose; it should only be possible for the contractor to invoke it if UNICEF itself has failed to fulfil any of its obligations under the contract. The fact that the contractor had been able to do this showed a lack of proper review of the contract's capacity to deliver agreed outputs. Failure to properly review capacity of contractors creates a risk of delays in programme implementation and escalation of construction costs. Moreover, in all three cases, defects were identified during the defect liability period, but the contractors refused to rectify them. This was despite the fact that the contractors had submitted defects liability guarantees of US\$ 230,000, equivalent to 10 percent of the contract value. However, the office did not invoke the defect retention guarantees before their expiry.

In two cases, the office only obtained 10 percent of the contract value as performance bonds instead of the 20 percent required in the contracts. In both cases, the performance bonds had expired before the works were substantially completed; they could thus not be enforced to guarantee compliance with contractual commitment and deliverables. The failure to enforce the bonds reflects poor contract management.

Agreed action 2 (high priority): The office agrees to:

- i. Improve the contract management process to minimize cost-related extensions.
- ii. Strengthen vendor sourcing to ensure adequate competition and maximize the number of bids.
- iii. Consider combining the geological survey with drilling of boreholes in rural WASH projects.
- iv. Enforce contract terms to protect UNICEF's interests when contractors fail to fulfil their obligations.

Responsible staff members: Deputy Representative programmes, Deputy Representative Operations, and all Section Chiefs

Date by which action will be taken: December 2020

Emergency response

The humanitarian landscape in 2019 and into 2020 continued to be dominated by conflict displacements, epidemic outbreaks and related humanitarian needs. In April 2019 there were 2.6 million internally displaced persons (IDPs) in the country as a result of conflict. Moreover, climate-related disasters such as droughts and flooding, and disease outbreaks, contributed to increased humanitarian needs throughout the year.

The primary partner of UNICEF in its emergency response is the Government. Relying on Government systems in a climate-related disaster response is a good practice; Government mechanisms can more easily go to scale and are also likely to be long-term, so are more sustainable.

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NGOs can be organizationally neutral in a conflict. Doing this while also working with Government would place the country office in a solid position to deliver even in challenging circumstances. To this end, the office was scaling up partnerships with NGOs in Ethiopia.

However as noted below, there was inadequate agility in the office's humanitarian action programming and insufficient cluster coordination which may hamper UNICEF's operational effectiveness in the emergency response and hinder timely provision of services to emergency affected population.

Timeliness of response: The office was not always sufficiently proactive in its emergency response. Processing of programme documents (PDs) took a long time and at times creating a risk that the delayed response was no longer appropriate by the time it was implemented. For example, the country experienced a new influx of Eritrean refugees in September 2018, but it was only in January 2019 that a programme cooperation agreement was signed to provide emergency sanitation and hygiene promotion in the refugee camps. The time lag between the need assessments and the actual response led to an amendment of the partnership as the planned response was no longer fully appropriate. In another example, six needs assessments were conducted in Gedeo and West Guji in 2019-2020, and protection monitoring was conducted; however, the office was still in the process of developing a comprehensive response plan aimed at adequately addressing the needs of the conflict affected population.

Delays in response occurred partly because of gaps in training staff in humanitarian (emergency) response. Only 51 out of the 411 staff had completed the UNICEF course on fundamentals of humanitarian action. This was despite a March 2019 humanitarian learning needs survey that found that all 137 survey respondents wanted to strengthen their capacity in humanitarian response. This was the case even though training took on added importance given that the draft 2020-2025 country programme management plan (CPMP) included a structural change in the way the office engaged in humanitarian action. Instead of having dedicated emergency staff in each section, the emergency response was to be mainstreamed in programme sections. The office had started to address the lack of training by making emergency preparedness and response part of 2020 learning plans for staff.

Cluster coordination: The cluster approach was designed to strengthen partnerships to ensure predictability, response capacity, coordination and accountability in key sectors of humanitarian response. An audit review of cluster coordination meetings noted that there was insufficient focus on strategy for identification of the most vulnerable and on coordination of response. Improvement was mostly required at the local level (Zone/Woreda) particularly in the areas of WASH, child protection and education. Ensuring consistency of data was also a challenge and minutes of cluster meetings highlighted insufficient reporting by cluster members. These gaps could negatively impact effective and timely response to humanitarian situations.

According to the office, given that the country is so large and politics are local, Chiefs of field offices needed to take a stronger role; there were cluster coordinators in the country office but responsibilities were sometimes less clear at field-office level. The audit also noted that at sub-national level, UNICEF staff were sometimes fulfilling key roles in UNICEF's own programme as well as being responsible for cluster coordination, so had only limited time for the latter. The office planned to address this by placing more staff in field offices to ensure UNICEF fulfilled its cluster leadership role at sub-national level. At national level, it aimed to transform the cluster coordinator positions to fixed-term positions (they were currently temporary appointments) to ensure the stability and continuity requested by the partners.

Agreed action 3 (medium priority): The office agrees to:

- i. Review its emergency delivery regarding conflict-induced displacement, with a view to establishing stronger partnerships with NGOs.

- ii. Implement an office-wide humanitarian learning strategy to support mainstreaming of humanitarian action.
- iii. Review cluster coordination to identify ways of strengthening partnership among humanitarian actors (especially at sub-national level).
- iv. Introduce a monitoring system that enables the office to better track the timeliness of its emergency response.

Responsible staff members: Representative, Deputy Representative programmes, Chief Field Operations, Human Resources Manager

Date by which action will be taken: March 2021

Knowledge of the situation of children and women

UNICEF programmes need to be designed on the basis of the best possible information on the situation of children and women. Inadequate information or insufficient use of data on the situation of children in a country, including data on actions taken by the Government and other partners, may result in programmes or strategies that do not meet children's critical needs. The Ethiopia Country Office did prioritize evidence generation, and one of the six 2016-2020 country programme components was *Social policy and evidence for social inclusion*. This component aimed to support generation of evidence and its use for informed decision-making and policy dialogue, at both national and subnational levels, to promote the rights of boys, girls and women.

During the 2016-2020 country programme cycle, one full-scale Demographic and Health Surveys (DHS)⁴, one mini-DHS, one Multiple Overlapping Deprivation Analysis (MODA)⁵, and one Situation Analysis (SitAn)⁶ were conducted. These had been timely as they were able to inform the design of the new 2020-2025 country programme. However, some potential data gaps remained as the Multiple Indicator Cluster Survey (MICS)⁷, with a wider coverage, had not been done. The office had suggested to the Government that, to reduce scope for data gaps, some MICS indicators be included in future DHS.

Further, there were data gaps related to accurate, reliable measurement of progress towards the achievement of child-related Sustainable Development Goals (SDG). According to UNICEF's SDG profile for Ethiopia, which reports on progress against the 44 child-related SDG indicators, there were no data for 14 indicators and insufficient data for a further seven. For only 18 indicators were there data enabling an assessment of progress against SDGs. The largest data gaps were in the 'fair chance' area of the SDGs, where all four indicators lacked sufficient data; and learning, where four out of five indicators lacked sufficient data. Insufficient data is also a risk to achieving the SDGs which depend on disaggregated data to identify who is being excluded or discriminated against, and how and why.

⁴ The Demographic and Health Survey programme is a different system but is also an international effort to collect accurate health and population data.

⁵ Multiple Overlapping Deprivation Analysis is a tool developed at UNICEF's *Office of Research – Innocenti* that measures and defines multidimensional child poverty, based on the Convention on the Rights of the Child. It provides a clearer picture of which dimensions of poverty children are experiencing, providing enhanced analytics to guide programming and policy responses.

⁶ A SitAn is an overall survey of the situation of children and women in a country.

⁷ The Multiple Indicator Cluster Survey is a survey technique developed by UNICEF to provide data across a range of fields including households, women, men and children under-fives. It is designed to provide internationally comparable data on the situation of children and women.

UNICEF is custodian for seven and co-custodian for 10 of the indicators.⁸ There was no data or insufficient trend data for five out of the 17 indicators for which UNICEF had or shared custodian responsibility. Data gaps may significantly contribute to the formulation of programmes and/or strategies which do not meet children’s critical needs. Ultimately, the Government owns the systems for collecting and maintaining SDG data and it remains the collective responsibility of the UN agencies in the country to support the Government in addressing the gap.

Agreed action 4 (medium priority): Where feasible the office should, in collaboration with other UN agencies, strengthen support to the Government to address the data gaps in the child-focused SDG indicators. This includes increasing the availability and quality of official data on children and gender- and age-disaggregated data.

Responsible staff members: Deputy Representative Programme/Chief of SPESI

Date by which action will be taken: December 2020

Accountability to Affected Populations (AAP)

Accountability to Affected Populations (AAP) is a set of principles adopted in 1992 by UN agencies and other bodies that undertake humanitarian work.⁹ AAP is important in Ethiopia, as the office has a large emergency programme; the emergency funding the office had been able to raise for the current (2016-2020) programme cycle was US\$ 232.3 million.

The four AAP commitments are as follows: (i) *Leadership*; (ii) *Participation and partnership*; (iii) *Information, feedback and action*; and (iv) *Results*.

Regarding Leadership, the office’s commitment to AAP was clearly outlined in its strategy. For Information, feedback and action, the office provided information on programme interventions through different platforms; these included community meetings, radio, youth leaders and village chiefs. Generally, however, information provision took the form of speaking to the public rather than a dialogue. The office was working to strengthen its approach to, and capacity for, communication for development (C4D), which is expected to enable more community dialogue.

The office did not have a feedback and complaint mechanism that actively sought the views of communities and was robust enough to respond to and learn from complaints and stakeholder dissatisfaction. Partners generally consulted with the affected population, but the depth and quality of the consultations varied amongst partners. Often participation efforts focused on community leaders, and the extent to which the most marginalized and at risk attended or were represented was not adequately documented.

⁸ As custodian/co-custodian, UNICEF is responsible to support countries in generating, analyzing and using SDG related data. This includes leading methodological work, developing standards, and establishing mechanisms for the compilation and verification of national data, and maintaining global databases.

⁹ The AAP principles were formulated by the Inter-Agency Standing Committee (IASC), established by a decision of the UN General Assembly in 1992. The IASC works in countries where there is a humanitarian response and coordinates that response among UN and other bodies. UNICEF observes the IASC’s definition of AAP as: “An active commitment to use power responsibly by taking account of, giving account to, and being held to account by the people humanitarian organizations seek to assist”, and as putting “communities and people at the centre of humanitarian action and promoting respect for their fundamental human rights underpinned by the right to life with dignity, and the right to protection and security as set forth in international law”.

Although some information was obtained from AAP mechanisms, the communities were not systematically involved in the design, monitoring and evaluation of humanitarian action. Moreover, rather than being involved in 'joint' monitoring and evaluation, the affected populations served a more passive role as sources of beneficiary information during UNICEF's end-user monitoring.

Insufficient AAP mechanisms creates a risk that humanitarian action is less effective in addressing people's real needs. This can also lead to a loss of confidence in UNICEF on the part of communities, Government counterparts and donors. The negative impact of insufficient community engagement was noted during an audit field visit to the Afar region (see observation *Programming in WASH* later in this report).

The office was aware of the need to strengthen accountability to the affected population and had recently commissioned a consultant to provide an analysis of best practice regarding social accountability implementation with a focus on the Ethiopian context. As it develops its AAP mechanism, the office should build on lessons learned coming out of its work on social accountability in development programming. This could include (for example) the health sector, in which there has been quite some interest in Ethiopia in developing social accountability methodology as a mechanism to drive improved quality of care in health systems. Strengthening the AAP in the country will require coordination with and input from other UN Agencies.

Agreed action 5 (medium priority): Drawing on UNICEF HQ guidance and models, the office agrees to:

- i. Review its approach to AAP and expand beyond end-user monitoring to establish a complaint mechanism with provision for feedback and increasing participation by communities in the design, monitoring and evaluation of interventions.
- ii. Ensure that AAP is mainstreamed by using benchmarks in both the workplans agreed with Government, and in programme cooperation agreements with international and local NGOs.
- iii. Work with the rest of the UN agencies to strengthen AAP, especially when it comes to mainstreaming AAP in humanitarian action.

Responsible staff members: Deputy Representative Programme and Chief of Field Operations

Date by which action will be taken: March 2021

Partnerships

Whilst noting that partnership is a core strategy, the 2016-2020 country programme document and other planning documents do not outline in any detail what that partnership strategy entails. However, this reflected the fact that there was limited flexibility with regard to with whom the office could work when implementing the country programme.

This may now be changing. Following the Civil Society Proclamation by Ethiopia's House of Peoples Representatives in February 2019, the country took an important step towards opening up to civil society. The office had responded to this; as part of putting together the new country programme, it had conducted a survey of partners to see how they viewed UNICEF in Ethiopia, what they thought its strengths and weaknesses were, and what they recommended as areas for improvement. The study, which included an online survey with 27

respondents and 40 key informant interviews, would help the office recalibrate its relationships with Government and other partners. Meanwhile, the office identified low implementing partner capacity as a constraint in programme delivery. It was working on a strategy to build partner capacity.

The audit noted the following.

Partnership with government: The office mainly implemented the country programme through Government counterparts. Out of US\$ 59 million transferred to partners, US\$49.7 million were transferred to Government counterparts in 2019-2020.

In 2019 the office signed a total of 84 annual workplans. Developing and coordinating the implementation of such a large number of workplans was a challenge to the efficiency and effectiveness of programme management. To streamline the process the office had established a task force with the Ministry of Finance to look at the efficiency of the planning exercise. It was agreed with the Government that the maximum number of workplans in 2020 would be 40 but how this would be achieved was not finalized. A review of a sample of 2019 workplans found that they were clearly linked to the programme results framework and included indicators relevant to the desired results. However, the audit noted that utilization of emergency funding was not captured in workplans and funded/unfunded areas were not indicated.

There had been positive moves towards localization; for example, the development of regional SitAns and regional targets for humanitarian action. Further, targets and indicators were defined by the region for the new country programme. However, the workplans were not tailored to adequately reflect the local contexts, which differed significantly from region to region. There was thus the risk of insufficient interventions to address local needs.

Working with NGOs: Offices are advised to select implementing partners through the open selection process.¹⁰ The Ethiopia Country Office did not do this, but the country context made open selection more difficult as it limited the choice of partners. The office had started addressing this by mapping civil society organizations by sector and region to better guide partner selection. (It had not so far used the UNPP¹¹ to select NGO partners, although this is the recommended practice for UN agencies.)

The audit found that instead of large and more strategic partnerships, the office had drawn up a high number of programme documents (PDs¹²) that covered only one region. A review of a sample of nine PDs found that they took a long time to be finalized. For four of the sample, it had taken more than 60 days. In one case the PD was not signed until after the planned start date of the partnership. In another case, the lengthy process led to a gap in child-protection service provision. To mitigate the risk of delays in finalizing the PDs, the office could identify opportunities to minimize the number of partners. This could include, for example, through a more strategic approach to partnerships with NGOs, covering more than one region and thus simplifying the partnership process. Also, where a PD does cover only one region, the

¹⁰ With closed selection, the office will approach a single partner it thinks is appropriate, whereas open selection allows all potential partners to respond to a call for expressions of interest. Open selection is not mandatory, but can increase efficiency and transparency. It can also be used for identifying potential partners in case of need to expand/accelerate implementation.

¹¹ ¹¹ The UN Partner Portal, a site through which NGOs can find potential partners in the UN system. See www.unpartnerportal.org.

¹² The PD is not the formal partnership agreement (that is the Programme Cooperation Agreement, or PCA), but it is the PD that describes what a proposed partnership will actually do, why, and with what resources.

relevant field office could take the lead in developing the partnership; the field offices know the local context and can develop more tailored partnerships with NGOs. As things stood, PDs were generally designed by programme sections in Addis Ababa without comprehensive consultation with the field offices.

The audit also noted that the partners' financial contribution to direct programme implementation was limited. In two out of nine sampled partnerships, the partners contributed less than one percent to direct programme costs; in a third case the contribution was six percent. The technical contributions, which would normally justify entering into a partnership with limited financial contribution, were not clearly documented in the partnership agreements. There is a risk here that UNICEF may not be getting maximum value for money, especially if the partner's technical contribution is not explicitly set out. Partners with minor financial contribution to partnerships were both national and international. International NGOs could be asked to make a higher contribution, or their non-financial contribution to the partnership could be more clearly documented.

Agreed action 6 (medium priority): The office agrees to:

- i. Draft a strategy for partnerships, to be implemented when developing the workplans for 2020-2021. This will cover regional partnerships and include consistent involvement of field offices in the development of PDs.
- ii. Increase the contributions of NGOs to direct programme costs whenever feasible, and/or better reflect the technical contribution of partners in the PDs.
- iii. Make use of the open selection process for implementing partners, through the UN partner portal where possible.

Responsible staff members: Deputy Representative Programmes

Date by which action will be taken: December 2020

Monitoring

Monitoring is a process for the continuous measurement and improvement of programme performance throughout its implementation. UNICEF offices conduct monitoring activities to obtain up-to-date information on the situation of women and children, identify and take prompt corrective actions on implementation challenges and assess progress towards achievement of planned results achievement. Ultimately, monitoring activities are implemented to mitigate risks to the achievement of an offices' set results.

In 2018 the office established a humanitarian performance monitoring (HPM) system. This included a database for reporting against regional performance targets, and a standard operating procedure for humanitarian response data management. In the area of child protection, a roll-out was planned of a Child Protection Information Monitoring System (CPIMS+) in refugee contexts.

However, whilst a system had been designed and implemented for HPM, there were gaps in the office's results monitoring pertaining to its regular development programme. Rather than monitoring results, the office generally focused on input monitoring and measuring performance against performance indicators such as utilization of funds before grant expiry. This type of monitoring is important but cannot replace programme performance/results monitoring because results pertain to the intended change in the situation of children and women.

Moreover, there was a need to better capture information on the situation of women and children. The office was in the early stages of designing an integrated humanitarian and

development monitoring framework for the next workplans and the new country programme. It was planned that this would include the HPM, and that there would be joint development/humanitarian indicators where possible and a joint dashboard for planning and results tracking. In the meantime, however, the office lacked up-to-date information on the situation of women and children, on challenges arising in programme implementation, and on the extent of results achievement. This was despite the existence of a Planning and Monitoring Unit (PMU) and a number of PMU staff embedded in programme sections in Addis Ababa and in the field offices.

In the draft 2020-2025 management plan, several steps were being proposed to strengthen the monitoring function. This included a new National Officer position of Monitoring Specialist, an additional Planning Officer in PMU and, in three field offices, fully dedicated Planning and Monitoring Officer posts. While these actions were important first step, there was a need to strengthen tools and provide a monitoring platform that enabled comprehensive results monitoring, assessment and reporting. Without it, the office would not be able to detect and correct shortcomings in programme implementation. Neither would it be able to provide accurate results reporting to donors and the Government. (See also observations *Programming in WASH*, above, and *Results assessment and reporting*, below).

Agreed action 7 (medium priority): The office agrees to accelerate the design and roll-out of a comprehensive integrated monitoring system that includes monitoring tools.

Responsible staff members: Deputy Representative programmes and Chief of Planning

Date by which action will be taken: December 2020

Results assessment and reporting

UNICEF offices upload their results to the Result Assessment Module (RAM), an online portal that allows access to results across the organization. According to the most recent RAM data (December 2019), the office was on-track to achieve all country programme outcomes and 23 out of 25 programme outputs. The only two areas that were rated as constrained were *Birth registration* and *Ending child marriage and FGM*.

However, a review of the RAM data found that the rating of outcomes and outputs did not fully tally with the actual results achievement. For example, out of 29 outcome indicators, only 10 were fully achieved; 15 were partially achieved or not achieved; and four were not reported upon due to lack of data. In view of the result shortfalls at outcome level, it was not clear how the office determined it was on-track to achieve the planned 2016-2020 country programme results.

For an outcome or output result to be properly reported, the following conditions should apply: (i) the indicators should fully measure the result against what was planned; (ii) reporting should be done against these indicator targets; (iii) there should be consistency between the status update and the rating of the indicator – if the latter is below its annual target, the outcome or output should not be entered into RAM as achieved. By these criteria, there was comprehensive reporting for only one of the six programme outcomes and 15 out of 25 programme outputs. At output level, a frequent shortfall in results measurement was gauging changes in attitudes and knowledge, resilience and equitable use of quality services. The office had not conducted an analysis of the causes of inadequate results reporting.

Humanitarian action for children (HAC):¹³ UNICEF is committed to provision of timely and quality services as part of its humanitarian action. Thus, there is a need for indicators measuring both access to those services, and their quality and timeliness.

A review of the HAC indicators for Ethiopia found that they generally focused on access rather than quality and timely provision. Only two indicators included a reference to quality, and none referred to Sphere standards, which are used to measure quality of humanitarian action.

It was also noted that the results reported achieved significantly exceeded what could be expected in view of large funding gaps. Only for one indicator (education) was this explained (by recording in the end-year situation report that it had been made possible by supplementing emergency funding with funds raised for the regular programme).

One section (WASH) did note in a situation report that it had changed its response strategy to ensure the necessary coverage in view of funding shortfalls. The WASH response in 2019 mainly focused on provision of long-term access to water supply, shifting its approach from water trucking to inexpensive rehabilitation of water schemes including boreholes. This allowed UNICEF to reach more children with the funding available.

Supporting documentation: A review of the 2019 annual report and a sample of donor reports found that the office generally was careful with phrasing results. For example, there were few result claims on attitude and behaviour change. However, when the audit reviewed supporting documentation for a sample of 19 result statements, it found that adequate supporting documentation was provided for only 10 result claims.

Insufficient results assessment and reporting creates a reputational risk that ultimately could affect UNICEF's credibility with donors and the Government.

Agreed action 8 (medium priority): The office agrees to strengthen its quality assurance of results reporting and hold section chiefs accountable for the adequacy (quality) of results reporting.

Responsible staff members: Deputy Representative programmes and Chief of Planning

Date by which action will be taken: February 2021

Harmonized Approach to Cash Transfers

The total direct cash transfers to implementing partners for the period audited was US\$ 63 million, of which US\$ 53 million (85 percent) was transferred to Government implementing partners and US\$ 10 million (15 percent) to NGOs. It is necessary to obtain assurance that funds transferred to partners have been used as agreed. If there are gaps in assurance activities, there is an increased risk of loss or misuse of cash transfers and/or non-implementation of agreed activities.

For this purpose, UNICEF uses the Harmonized Approach to Cash Transfers (HACT). Its principle is to do a risk assessment (a 'micro-assessment') of the specific partner and manage the relationship with the partner accordingly. The results of a micro-assessment determine the level and frequency of assurance activities used with that partner. They include programmatic visits (to review progress on funded activities), spot checks, scheduled audits and, where necessary, special audits.

¹³ HAC stands for Humanitarian Action for Children. A HAC is an appeal that UNICEF launches for assistance for a particular crisis or emergency response, and will state how much UNICEF thinks it needs to raise for a given situation.

The office completed the micro-assessments of implementing partners in accordance with UNICEF HACT guidelines. However, there were gaps in assurance activities. For example, out of 164 partners with cash transfers totalling US\$ 58 million in 2019, 17 partners with expenditures of US\$ 6 million that should have been spot checked did not have any. In 2019, programmatic visits were not completed for eleven partners with cash transfers of US\$ 1.6 million in accordance with HACT requirements for programmatic visits.

Moreover, the observations and recommendations from assurance activities when they were conducted were not always followed up to ensure management of the risks. For example, the audit looked at nine spot-check reports with 19 high-priority findings in total; for seven out of the nine, there was no evidence of any follow-up action. Similarly, follow-up actions of two out of the 13 sampled programmatic visit reports were not documented. The audit also noted that HACT procedures require staff responsible for certifying/approving FACE forms¹⁴ from a specific implementing partner do not carry out spot checks of that partner, to avoid what is effectively self-review and thus a conflict of interest. However, in three out of 11 spot-check samples tested, staff conducting spot checks had also certified the FACE forms of that partner.

The HACT procedures require staff members conducting spot checks to possess experience in financial management or equivalent. However, in the office pool of 61 staff the office had selected to conduct spot checks, 14 had not completed HACT training and 15 of them did not have any experience in conducting spot checks.

Agreed action 9 (medium priority): The office agrees to:

- i. Implement the minimum assurance activities prescribed under HACT and additional risk-based assurance activities as necessary.
- ii. Strengthen assurance activities by ensuring spot checks are conducted by staff with appropriate skills and training, and by establishing a mechanism to ensure proper segregation of duties to avoid self-review.
- iii. Ensure all high-priority findings from spot checks are recorded, and that they are assigned to, and followed up by, UNICEF staff at the appropriate level.

Responsible staff members: Deputy Representative Programmes, Deputy Representative Operations, HACT Focal Point

Date by which action will be taken: March 2021

Grant monitoring

The office had 56 grants worth a total of US\$ 83 million expiring in 2019. It had requested no-cost extensions for 16 of these, mostly due to delays in the implementation of related projects. In five cases, the request was not made at least three months before grant expiry, which would have given the donor a more reasonable period in which to consider the request. For three more cases, the request for extension was actually made after the grant expiry, seeking a *post facto* extension. One of these *post facto* extensions had an unspent balance of over US\$ 700,000 that would have been lost had it not been for the intervention of the newly arrived Representative. Frequent and untimely non-cost extension requests for grant extensions could compromise fundraising efforts, as donors may question UNICEF's capacity to deliver results.

¹⁴ The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers.

The office attributed the grant management challenges to shortfalls in staff capacity. It stated that these were to be addressed in the next country programme by strengthening the Planning and Monitoring Unit and by creating closer linkages between the Programme and Operations sections with regard to budgeting.

Agreed action 10 (medium priority): To minimize no-cost extensions requests, the office agrees to take action to manage grants through periodic budget monitoring of project implementation and funds utilization.

Responsible staff members: Deputy Representative programmes and Donor Relations Officer
Date by which action will be taken: July 2020

Prevention of Sexual Exploitation and Abuse (PSEA)

The office was operating in a high-risk context for SEA. Despite this, it had had only one reported case on SEA (it involved a contractor). Yet, according to the 2016 Demographic and Health Surveys (DHS), almost one-quarter of girls and women aged 15-49 had experienced physical violence since age 15, and one in 10 report having experienced sexual violence. Moreover, a study conducted in March 2019 of the sites where IDPs were living revealed that 14 percent of IDPs had experienced sexual violence at them.

There is thus a significant risk that the low SEA reporting is due to insufficient community awareness on SEA/PSEA and inadequate reporting mechanisms. In fact, SEA violations could be reported through three methods: face to face; regional and national hot line/free telephone service, and through email reporting system. However, it was far from certain that communities had the knowledge and trust to use these existing systems. Reporting mechanisms should be tailored based on community input to ensure that they are both culturally appropriate and gender-sensitive.

The office's work on PSEA was supported by US\$ 560,000 allocated by UNICEF headquarters in late 2018. The office planned to support inter-agency PSEA coordination through the recruitment of a PSEA coordinator. It also planned to strengthen reporting via establishment of community-based complaints mechanism in two regions hosting IDPs (see also observation *Accountability to Affected Populations*, above). It also planned to improve protection of, and response to, survivors of SEA through case management, capacity building (including with partners and the justice system) and strengthened referral pathways. Meanwhile the office had created a P4 PSEA coordinator position, which was funded by UNICEF but based in the office of the UN Resident Coordinator/Humanitarian Coordinator. The office had nominated and trained two PSEA focal points for each of the eight field offices and the country office. The focal points exchanged information in an internal PSEA network.

However, the management of PSEA in the UNICEF country office was nonetheless fragmented. The PSEA coordinator at the national level reported to the Chief of Field Operations, while a stand-by partner working on PSEA reported to the Emergency Manager. The Chief of Child Protection also played an important role as a custodian of PSEA allocated funds. PSEA is not only an issue pertaining to the emergency response, but is also critical in regular programming. Therefore, to increase oversight, it is important that there is a direct reporting structure to the Representative for PSEA matters.

With regards to capacity building of staff on PSEA and prevention of harassment and abuse of authority (PSHAA), the office required that the mandatory online training be completed before on-boarding. At the time of the audit the staff's completion rate of PSEA and PSHAA was 92 percent and 91 percent respectively. However, a planned "induction and refresher" face-to-face training for all staff had yet to be conducted at the time of the audit.

The office had advanced the furthest with regards to capacity building of staff and implementing partners. In comparison, the work to develop safe, accessible, gender- and child-sensitive reporting mechanisms was still at the concept stage, and quality and accessible SEA survivor-centred assistance was a work in progress.

The office planned to advance further in this area after signing a planned agreement with an international NGO to undertake victim assistance, quality and accessible SEA survivor-centred assistance.

Failure to fully implement all PSEA mechanism creates an unacceptable risk of harm to children and others as a result of undetected SEA and missed opportunities to prevent it from occurring in the first place. It also creates a significant potential reputational risk to UNICEF).

Agreed action 11 (medium priority): The office agrees to, in collaboration with members of the interagency PSEA network, accelerate the implementation of PSEA activities by:

- i. Establishing a community-based reporting mechanism.
- ii. Strengthening quality and accessibility of SEA survivor-centred assistance.
- iii. Reviewing the reporting lines of the PSEA focal points and considering having the PSEA coordinator and chair of the internal PSEA network report to the Representative on PSEA matters.

Responsible staff members: Representative, Chief of Field Operations and Emergency
Date by which action will be taken: September 2020

Annex A: Methodology, and definitions of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, testing samples of transactions. It also visited UNICEF locations and supported programme activities. The audit compared actual controls, governance and risk management practices found in the office against UNICEF policies, procedures and contractual arrangements.

OIAI is firmly committed to working with auditees and helping them to strengthen their internal controls, governance and risk management practices in the way that is most practical for them. With support from the relevant regional office, the country office reviews and comments upon a draft report before the departure of the audit team. The Representative and their staff then work with the audit team on agreed action plans to address the observations. These plans are presented in the report together with the observations they address. OIAI follows up on these actions and reports quarterly to management on the extent to which they have been implemented. When appropriate, OIAI may agree an action with, or address a recommendation to, an office other than the auditees (for example, a regional office or HQ division).

The audit looks for areas where internal controls can be strengthened to reduce exposure to fraud or irregularities. It is not looking for fraud itself. This is consistent with normal auditing practices. However, UNICEF's auditors will consider any suspected fraud or mismanagement reported before or during an audit and will ensure that the relevant bodies are informed. This may include asking the Investigations section to take action if appropriate.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. OIAI also followed the reporting standards of International Organization of Supreme Audit Institutions.

Priorities attached to agreed actions

- High:** Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.
- Medium:** Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
- Low:** Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

Conclusions

The conclusions presented in the Summary fall into one of four categories:

[Unqualified (satisfactory) conclusion]

Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the office were generally established and functioning during the period under audit.

[Qualified conclusion, moderate]

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over the office were generally established and functioning during the period under audit.

[Qualified conclusion, strong]

Based on the audit work performed, OIAI concluded that the controls and processes over the office needed improvement to be adequately established and functioning.

[Adverse conclusion]

Based on the audit work performed, OIAI concluded that the controls and processes over the office needed **significant** improvement to be adequately established and functioning.