Internal Audit of the Management of Non-governmental Implementing Partnerships

December 2021

Office of Internal Audit
and Investigations

Audit Report 2021/17

Contents

Executive summary

Introduction

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the management of non-governmental implementing partnerships, covering the period from 1 January 2019 to 31 October 2021. It was conducted remotely, from 1 July to 11 November 2021, in accordance with the International Standards for the Professional Practice of Internal Auditing. The audit objective was to assess the adequacy and effectiveness of risk management and internal control processes over a selection of significant risk areas of partnership management, including establishment of partnerships, selection of partners, programmatic visits and financial findings of spot checks and audits of partners. It focused on a selection of the key risks of working with non-governmental partners, including the risks that the outputs and activities of partners may not significantly contribute to the achievement of UNICEF's strategic objectives for country offices; and outputs and activities may not be delivered at the right cost, time and desired quality.

UNICEF country offices work through their government and civil society partners (which include non-governmental organizations (NGOs)) to bring children the nutrition, education, protection, and safe water and sanitation they need. Between 1 January 2019 and 13 October 2021, UNICEF country offices disbursed approximately US$2 billion to civil society organizations and US$2.9 billion to government implementing partners. The effectiveness of these partnerships and proper accountability for disbursements to them is critical to the effective and efficient achievement of UNICEF strategic objectives. While the goals of both types of partnerships are identical, the processes by which the corresponding partners are selected and managed are generally different. The current audit focused on country offices' partnerships with NGOs.

Results of the audit and actions agreed

The audit team noted several areas that were working well in terms of the key risks evaluated. For example, the audit found that the introduction of two online platforms – eTools, which is used to manage data on UNICEF's implementing partners, and the UN Partner Portal, which is used to select partners – offered UNICEF new opportunities to analyse and use data to constantly improve the effectiveness and efficiency of partnerships. In addition, the audit found that the agreements country offices signed with partners generally had specific, measurable, achievable, results-oriented and time-bound indicators. Such indicators were critical to successfully conducting the objective evaluation of the outputs, activities and results set out in partnership agreements.

The audit also identified several areas where management of the key risks that were evaluated could be enhanced through the implementation of a number of actions. Four of these actions are considered as high priority – that is, they require the immediate attention of the UNICEF Division of Data, Analytics, Planning and Monitoring. The issues for improvement and actions agreed with the Division are summarized below.

I. Alignment of partnerships with UNICEF country programmes: In general, there were linkages between the outputs and activities set out in agreements with NGOs and the outputs and activities set out in the country offices' workplans. Such linkages were critical to ensure achievement of UNICEF strategic objectives for the country offices. However, there were variations based on the type of NGO. Thus, 98 per cent (46 out of 47) of agreements with national NGOs had clearer linkages to the relevant workplans of the country offices compared to 79 per cent of international NGO partnerships (27 out of 34). *The Division agrees to work*

with regional and country offices as needed to ensure consistent alignment of partnerships with the relevant UNICEF country programmes.

II. Selection of partners: The records documenting the selection process of partners were not available for 37 per cent of the audit sample of 84 partners from eTools. Of the 53 partners for which the required records were available, the audit found that 79 per cent were selected through a direct, non-competitive process. Approximately 70 per cent of international NGOs, which generally received larger amounts of cash transfers, and 85 per cent of national NGOs were selected through a non-competitive process. Similarly, partners that received US$3.5 million or more were more frequently selected through a non-competitive process (65 per cent) than those that received less than US$3.5 million. Without following a competitive selection process, country offices risked selecting unsuitable partners in most cases. Moreover, the required justification for using the non-competitive process was not provided in eTools as required in 66 per cent of cases. At the time of the audit, 53 of out 128 country offices had not yet selected any partner through the UN Partner Portal, which would increase transparency in the selection of partners and streamline the selection process. *The Division agrees to take appropriate measures to enforce competitive selection of partners where feasible.*

III. Programme monitoring visits: Monitoring visits by country office staff to partners should be adequately designed and conducted to ensure UNICEF has appropriate assurance that activities are being implemented and results are being achieved, as planned in the relevant partnership agreements, and that appropriate corrective actions are taken when needed. The primary documentation of a programme monitoring visit is a monitoring visit report. The audit team reviewed the records of a sample of 118 partners in eTools and found that monitoring reports were not available for 57 per cent of them. A review of the available reports identified significant gaps, which may suggest that the procedures followed during the visits were inadequate to obtain sufficient assurance. For example, a third of the reports did not contain any information on whether the implementation of the activities and outputs had been compared against the plans set out in the relevant partnership agreements. Nearly a third of the reports did not describe the objective of the monitoring visits and approximately 22 per cent made no reference to specific partnership agreements, therefore making it impossible to determine which specific activities, outputs or results were assessed during the visits. It is worth noting that the reports on approximately 38 per cent of programmatic visits to partners that received US$4 million or more had similar gaps. *The Division agrees to determine how best to support regional and country offices to improve the quality of programmatic visits and related reporting.*

IV. Utilization of eTools: If UNICEF offices enter all required data promptly and accurately in eTools, the platform can serve as a powerful tool for effective and efficient management of partnerships and generate analytics that support high-quality management decisions. As indicated in the points above, the audit found that the platform had not been consistently used. Previous audits conducted by OIAI, including in 2021, found that country offices that were not using eTools as well as those that were using both eTools and Excel had been unable to adequately track the ineligible expenses of partners. For example, country offices were unable to make any distinction between ineligible expenses that were pending receipt of the required evidence and those that were pending recovery. There was thus a high risk of fraud and that offices may fail to take appropriate actions either to obtain sufficient evidence of ineligible expenses or recover expenses that lack the required evidence. In addition, if ineligible expenses are not accurately determined and recovered, the cost of the activities implemented by partners may be unacceptably high. The audit also noted that if the full potential of eTools was explored and utilized, there would be efficiency gains in financial

accounting and reporting relating to financial findings. *The Division will determine how best to support regional and country offices to ensure the consistent utilization of eTools. Further, the Division and the Division of Financial Administration and Management will work together to identify the most efficient and effective ways to track ineligible expenses that are pending adequate justification and those pending recovery from partners*.

Overall conclusion

Based on the audit work performed, OIAI concluded that risk management and internal controls pertaining to partnership management were generally established and functioning during the period under review. The Division of Data, Analytics, Planning and Monitoring and OIAI will work together to monitor implementation of the measures that have been agreed.

Office of Internal Audit and Investigations (OIAI)   December 2021

Objective, scope and methodology

The audit objective was to assess the adequacy and effectiveness of risk management and internal control processes over a selection of significant risk areas of partnership management, including establishment of partnerships, selection of partners, programmatic visits, and financial findings of spot checks and audits of partners. The audit was conducted remotely, from 1 July to 11 November 2021, and in accordance with the International Standards for the Professional Practice of Internal Auditing. It covered the period 1 January 2019 to 31 October 2021.

Th audit focused on a selection of the key risks of working with non-governmental partners. These included the risk that the outputs and activities of partners may not significantly contribute towards the achievement of UNICEF's strategic objectives for its country offices; and the risk that outputs and activities may not be delivered at the right cost, time and desired quality. These risks may materialize if the outputs set out in partnership agreements are not relevant to UNICEF strategic objectives for its country offices and/or inappropriate partners are selected to deliver the outputs. Further, the risks may materialize if offices' monitoring activities are not adequately designed so that UNICEF is able to obtain prompt, appropriate assurance that outputs are being achieved and activities are being implemented, as set out in the relevant partnership agreements, and that appropriate corrective actions will be taken to keep activities and results on track.

The audit covered implementing partners of country offices supported by all seven UNICEF regional offices: East Asia and the Pacific (EAP), Europe and Central Asia (ECA), Eastern and Southern Africa (ESA), Latin America and the Caribbean (LAC), the Middle East and North Africa (MENA), South Asia (SA), and West and Central Africa (WCA). The audit included:

- Analyses of relevant data from eTools, an online platform to manage data on UNICEF relationships with its implementing partners, and inSight, UNICEF's reporting and performance management platform.[1] The analyses covered all country offices for which relevant data was available;

- Analyses of partnership selection data from the UN Partner Portal, a platform developed by UNICEF and other United Nations agencies to facilitate the selection of partners. The analyses covered all country offices for which relevant data were available;

- Analyses of responses to a survey of country offices. OIAI sent a survey to all 130 UNICEF country offices in all seven regions and received responses from 91 country offices;

- A review of available documents in eTools related to the selection of a sample of partners;

- A review of available agreements with a sample of partners and related documents that were available in eTools;

- A review of the monitoring reports of country offices for a sample of partners;

- Analyses of the findings of the reviews of documents referred to above.

For this audit, OIAI selected a sample of 118 partners from 15 country offices across all seven regions. The sample includes partnerships: (i) with country offices of all sizes; (ii) in countries of all income categories; (iii) with country offices that were engaged in humanitarian action;

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[1] InSight includes data from UNICEF's enterprise resource planning system, SAP. It provides UNICEF staff with up-to-date and easily accessible financial and programme management data that supports performance measurement and day-to-day decision-making at all levels of the organization.

and (iii) with country offices that were involved in regular, non-humanitarian programming. OIAI considered the materiality of payments made to partners and the risk rating of the partners and ensured that both types of partnerships (i.e. with national and international NGOs) were well represented in the sample. Thus, 53 per cent of the partnerships assessed were with national NGOs and 47 per cent were with international NGOs. The total amount of disbursements made to partners of the 15 sampled country offices was US$792.9 million in the period January 2019 to June 2021. The 118 sampled partnerships received a total of US$444.4 million of this amount.

Background

UNICEF work with partners: UNICEF country offices work through their government and civil society partners (CSOs) to bring children the nutrition, education, protection, and safe water and sanitation they need. Between 1 January 2019 and 13 October 2021, UNICEF country offices disbursed approximately US$2 billion to CSOs and US$2.9 billion to government implementing partners. The effectiveness of these partnerships and proper accountability for disbursements to them is critical to the effective and efficient achievement of UNICEF's strategic objectives. While the goals of both types of partnerships are identical, the processes by which the corresponding partners are selected and managed are generally different.

Partnerships between country offices and CSOs are established through partnership cooperation agreements. The implementing partners, with support from the country offices, then develop programme documents or small-scale funding agreements,[2] which set out the expected results, activities and resources required, and other key information defining the partnership.

Types of partnerships assessed: CSOs are non-profit, non-governmental entities designed to advance collective interests and ideas. UNICEF differentiates CSOs based on four broad categories:
 i.   international non-governmental organizations (INGOs), which have offices in more than one country;
  ii.   national non-governmental organizations (NGOs), which operates only in the one country;
  iii. community-based organizations, grassroots associations that operate at the local level; and
  iv.   academic institutions, which are educational, degree-conferring organizations.

A breakdown of the scale of collaboration for each category is outlined in **Table 1** below. Given that 96 per cent of UNICEF funds dedicated to CSO partners are allocated to INGOs and national NGOs, the thematic audit focused on the management of partnerships with only these two categories of CSOs.

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[2] Small-scale funding agreements are used when the transfer of resources does not exceed a total of US$50,000 in a 12-month period.

Table 1: UNICEF funds transferred to civil society organizations (1 January 2019 to 13 October 2021)		
Type of organization	Amount transferred to partners (USD)	Proportion of total allocation to partners
Academic institution	34,782,929	1.7%
Community-based organization	48,713,908	2.4%
International NGO	878,916,560	43.0%
National NGO	1,079,420,644	52.9%
Total	2,041,834,041	100%

As of 14 October 2021, UNICEF had partnerships in place with 328 INGOs and 2,660 national NGOs. UNICEF generally has several partnerships in place under each INGO, i.e. several country offices have separate partnership agreements with a particular INGO. Thus, between 1 January 2020 and 14 October 2021, UNICEF had a total of 4,353 active partnerships, of which 1,202 pertained to INGOs. **Figure 1** provides a breakdown of the resources transferred to each type of NGO, by region, while details on active partnerships are provided in **Figure 2**.

Figure 1: Cash transfers (USD) to non-governmental organizations, by region
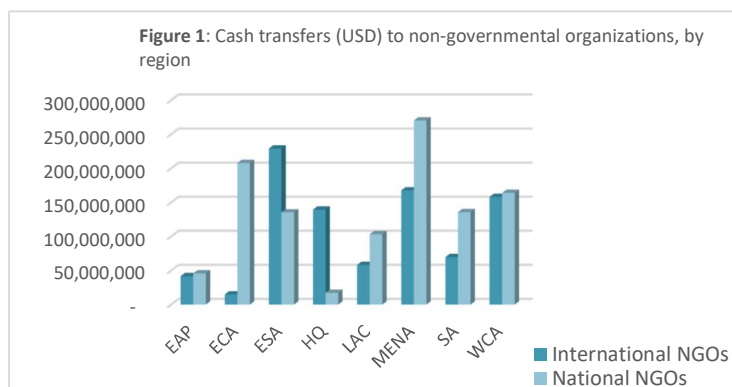
Rollout of eTools: As noted above, eTools is an organization-wide platform that helps UNICEF staff manage partnerships and monitor programmes. The platform consists of five modules. One of the modules, on partnership management, is used as a repository for documents related to CSO partnerships, such as programme documents, reports and findings.

Figure 2: Number of partnerships, by region

In February 2020, the UNICEF eTools Board re-endorsed a decision to institutionalize the adoption of eTools by all country and regional offices. The global adoption of eTools means that:

- All UNICEF offices select CSO partners through eTools;
- All CSO partnerships are managed through eTools;
- All CSO progress reports are submitted in eTools;
- All assessment and assurance activities for both government and CSO partners are managed and recorded in eTools.

The eTools modules are being rolled out to country offices progressively, which has led to more systematic documenting of data and processes.

Role of the Division of Data, Analytics, Planning and Monitoring: Established in 2019, the mission of the UNICEF Division of Data, Analytics, Planning and Monitoring is to drive decision-making and organizational learning and to improve the achievement of results and the effectiveness of UNICEF and its partners. The Division aims to take responsibility in promoting the use of data and monitoring for policy messaging, informed programming, risk management and effective partnerships to achieve transformative impact on the lives of children.

Given the thematic scope of the audit, the recommended actions in the report aim to improve the guidance and oversight offered to regional and country offices and were agreed with the Division, in line with its strategic role in monitoring partnerships.

Observations

1. Alignment of partnerships with UNICEF country programmes

UNICEF partnerships with NGOs should be designed to achieve the results set out for the relevant UNICEF country programme. In addition, partnerships should involve activities that advance the implementation of workplans agreed between the country office and the host Government. The audit evaluated the key risk that implementing partners may produce outputs or carry out activities that do not significantly contribute to the achievement of the objectives of country offices, as set out in UNICEF country programmes.

A review of the partnership agreements of 15 country offices found that the outputs and/or activities in 73 out of 81 programme documents sampled (90 per cent) were clearly aligned with the outputs and/or activities of the respective UNICEF country programmes. In addition, all sampled programme documents related to country offices' humanitarian actions (24) contained indicators that were linked to the relevant UNICEF humanitarian response plans. Additional observations from OIAI's review of programme documents are summarized below:

- **Variations based on the amounts of cash transfers.** In general, programme documents that included larger cash transfer amounts were more likely to be linked to the relevant workplan and country programme. Of the 61 programme documents that entailed the transfer of US$0.5 million or more to a partner, 56 (approximately 92 per cent) had linkages with the planned results set out in the relevant country programme. In comparison, of the 20 programme documents that entailed a transfer of less than US$0.5 million to the partner, 17 (approximately 85 per cent) lacked linkages to the respective country office workplans. To ensure that partnerships contribute significantly to the achievement of UNICEF strategic objectives, it is critical that all programme documents include clear linkages to the relevant country programme.

- **National NGOs vs. INGOs.** Programme documents involving national NGOs were more likely to be linked to country office workplans than those involving INGOs. Thus, 98 per cent (46 out of 47) of national NGO partnerships had clear linkages to the relevant workplans compared to 79 per cent of INGO partnerships (27 out of 34). This disparity could create the perception that the activities of INGOs, often the recipients of significant cash transfer amounts, do not always contribute as significantly to the achievement of country offices' strategic objectives.

- **Quality of results indicators.** In general, programme documents included specific, measurable, achievable, results-oriented and time-bound (SMART) indicators in their results frameworks: 78 out of 80 programme documents (98 per cent) had performance

indicators with a clear unit of measurement, baseline and target value, and an appropriate and feasible means of verification. INGOs and national NGOs performed equally well in this regard. Given that SMART indicators are critical to the objective assessment of results, all programme documents must include such indicators.

- **Gender mainstreaming.** Out of 86 programme documents reviewed, only 4 (5 per cent) described how gender equity would be sought; 8 (9 per cent) included indicators pertaining to gender programming; and 9 (11 per cent) included gender-disaggregated baselines and targets. A stronger focus on gender mainstreaming in programme documents would significantly contribute towards achievement of UNICEF strategic objectives.

Agreed action 1 (Medium Priority): The Division of Data, Analytics, Planning and Monitoring will, in collaboration with the Programme Group, issue guidance to country offices on how to strategically mainstream gender considerations in partnership agreement results structures (i.e. in programme documents and small-scale funding agreements).

Agreed action 2 (High Priority): The Division of Data, Analytics, Planning and Monitoring will take actions to ensure that regional offices routinely verify, possibly during peer reviews of country offices, that programme documents are systematically aligned with the relevant UNICEF country programmes and mainstream gender considerations. The regional offices should assist country offices in establishing an action plan to address any deficiencies identified in these areas and oversee its implementation.

2. Selection of partners

The audit team notes that, as a general practice, country offices had appropriately used a direct selection process (i.e. a non-competitive process) to select partners to implement humanitarian interventions, given that these require urgent action. Regarding the implementation of the regular country programmes, country offices are expected to strive to increase the number of implementing partners selected using the open process (i.e. a competitive selection process), as this method is more transparent and entails comparative analyses of different proposed strategies and costs to deliver desired activities and outputs. When a direct selection process is used, offices should explain the rationale for not using open selection.

The audit sought to verify the appropriateness of country offices' selection process and hence their selection of the most suitable partners. It found that the required Partnership Review Committee records for 31 out of a sample of 84 partnerships (37 per cent) were not available.[3] Of the 53 partners for which the required records were available, the audit team found that 79 per cent were selected through a direct, non-competitive process. Approximately 70 per cent of international NGOs, which generally received larger amounts of cash transfers, and 85 per cent of national NGOs were selected through a non-competitive process. Similarly, partners that received US$3.5 million or more were more frequently selected through a non-competitive process (65 per cent) than those that received less than US$3.5 million. Without following a competitive selection process, country offices thus risked selecting unsuitable partners in most cases. Moreover, the required justification for using non-competitive process

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[3] Country offices select partners through Partnership Review Committees, which are made up of management staff from different sections of the office. These Committees undertake objective and transparent reviews of partnership proposals and make recommendations to the head of the country office regarding the selection of the most appropriate partners. Country offices are responsible for uploading their Partnership Review Committee's records of these deliberations to eTools.

was not available in 66 per cent of cases. Typically, the justifications referred to the selected partner's unique access to vulnerable populations, unique technical knowledge and/or unique contextual knowledge owing to their previous work with UNICEF.

UNICEF requires country offices where use of eTools is mandatory to select partners using the UN Partner Portal (UNPP). In August 2021, the use of eTools became mandatory for all country and regional offices. In 2019 and 2020, the use of eTools was mandatory for approximately 75 per cent of all country offices.

The audit also found that the number of partnerships finalized through UNPP had increased by 245 per cent, from 276 in 2019 to 951 in 2021.[4] Similarly, the number of country offices

Figure 3: Country office use of the UN Partner Portal for the selection of partners, by region

that use UNPP for the selection of partners increased by 107 per cent, from 29 in 2019 to 60 in 2021. However, at the time of the audit there were 53 offices that were required to use eTools but had not yet selected any partners through UNPP. As shown in **Figure 3**, the usage of UNPP varies significantly across regions (from 87 per cent of offices in West and Central Africa to 36 per cent in East Asia and the Pacific).

Further, OIAI's analyses of data from UNPP from January 2019 to October 2021 found that the open selection modality was used when the offices selected partners from UNPP; however, the frequency and extent to which the open selection modality was used differed significantly from region to region, as shown in **Figure 4**.

FIGURE 4: PERCENTAGE OF PARTNERS SELECTED THROUGH AN OPEN PROCESS, BY REGION

Agreed action 3 (High Priority): To increase the number of partners selected through a competitive process, the Division of Data, Analytics, Planning and Monitoring will take appropriate measures such as emphasizing, through additional guidance, the importance of competitive selection processes, and monitoring and reporting, through an inSight dashboard, on the processes used by country offices to select partners.

Agreed action 4 (Medium Priority): To increase the use of UNPP, the Division of Data, Analytics, Planning and Monitoring will offer additional guidance on the portal to country
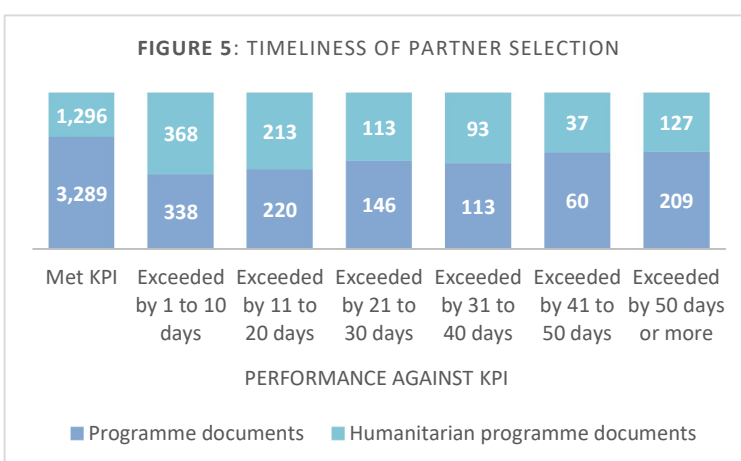
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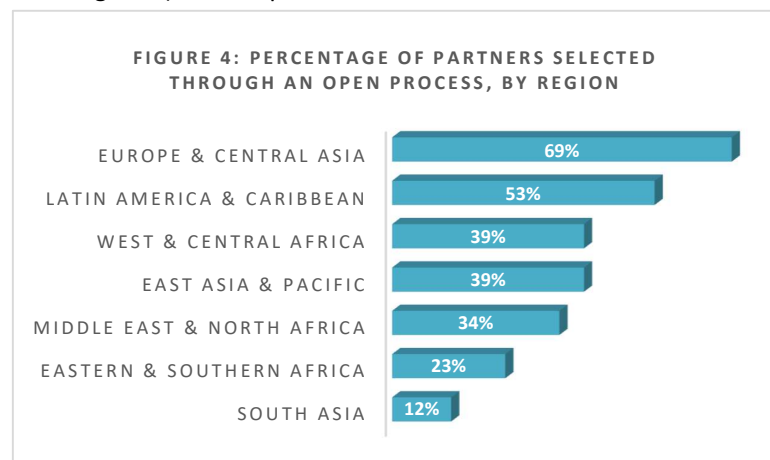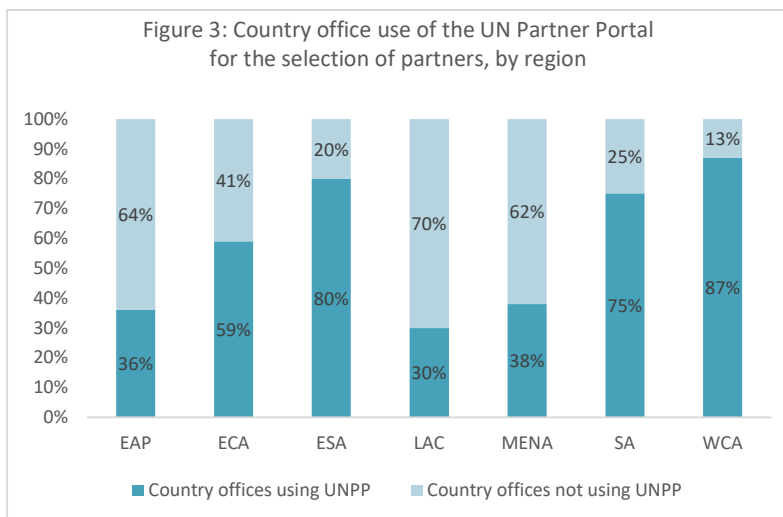
[4] As of 14 October 2021.

offices. In addition, the Division will include a key performance indicator (KPI) on UNPP usage in the inSight office dashboard in order to strengthen performance monitoring and oversight (given that the dashboard is frequently used by Country Management Teams at country offices to measure performance).

3. Timely completion of partnership agreements

The KPIs established in UNICEF procedures require that a humanitarian programme document should be finalized (i.e. signed by both parties) within 15 working days of the onset of a humanitarian situation, and, for regular activities related to a country programme, within 45 working days of the country office receiving a properly completed programme document from the partner. A lengthy partnership development process creates the risk of delaying life-saving interventions.

Based on its analysis of data in eTools, the audit team noted significant delays (of more than 50 days) in finalizing programme documents, as summarized in **Figure 5**. Approximately 42 per cent of humanitarian programme documents were finalized after the 15-day KPI while 25 per cent of programme documents meant for regular programming were established after the 45-day KPI. A survey of partners conducted by the Division of Data, Analytics,

FIGURE 5: TIMELINESS OF PARTNER SELECTION

	Met KPI	Exceeded by 1 to 10 days	Exceeded by 11 to 20 days	Exceeded by 21 to 30 days	Exceeded by 31 to 40 days	Exceeded by 41 to 50 days	Exceeded by 50 days or more
Humanitarian programme documents	1,296	368	213	113	93	37	127
Programme documents	3,289	338	220	146	113	60	209

PERFORMANCE AGAINST KPI

■ Programme documents   ■ Humanitarian programme documents

Planning and Monitoring had found that 20 per cent of the respondents mentioned delays in establishing partnerships as a weakness in UNICEF partnership management. The frequency and extent of delays varied from one region to another, with the best performing region having an 86 per cent timeliness rate and the poorest performing region a timeliness rate of 56 per cent.

The variation across country offices and, by extension, across regional offices, may be due to differences in risk appetite and in the quality of measures implemented to achieve a tolerable level of risk. For example, recent OIAI audits of country offices found that some offices were not implementing headquarters-established emergency procedures, such as those put in place to speed up the establishment of partnerships. Those offices were instead implementing outdated UNICEF procedures or internally developed procedures. In other instances, OIAI noted that country offices were implementing more internally developed procedures than needed, given that headquarters-promulgated procedures already existed for the same specific processes. Delays may also be due the lack of adequate resources within country offices and their failure to proactively provide clear guidance and instructions to partners on the preparation of submissions.

Regarding the category of partners associated with the delays, the audit found that approximately 39 per cent of humanitarian programme documents of national NGOs and 49 per cent of those of INGOs were not finalized within the 15-day KPI. With regard to regular programme documents, 23 per cent of those signed with national NGOs and 29 per cent of those signed with INGOs were not completed within the 45-day KPI. During OIAI audits,

country offices have generally attributed the delays in completing programme documents to the poor quality of submissions received from partners and lengthy negotiations to finalize them. Programme documents signed with INGOs were more frequently delayed. This suggests the need for a better and more comprehensive analysis to identify and more effectively address the root causes of delays.

Agreed action 5 (Medium Priority): The Division of Data, Analytics, Planning and Monitoring will issue actionable guidance to country offices on the collaboration required of all parties (i.e. programmatic, operational and financial staff at both the partner organization and the country office) during the programme document development process in order to ensure the timely completion of programme documents.

Agreed action 6 (Medium Priority): For country offices where there are significant delays in completing programme documents, the Division of Data, Analytics, Planning and Monitoring will assist regional offices in undertaking an analysis of the root causes of delays in processing programme documents and identifying and implementing appropriate measures to address those root causes and thus ensure the timely processing of programme documents.

4. Partner contributions

The UNICEF procedure for implementing CSO partnerships establishes complementarity as the basis of collaboration with CSOs. Thus, partnerships with CSOs should be built on comparative strengths and advantages, and both UNICEF and the CSOs should contribute financial and non-financial resources to achieve the jointly planned results. CSO contributions may consist of cash, intellectual property, human resources, supplies and/or equipment.

There is no global benchmark for CSO contributions. Instead, it is left to country offices to determine whether CSO partners, especially INGOs, are expected to provide minimum cash or supply contributions. The audit found that offices do not make this determination in a rigorous manner, for example, by using clearly defined criteria. In this regard, the audit team notes that insufficient partner contributions or inadequate documentation of partner contributions create a risk of undermining the principle of ensuring value for money when partnering with a given CSO.

The audit team's review of 3,374 partnerships found that partners contributed 10 per cent or less of the budget for activities in 45 per cent of partnerships. National NGOs accounted for 82 per cent (1,252 partnerships) of NGOs that contributed less than 10 per cent. More specifically, 26 per cent of INGOs and 53 per cent of national NGOs in the sample contributed less than 10 per cent to partnership budgets. INGOs contributed approximately 19 per cent of the budgets for

FIGURE 6: PROPORTION OF PARTNERS THAT CONTRIBUTED LESS THAN 10% OF THE TOTAL BUDGET, BY REGION AND TYPE OF PARTNER

partnership activities, while national NGOs contributed approximately 13 per cent of such budgets. As shown in **Figure 6**, there were regional variations in terms of the proportion of each type of NGO that contributed less than 10 per cent of the respective budgets.
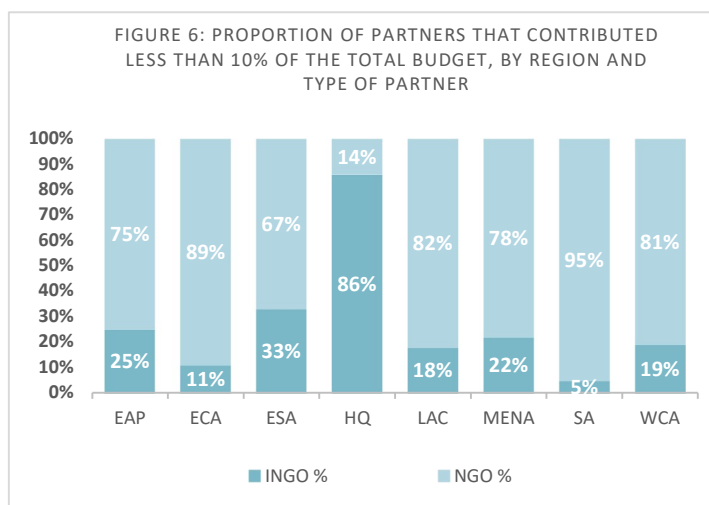
The audit team also noted that most of the NGO contributions were to cover operating expenses (e.g. salaries of support personnel, office space, equipment, and supplies) and the overall management of the partnerships, rather than direct programme costs. A detailed review of a sample of 95 partnerships found that, on average, 52 per cent of partners' contributions pertained to budget items under operating expenses and the overall management of the partnerships. Details on non-financial contributions of NGOs were not provided either in programme documents or in the relevant Partnership Review Committee documents. Given the absence of any guidance or criteria to allow country offices to determine the types and amounts of contributions partners should be making, there was a risk that partner contributions were not always sufficient. In that case, the cost of the activities and/or intervention borne by UNICEF could be prohibitive.

Agreed action 7 (Medium Priority): The Division of Data, Analytics, Planning and Monitoring will issue guidance and criteria to help determine the types and amounts of contributions NGOs should make to the activities in which they are involved. This may include specific guidance on when NGOs should make cash or in-kind contributions or when a share of their operating expenses and cost of the overall management should constitute their contribution to the activities. In addition, the Division will support regional offices to increase oversight of how country offices determine whether partners should make minimum cash or supply contributions.
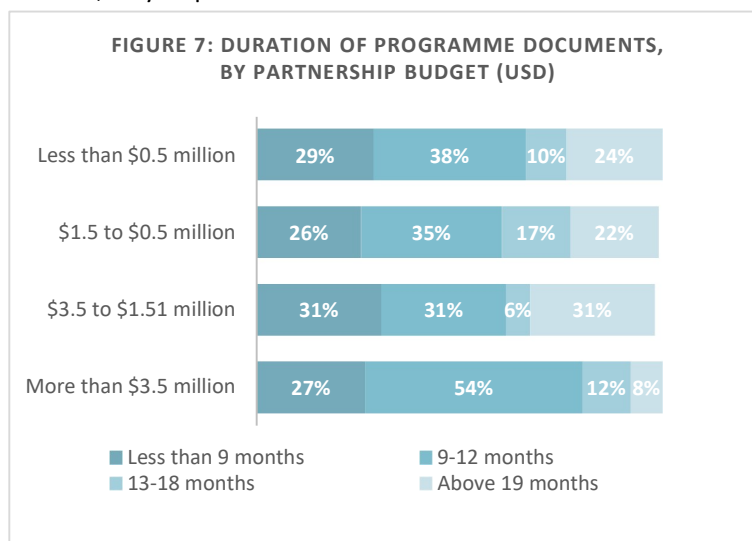
5. Duration of partnership agreements

Partnerships that have an insufficient duration constitute a risk to obtaining long-term and sustainable results from programme interventions and are also costly, as they create a need to develop programme documents more frequently, thus increasing transaction costs. In addition, the short duration of partnerships negatively impacts the extent to which offices can leverage partnerships to achieve medium- and long-term results, such as those pertaining to capacity-building and system strengthening. For example, programme document results related to capacity-building typically tend to focus on the number of training sessions conducted or people trained rather than on when and whether the new skills have been applied. Thus, the short and intermittent duration of agreements prevents country offices from applying critical long-term approaches with existing partners in order to achieve strategic objectives. The audit team was of the view that multi-year programme documents would not only reduce the need for the frequent development or amendment of programme documents but also improve the achievement medium- and long-term results.

The audit team's review of a sample of 86 regular programme documents[5] and 24 humanitarian programme documents found that their duration, in the majority of cases, was generally shorter than the maximum duration that was permitted under UNICEF guidance, as they were based on the availability of funds rather than on a realistic estimate of how long it would take to complete the proposed activities. In the case of humanitarian programme documents, which may have a duration of up to 12 months, the audit noted that 33 per cent had a duration of less than 5 months and only 38 per cent had a duration of 9 to 12 months, while 29 per cent involved a commitment of 12 months. As for regular programme documents, which may have a duration of more than 12 months, 28 per cent had a duration of less than 9 months and 41 percent had a duration of 9 to 12 months. Only 20 per cent had a duration of more than 18 months.

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[5] The duration was not clearly indicated in 4 of 90 total sampled programme documents.

The duration of partnership agreements with INGOs was generally longer than that of agreements with national NGOs. Thus, whereas 40 per cent of agreements with INGOs had a duration of more than 12 months, only 26 per cent of those with national NGOs had a duration of more than 12 months. The reason for this disparity was not clear, particularly since INGOs were more likely to implement activities with larger budgets. As shown in **Figure 7**, the agreements that entailed lower budgets were more likely to have a longer duration than agreements that entailed larger budget. In fact, 24 per cent of agreements on lower budget activities had a duration of more than 19 months compared with 8 per cent of agreements on larger budget activities.

FIGURE 7: DURATION OF PROGRAMME DOCUMENTS, BY PARTNERSHIP BUDGET (USD)

Budget	Less than 9 months	9-12 months	13-18 months	Above 19 months
Less than $0.5 million	29%	38%	10%	24%
$1.5 to $0.5 million	26%	35%	17%	22%
$3.5 to $1.51 million	31%	31%	6%	31%
More than $3.5 million	27%	54%	12%	8%

As shown in **Figure 8**, there was some regional variation in the duration of agreements. For example, 78 per cent of agreements in offices in Eastern and Southern Africa had a duration of more than 12 months compared to only 12 per cent of the agreements in offices in the Middle East and North Africa.

Figure 8: Duration of programme documents, by region

Region	Less than 9 months	9-12 months	13-18 months	Above 19 months
EAP	31%	31%	8%	31%
ECA	64%	18%	18%	
ESA	11%	11%	11%	67%
LAC	29%	43%	7%	21%
MENA	31%	56%	6%	6%
SA	17%	50%	8%	25%
WCA	9%	64%	27%	

The audit team noted that the duration of programme documents was often driven by the availability of resources and was particularly influenced by donor grant cycles. Given that making realistic commitments relies on the availability of funding, when devising longer-term, multi-year partnerships, it will be important for country offices to manage the expectations of partners and beneficiaries. This could be accomplished by including a clear statement in long-term programme documents indicating that the specific activities will be implemented with available funds and that the implementation of additional activities will be subject to availability of funding in the future.
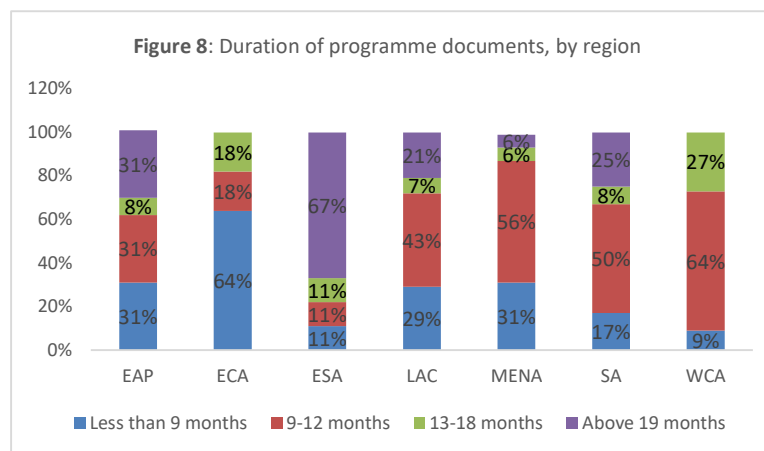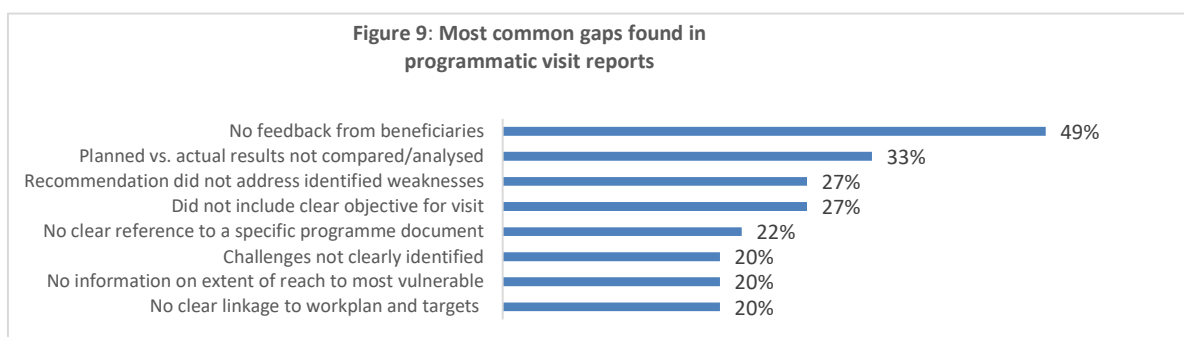
Agreed action 8 (Medium Priority): The Division of Data, Analytics, Planning and Monitoring, in collaboration with relevant divisions and offices, will enhance its guidance to country offices to increase the number of multi-year partnerships with CSOs.
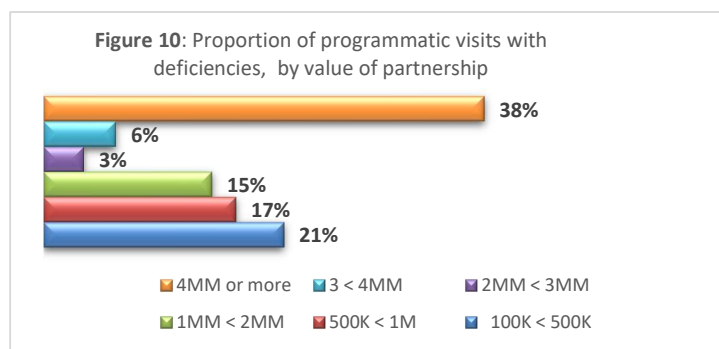
6. Programme monitoring visits

The primary objective of programme monitoring visits is for UNICEF to obtain direct assurance from partners that activities are being implemented as set out in the relevant programme documents. The methods used to obtain assurance depend on the nature of the activities and the particular operating environment. Methods may include physical inspection and/or observation of supplies and activities by UNICEF staff or third parties and obtaining confirmation directly from beneficiaries of receipt of services and/or goods. Effective programmatic visits facilitate the early detection of shortfalls and prompt remedial actions to keep activities on track and achieve strategic goals.

The audit team sought to assess the quality of the monitoring activities undertaken by country offices by selecting a sample of 118 partners across 15 country offices and reviewing the relevant programmatic visit reports. However, the audit team found that visit reports were available in eTools for only 50 (43 per cent) of the sampled partners. The audit team reviewed the available reports to assess the quality of the procedures undertaken by the programmatic visiting teams. **Figure 9** provides a summary of the gaps found in the reports reviewed, which suggest that either adequate monitoring procedures were not performed, or the reports simply did not reflect the monitoring procedures performed. Approximately 33 per cent of the reports examined did not contain any information indicating that the visiting team had assessed the status of outputs and activities against the plans set out in the relevant programme documents. In fact, approximately 22 per cent of the reports made no reference to any programme document; therefore, it was not clear which specific activities were assessed during the visits. Approximately 27 per cent of the reports examined did not identify any weaknesses or challenges that required remedial actions, and 49 per cent did not include any indication that the visiting team contacted or attempted to contact affected populations to obtain their direct feedback.

Figure 9: Most common gaps found in programmatic visit reports

No feedback from beneficiaries	49%
Planned vs. actual results not compared/analysed	33%
Recommendation did not address identified weaknesses	27%
Did not include clear objective for visit	27%
No clear reference to a specific programme document	22%
Challenges not clearly identified	20%
No information on extent of reach to most vulnerable	20%
No clear linkage to workplan and targets	20%

The audit team also sought to assess whether there was any correlation between the amount of the budgeted cost of partners' activities monitored and number and significant gaps in programmatic visits reports. To do this, the audit team mapped the seven most common gaps in visit reports (noted in Figure 9) against six categories of budgets. As shown in **Figure 10**, approximately 38 per cent of reports on programmatic visits to partners that received US$4 million or more had gaps. In comparison, 21 per cent of reports on monitoring visits to partners that received between US$100,000 and US$499,999 had gaps.

Figure 10: Proportion of programmatic visits with deficiencies, by value of partnership

4MM or more	38%
3 < 4MM	6%
2MM < 3MM	3%
1MM < 2MM	15%
500K < 1M	17%
100K < 500K	21%

Regarding the causes of the gaps noted, the audit team found that, in some cases, the reporting templates used did not require a description of the scope, nature and extent of monitoring procedures undertaken during the visits. For example, out of 13 offices assessed, only 2 had programmatic visit templates with a dedicated section for documenting feedback obtained from beneficiaries.

Agreed action 9 (High Priority): The Division of Data, Analytics, Planning and Monitoring will conduct further analysis and review and, on that basis and in view of the findings of this audit, determine how best to support regional and country offices to improve the quality of programmatic visits and follow-up on the resulting recommendations. Such support may include providing guidance on the planning, reporting and conduct of programmatic visits.

7. Controls over financial findings of spot checks and audits of partners

Typically, country offices make cash advances to partners to implement activities set out in the relevant programme documents. Subsequently, in line with the Harmonized Approach to Cash Transfers (HACT),[6] they undertake spot checks and audits to confirm whether the expenses claimed by partners indeed relate to the agreed activities and are eligible for reimbursement. If a spot check or audit is unable to find sufficient evidence that an expense claimed was related to the UNICEF activity indicated, good financial controls require that the amount should be set aside as questioned costs (defined as an ineligible expense pending receipt of the required evidence from the partner). If, after some time, the partner is still unable to provide the required evidence, good financial controls require that the amount should be reclassified as an ineligible expense and a recovery process should be initiated.

The audit team made the following observations relating to controls over financial findings of spot checks and audits of partners:
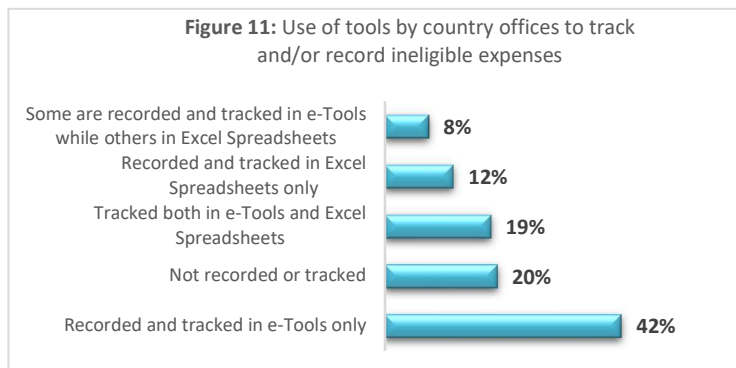
Classification of financial findings in eTools. Country offices are expected to record and track ineligible expenses in eTools. This entails adjusting the original amount recorded in eTools when the required evidence is received from the partner or recovering the amount for which the required evidence is not received. The audit noted that, in eTools, country offices made no distinction between ineligible expenses that were pending receipt of the required evidence and ineligible expenses that were pending recovery. Because questioned costs and ineligible expenses are not recorded and tracked separately in eTools, there was a high risk of fraud and that offices may fail to take appropriate actions to either obtain required evidence or ensure the timely recovery of all expenses that lack the required evidence. Failure to recover ineligible expenses may increase the cost of the activities implemented by partners and deprive affected populations of the assistance they need.

The audit team noted that offices were also expected to record and track ineligible expenses and related recoveries in another platform called eZHACT, the financial accounting and reporting platform, which is linked to VISION, UNICEF's enterprise resource planning system. The use of the two platforms had created inefficiencies as well as the risk of errors and inaccuracies particularly given that the sources of data entered in each platform were different. The primary source of ineligible expenses in eZHACT is the expenditure report prepared by the implementing partner, while the primary source of ineligible expenses in eTools is the report on the spot check or independent audit of the partner's expenditure report. The difference in the sources of data is one of the factors that can lead to discrepancies
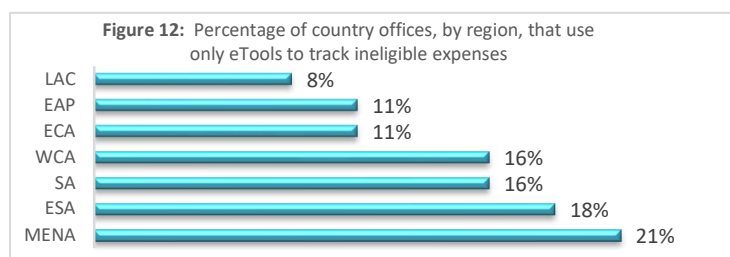
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[6] HACT establishes common principles and process for managing cash transfers among United Nations agencies that have adopted the approach across all countries and operational contexts.

which then require reconciliation for UNICEF financial reporting purposes. This additional process requires resources.

Extent of use of eTools to record and track financial findings. The audit team surveyed UNICEF country offices to understand the extent to which they were complying with the requirement to record and track financial findings of spot checks and audits in eTools. As shown in **Figure 11, t**he survey found that approximately 20 per cent of country offices were not recording and tracking ineligible expenses at all[7]. Approximately 19 of the respondents were using both eTools and Excel and 12 per were using only Excel. The extent to

Figure 11: Use of tools by country offices to track and/or record ineligible expenses

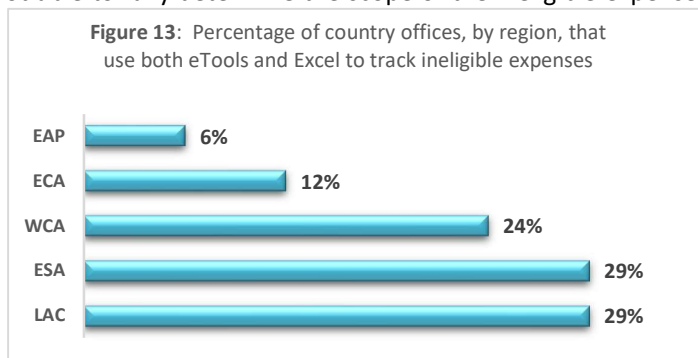|	
Some are recorded and tracked in e-Tools while others in Excel Spreadsheets	8%
Recorded and tracked in Excel Spreadsheets only	12%
Tracked both in e-Tools and Excel Spreadsheets	19%
Not recorded or tracked	20%
Recorded and tracked in e-Tools only	42%

which ineligible expenses were recorded and tracked only in eTools and both in eTools and Excel varied from one region to another, as shown in **Figures 12** and **13**, respectively. (No country office in the MENA or SA regions responded to the survey question on the use of eTools and Excel for tracking ineligible expenditure.)

Figure 12: Percentage of country offices, by region, that use only eTools to track ineligible expenses

LAC	8%
EAP	11%
ECA	11%
WCA	16%
SA	16%
ESA	18%
MENA	21%

The audit team noted that previous audits conducted by OIAI, including in 2021, found that offices that were not using eTools as well as those that were using the platform in combination with Excel to track ineligible expenditure were not able to fully determine the scope of the ineligible expenses.

The Division of Data, Analytics, Planning and Monitoring told the audit team that the low utilization by some offices was due to lack of capacity and leadership. In the view of the audit team, the fact that country offices were unable to make any distinction between

Figure 13: Percentage of country offices, by region, that use both eTools and Excel to track ineligible expenses

EAP	6%
ECA	12%
WCA	24%
ESA	29%
LAC	29%

ineligible expenses in eTools and a large number of them were both eTools and Excel also suggest the need for the design of eTools to be revisited.

Agreed action 10 (Medium Priority): The Division of Data, Analytics, Planning and Monitoring will take appropriate measures to enforce consistent recording of ineligible expenses in eTools

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[7] These were 18 small or medium offices which, given the the nature of their programmes, were making moderate amounts of cash transfers to partners. However, good financial controls require that all ineligible expenses, regardless of the amount, should be accounted for by recording them and ensuring there is valid, verifiable evidence for not recovering them

in United States dollars by country offices as and when they are identified by assurance activities. Consideration will be given to working with the Division of Financial Administration and Management to configure eTools to automatically convert ineligible expenses recorded in local currencies to United States dollars.

Agreed action 11 (High Priority): The Division of Data, Analytics, Planning and Monitoring and the Division of Financial Administration and Management will work together to identify and provide guidance on the most efficient and effective ways for country offices to track ineligible expenses that are pending adequate justification and ineligible expenses that are pending recovery from partners.

8.   Utilization of eTools

Country offices record a substantial amount of data related to partnerships in eTools. This includes the findings of HACT-related programmatic monitoring visits and spot checks (including ineligible expenses and weaknesses in relevant internal controls); reports on micro assessments; cost estimates; and partners' justification for the use of funds transferred to them. (See page 6) for more details on the rollout of eTools.) If all required data is promptly and accurately recorded in eTools, the platform can serve as a powerful tool for the effective and efficient management of partnerships. The complete and comprehensive use of eTools could also facilitate the use of analytics that support effective measures to enhance management of fraud risks and ensure resources are dedicated to their intended use.

In this regard, the audit team sought to establish whether data in eTools was complete and accurate. The findings are presented below:

- Out of the 118 programme documents for the 118 partners sampled, 17 per cent did not have the required data available in eTools. The audit team noted that of the 83 per cent that had data available, the actual implementation (as measured by indicators) was not as optimal as shown by the data in eTools. Specifically, while eTools showed that 57 out of 98 sampled programme documents were implemented in line with the set KPIs, the audit team's review of programme documents showed that only 51 were actually implemented in line with the KPIs. The audit team notes that these types of discrepancies will no longer exist following the planned digitization of programme documents, which will eliminate the need to develop programme documents offline and later enter the relevant data in eTools.

- The relevant Partnership Review Committee records related to the selection of partners were not available for 31 programme documents (37 per cent of the sample) in eTools. (See observation 2 on the selection of partners on pages 8-9 for more details).

- Reports on programme monitoring visits were available in eTools for only 43 per cent of the sampled implementing partners. (See observation 6 on programmatic visits on pages 14-15 for more details.)

- A significant number of offices (32 per cent of respondents to the OIAI survey) were not recording and tracking expenses in eTools as required. (See observation 7 on controls over financial findings on pages 15-17 for more details).

The number and frequency of programmatic visits must be commensurate with the risk of working with a particular partner. This ensures that offices go beyond the minimum

requirements set out in HACT, where necessary, and effectively manage the risks of working with specific partners. In this regard, the audit found that the planned number of programmatic visits recorded in eTools was less than the actual number of visits needed to manage the risks of working with partners. The audit team noted that in 57 out of 118 programme documents analysed, the number of planned programmatic visits recorded in eTools was less than that required under the programme documents.

Agreed action 12 (High Priority): The Division of Data, Analytics, Planning and Monitoring will provide further guidance to country offices regarding planning for and recording programmatic visits, Partnership Review Committee records, ineligible expenses and other critical data, as needed, in eTools to ensure the effective management of the risk of working with partners.

Annex A: Acronyms and abbreviations

CSO: civil society organization

HACT: Harmonized Approach to Cash Transfers

HQ: Headquarters office

EAP: East Asia and the Pacific

ECA: Europe and Central Asia

ESA: Eastern and Southern Africa

INGO: international non-governmental organization

KPI: key performance indicator

LAC: Latin America and the Caribbean

MENA: Middle East and North Africa

NGO: non-governmental organization

OIAI: Office of Internal Audit and Investigations

SA: South Asia

SMART: specific, measurable, achievable, results-oriented and time-bound

UNPP: UN Partner Portal

WCA: West and Central Africa

Annex B: Definitions of priorities and audit conclusions

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 conclusion presented in the executive summary falls into one of four categories:

Unqualified (satisfactory) conclusion
Based on the audit work performed, OIAI concluded at the end of the audit that the governance, risk management and internal control processes over the risk areas audited 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 governance, risk management and internal control processes over the risk areas audited were generally established and functioning during the period under audit.

Qualified conclusion, strong
Based on the audit work performed, OIAI concluded that the governance, risk management and internal control processes over the risk areas audited needed improvement to be adequately established and functioning.

Adverse conclusion
Based on the audit work performed, OIAI concluded that the governance, risk management and internal control processes over the risk areas audited needed significant improvement to be adequately established and functioning.