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Office of Internal Audit and Investigations

Internal Audit of the ZIMBABWE COUNTRY OFFICE

NOVEMBER 2022

Report 2022/14

CONTENTS

EXECUTIVE SUMMARY

The Office of Internal Audit and Investigations (OIAI) conducted an audit of the UNICEF Country Office in Zimbabwe, covering the period from January 2021 to June 2022. The audit was conducted in May and June 2022, using a combination of remote and on-site audit procedures, in accordance with the International Standards for the Professional Practice of Internal Auditing. The overarching objective of the audit was to assess the adequacy and effectiveness of the governance, risk management and control processes over a selection of significant risk areas of the office. These included management of the multi-donor pooled development funds, the new country programme framework, programme monitoring, and assurance mechanisms for cash transferred to implementing partners.

The audit scope considered the risks associated with Zimbabwe's operating environment. That environment is characterised by climate-induced shocks impacting the health systems and other social sectors, which are supported by multi-donor trust funds; devolution between national and sub-national levels of the public sector; sanctions and unfavourable transparency ratings[1]; and a reduced fiscal space [2].

Within this challenging context, development funds are a key element of the Government's strategy to meet national health, education and child protection needs. Owing to UNICEF's central role in the management of these funds, the audit reviewed the internal controls related to their governance, planning assumptions and sustainability. The audit also included an assessment of controls to mitigate risks relating to cash transfers to implementing partners. Such transfers accounted for US$ 54.2 million in 2021; emergency social cash transfers, which accounted for US$ 4.7 million; and the contracting of services, which accounted for US$ 25.9 million in 2021.

Overall Conclusion

	Satisfactory
➡	***Partially Satisfactory, Some Improvement Needed***
	Partially Satisfactory, Significant Improvement Needed
	Unsatisfactory

Based on the audit work performed, OIAI concluded that the assessed governance, risk management, or control processes were **Partially Satisfactory, Some Improvement Needed.** This means that the weaknesses or deficiencies identified were unlikely to have a materially negative impact on the audited entity, area, activity, or process. (See the Appendix for definitions of the conclusion ratings.) Management has agreed to take actions to manage the residual risks identified.

Summary of Observations and Agreed Actions

OIAI noted several areas where the office's controls were adequate and functioned well. For example, the office:

- prioritised an emergency social cash transfer programme to reduce food insecurity and improve dietary diversity and health outcomes of vulnerable households in Zimbabwe. The total of payments made in 2021 was US$ 4.7 million;

[1] The Transparency International's Corruption Perception Index rated Zimbabwe in position 157 of 180 countries, as at 27 September 2022.
[2] Fiscal space is defined, by the IMF, as the room in a government´s budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy.

- demonstrated agility in responding to frequent changes in regulations. For example, in response to a regulatory change which prohibited use of mobile money, the office adapted its process for bulk cash transfer payments to village health workers. To facilitate the transition to the new country programme, the office also established matrix management based on technical oversight, shared resources, and cross-sectoral coordination;

- succeeded, with very few exceptions, in meeting the financial assurance requirements for cash transfers and collaborated ably with UN partner agencies in sharing the results of partner risk assessments.

The audit also made a number of observations relating to the management of some of the key risks evaluated. In particular, OIAI noted the following issues to be addressed by the office:

- Establishing a governance structure for each development fund, that satisfies all stakeholder requirements and mitigates the risks specific to UNICEF as Secretariat, fund manager and implementing partner, will be key to the success of the third phase of each fund.

- As the development funds are premised on bridging cash shortfalls until fiscal space for the Government has improved and donors can provide budget support to the Government directly, establishing an appropriate exit strategy for each fund is needed. This strategy should have clear criteria and realistic timelines for a phased transition for operational and financial ownership.

- Owing to the country's challenging economic and political context as well as uncertainties in donor funding, the office's 2021 annual risk assessment rated 'very high' the risk of partial achievement of planned results. To manage this risk, the office had developed a comprehensive Resource Mobilisation strategy and action plan, established a dedicated Resource Mobilisation and Partnership Specialist (P4) position and set up a Resource Mobilisation Task Force, led by the Country Office Representative. At the time of the audit, which was conducted during the first year of the Country Programme, implementation of the plan was in progress. Continued implementation and monitoring of these measures are critical to address the risks associated with resource mobilisation for the country programme.

The table below summarises the key actions management has agreed to take to address the residual risks identified and the ratings of these risks and observations in respect of the assessed governance, risk management and control processes. (See the Appendix for the definitions of the observation ratings.)

EXECUTIVE SUMMARY

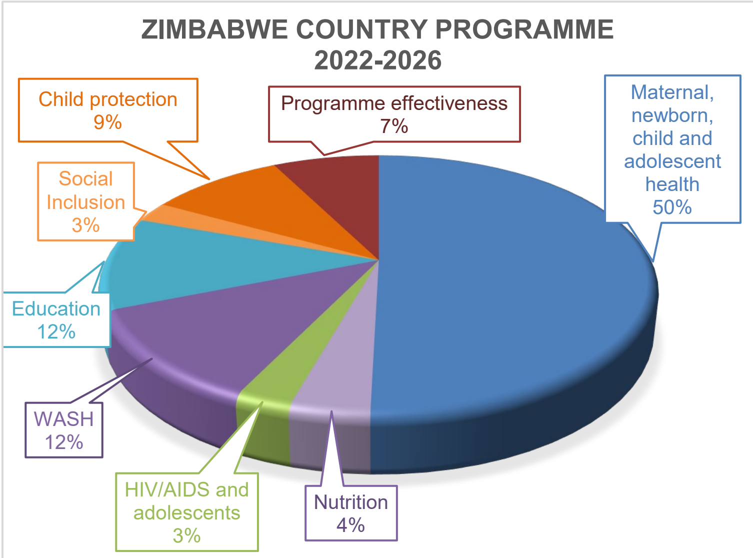
OBSERVATION PRIORITY		
Category of Process	**Area or Operation and Action Agreed**	**Rating**
Governance	Development funds (Observation 1.1.i): Continue working with fund stakeholders to achieve a fit-for-purpose governance structure.	**Medium**
Risk Management	Development funds (Observation 1.1.ii): Ensure that development fund risk registers reflect all relevant matters and include sufficiently detailed mitigating actions to address the issues. (Observation 1.3) Maintain an internal UNICEF country office risk register in sufficient detail to allow regular review and monitoring by the Country Management Team of existing and emerging development fund risks specific to UNICEF's own objectives.	**Medium**
Control processes	Development funds (Observation 1.2): Conduct a periodic review of the exit strategy of each fund.	**Medium**
	Development funds (Observation 1.3): Review and revise, as necessary, the programmatic and financial oversight of the development funds, to ensure effective, efficient processes and performance. (Observation 1.4) Consider donor feedback from this audit, as appropriate, to improve donor engagement.	**Medium**
	Financial assurance mechanisms (Observation 2): Review the resourcing strategy for HACT assurance practices and strengthen oversight of data entry in eTools to ensure timely follow-up of action items.	**Medium**
	Protection from Sexual Exploitation and Abuse (Observation 3): Enhance the oversight of the PSEA assessment process.	**Medium**
	Accountability to Affected Populations (Observation 4): Develop harmonised feedback mechanisms among UNICEF partners to facilitate oversight and reporting of AAP-related issues.	**Medium**
	Programme monitoring (Observation 5): Strengthen the quality of programme visit reporting and follow-up (including on PSEA and AAP) and finalise partnership reviews.	**Medium**
	Supply End User Monitoring (Observation 6): Complete implementation of the Supply End User Monitoring procedures, including planning.	**Medium**

BACKGROUND AND CONTEXT

Zimbabwe is a low-middle-income country reliant on natural resources, and highly vulnerable to climate-induced shocks. Extraordinary shocks caused by drought, cyclones, and the COVID-19 pandemic have been obstacles to its development[3]. Frequent public health crises have stretched the health system and other social sectors, deepening multidimensional vulnerabilities for children.

Hyperinflation and the informalisation of the national economy have impacted rates of monetary poverty, which is higher in rural areas than in urban areas. A reduced fiscal space, resulting largely from the macro-economic conditions, poses challenges in funding social sectors, which are supported by multi-donor trust funds. The Government has a Devolution Policy which, amongst other goals, aims to promote decentralized governance and service delivery.

The UNICEF country programme for Zimbabwe for 2022-2026 consists of seven programme components: maternal, newborn, child and adolescent health; nutrition; HIV/AIDS and adolescents; WASH; education; child protection; and social inclusion. In addition, there is a programme effectiveness component which is used for cross-cutting programme support and administration areas that support the other outcomes.



The country programme budget is US$ 640.4 million. (See figure, right, for a breakdown of the country programme budget by programme component.)

The country programme includes three development funds: health, education, and child protection. In early 2010, in response to deteriorating social indicators, the Government, donors and UNICEF established ‘transition funds’ as a means of channelling donor support to the health, education and child protection sectors. These large-scale multi-donor pooled funding mechanisms, led by the Government and managed by UNICEF, allowed for a coordinated

[3] World bank country/Zimbabwe/overview

approach in delivering a nationally agreed set of high-impact, cost-effective interventions. In their next phase, the transition funds became known as 'development funds'.

The three sectoral multi-donor development funds – for child protection, education and health - made up the majority of the office's ORR[4] for the last country programme and for the first year (2022) of the new country programme. Of the 2022-2026 country programme ORR budget, as at the time of the audit in May 2022, the development funds accounted for 91 per cent of the allocated 2022 Health budget, 88 per cent of Child Protection and 61 per cent of Education.

The Health Development Fund (HDF) aims to strengthen a resilient Zimbabwe health system by helping to ensure the continuation of essential health services that improve reproductive, maternal, newborn, child, and adolescent health and nutrition outcomes. The HDF 2016-2020 is the successor of the Health Transition Fund (HTF) 2012-2015 and the Integrated Support Programme (ISP) (2012-2016). At the time of the draft audit report, the office was working with the Fund's stakeholders to review the governance and management arrangement of the Health Resilience Fund (HRF), the proposed new iteration of the Health Development Fund.

The Education Development Fund (EDF) started out as the Education Trust Fund (ETF) in 2009, with thirteen donors. The first phase of the EDF covered the period 2012-2015, and the second phase covered the period 2016-2021 (recently extended to June 2022). The EDF is aimed at: expanding access to education through School Improvement Grants (SIG); quality through support to the curriculum; procurement of teaching and learning materials (textbooks) and strengthening the system, including building resilience. In recent years, there have been decreasing contributions to the Education Development Fund.

The Child Protection Fund (CPF) was established to improve access to child protection (prevention and response) services for children, reinforced by strengthening household and community economic resilience in 20 districts of Zimbabwe. The Fund is in its second phase (2016-2020) and has been extended at least once.

At the time of the audit, the number of donors for the development funds had declined from about ten each to between two and five. Funding for the current phase is ending, either by June 2022 or soon thereafter. The last review of the overall funds (in 2015) noted that this mechanism was not sustainable in the long run. That review also noted that stopping funding in those areas sustained by the development funds would risk reversing the gains made in revitalizing social services and improving social outcomes. Subsequent evaluations of the Education Development Fund (EDF) in 2019 and the Health Development Fund (HDF) in 2021 reached the same conclusion, noting that it represented one of few options available for donor support. Given the economic and fiscal contexts, the office continued to regard pooled funds as critical instruments.

At the time of the draft audit report, the Zimbabwe Country Office had 130 approved posts. The Country Office is located in the capital city, Harare.

[4] UNICEF offices deploy two basic types of funding, Regular Resources (RR) are core resources that are not earmarked for a specific purpose. Other Resources (OR) are contributions that may have been made for a specific purpose and may not always be used in other ways without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself as OR, up to the budget ceiling for the programme. The country programme budget outlines both RR and 'Other Resources – Regular' (ORR) by programme outcomes. UNICEF guidance requires that the ORR should be calculated based on: Alignment to costed results in the Country Programme; the country's past track record of achieving results, including use of funds within the planned timeline; and, projected funding by donors. The ORR ceiling level needs to be approved by the regional office.

AUDIT OBJECTIVES AND SCOPE

The objective of the audit was to assess the adequacy and effectiveness of the governance, risk management and control processes over a selection of significant risk areas of the Zimbabwe Country Office. The audit scope included key areas selected during the audit planning process, based on an assessment of inherent risks.[5] These areas included management of development funds, emergency social cash transfers, bulk cash payments, procurement of service contracts and cash transfer assurance activities. Key inherent risks are described below.

RISK AREA	INHERENT RISK (for audit planning purposes)
Management of development funds	Unclear accountability and stakeholder expectations about UNICEF's fiduciary and other roles in the multi-donor funding frameworks may result in suboptimal decision-making and inefficient fund management leading to impaired development results for children. Static planning assumptions in the development fund framework, such as an improving economic context/Government takeover of programme activity, may render this funding mechanism inappropriate to achieve long-term development goals.
Country programme transition	The new country programme's results and resources framework (including workplans) may not reflect lessons learned from the previous country programme. This would reduce the opportunity to achieve better results for children in a multi-deprivation context.
Programme monitoring	The office's monitoring may not ensure that the programme interventions remain relevant and may not adequately support results reporting.
Emergency social cash transfers	The Emergency Social Cash Transfer process may not be designed and/or operating effectively to adequately minimize the risk of loss and payments not being made to eligible beneficiaries.
Protection from Sexual Exploitation and Abuse (PSEA)	UNICEF partners may fail to take adequate measures to prevent SEA, exposing children/beneficiaries to harm, as well as creating a risk of damage to UNICEF's reputation.
Bulk cash payments	The country context, as evidenced in the high Transparency International rating, and macro-economic hardships due to inflation and the COVID-19 pandemic, increase the likelihood of loss of cash payments due to fraud or misappropriation.
Cash transfers to implementing partner assurance	The office may not effectively carry out assurance activities to monitor and account for programme inputs issued to partners and/or follow up recommendations for implementation by partners.
Procurement of services and supply end user monitoring (SEUM)	Services may not be procured at competitive cost and contracts with consultants may not contain measurable deliverables linked to payments and specific timelines. Inadequate end-user monitoring increases the risk that beneficiaries do not receive the required programme supplies.

The audit was conducted in May/June 2022, using both remote and on-site audit procedures, in accordance with the International Standards for the Professional Practice of Internal Auditing. For the purpose of audit testing, the audit covered the period from January 2021 to June 2022. It involved a combination of methods, tools, and techniques, including interviews, data analytics, review of documents, tests of transactions, evaluations, and validation of preliminary observations.

[5] Inherent risk refers to the potential adverse event that could occur if management takes no actions, including internal control activities. The higher the likelihood of the event occurring, and the more serious the impact should the adverse event occur, the stronger the need for adequate and effective risk management and control processes.

AUDIT OBJECTIVES AND SCOPE

Management is responsible for establishing and maintaining appropriate governance, risk management and control processes, and implementing the actions agreed following this audit. The role of the OIAI is to provide an independent assessment of those governance, risk management and control processes.

The key areas where actions are needed are summarised below.

1. Development funds — Medium

The complex nature of multi-donor funding arrangements created risks to the effective structure and operation of the development funds, requiring holistic oversight by the country office.

Conflict of Interest

UNICEF had been assigned three roles under each development fund: as Administrative Agent (or Secretariat), Convening Agent (or fund manager) and implementing partner. This arrangement gave rise to a potential conflict of interest, which had been identified by the office. OIAI meetings with donors confirmed that this was a genuine concern, as UNICEF was in a position to exercise undue influence over the management of the funds. Playing the dual roles of Administrative Agent (or Secretariat) and Convening Agency (or fund manager) is permitted by UNDG[6] in such a joint arrangement[7]; the Administrative Agent is accountable for fiduciary management and financial reporting, whereas the Convening Agency is accountable for coordination of programmatic activities and narrative reporting to donors. UNICEF is also a participating organization due to its technical expertise and partnerships with the Government and communities.

UNDG guidance on the potential conflict of interest related to this triple role recommends that the Admin Agent be accountable to a multi-donor oversight group. While the steering committee for each development fund includes multiple stakeholders including Government, donors and implementing partners, there is no equivalent reporting mechanism to provide independent oversight.

UNICEF plays a triple role as coordinator, fund manager and implementing partner, which gives rise to a potential conflict of interest.

Mindful of this concern, the office had analysed the governance issues for each of the development funds, covering steering committee leadership, secretariat ownership and the continuity of UNICEF's technical and fund management roles. This served to inform an exchange of proposals with donors on the governance arrangements of the future Health Resilience Fund, designed to address the issues outlined above. At the time of the audit, negotiations with donors and discussions with the Government were ongoing.

Donor engagement

OIAI's review of monitoring and evaluation documents as well as discussions with four donors highlighted the need for improved donor visibility for joint programmes, local advocacy on behalf of donors that are not represented in Zimbabwe, timely completion of programmes and improved communication with donors.

The need to improve donor visibility for development fund achievements had been recognized by the stakeholders of the Education Development Fund (as recorded in its steering committee

[6] The United Nations Sustainable Development Group (UNSDG), previously the United Nations Development Group (UNDG), is a consortium of 36 United Nations funds, programs, specialized agencies, departments and offices that play a role in development. It was created by the Secretary-General of the United Nations in order to improve the effectiveness of United Nations development activities at the country level.

[7] Protocol on the Administrative Agent for MultiDonor Trust Funds and Joint Programmes, and One UN Funds. Final 30.10.2008.

minutes). This need was identified as a key priority for the office's current Advocacy and Communication Strategy.

Some donors raised concerns about UNICEF's readiness to fulfil the various donor needs for detailed financial information and reporting purposes, beyond those that may be required by the standard agreement with UNICEF, and other operational aspects of the fund management. OIAI believes that these negative perceptions may be due partly to the perceived conflict of interest issues noted above. They also reflect a need for better, more frequent communication with donors about UNICEF's processes and procedures, and for a more consistent, holistic approach to UNICEF's management and oversight of the funds. (See below.)

Risk management
Channelling funding for Zimbabwe social sectors through a multilateral organization (UNICEF) is in itself an important risk mitigation measure for donors contributing to the development funds. For UNICEF, this funding mechanism creates both risks – for example, related to the increased fiduciary responsibilities - and opportunities, in terms of additional funding, programme activities and visibility.

Each development fund maintained its own risk register, which was presented for discussion and approved by the steering committee comprising Government, donors and partners. OIAI's review of the separate risk registers noted that not all pertinent matters were included. Mitigating actions were not always sufficient to address the risks, reducing the usefulness of the tool for efficient and effective decision-making.

In addition, the office did not conduct an overall analysis of the risks specific to UNICEF's own role within the development funds for the purpose of review, decision-making and tracking progress with mitigating actions plans. The 2021 ERM register included risks such as limited fiscal space and reduced donor funding but did not include mitigation plans specific to the development funds. OIAI noted that the recent analysis of the development fund governance issues included a risk assessment of each fund, which included some general and some UNICEF-specific risks and mitigating actions, albeit without accountabilities for implementation or deadlines.

Exit strategies
The development funds are premised on bridging cash shortfalls until Government can take over, and until donors can begin providing funds directly to the Government. Good practice for such programmes would include a well-defined exit strategy, with clear criteria and realistic timelines for a phased transition for operational and financial ownership. The last Child Protection Fund document did include rationales for potential exit approaches for the related Humanitarian Social Cash Transfers. However, the Education Development Fund did not include an exit strategy for its first two phases, nor had it fully developed one in its draft Phase 3. The Health Development Fund (HDF) programme document (2016-2020) did not include an explicit exit strategy. Rather, its risk register noted reductions in government health sector contributions; the proposed solution was continued HDF support. OIAI acknowledges that the latest Health Resilience Fund proposal (Phase 3 of the HDF) now includes review and monitoring of the strategy.

Oversight
OIAI observed that the development fund focal points in each of the three programme sections separately managed their development fund budgets. There was limited input or oversight by the Programme, Planning and Monitoring section (PPM) in respect of the quality of the fund programme planning and budget management processes. The office explained that the development funds had been mainstreamed into its Country Programme processes and that, as

part of the new Country Programme Management Plan (approved in 2021), grant management activities had been consolidated within the PPM section, bringing together responsibilities for planning, budgeting, implementation and monitoring. Furthermore, the Deputy Representative Programme had recently been designated as the lead for the development funds, in order to separate technical from management roles. However, at the time of the draft report, it was too early to assess the benefit of this newly defined office structure vis a vis the oversight of the overall performance of the development funds.

Such central oversight by the PPM section will provide an internal ‘check and balance’ on the triple role played by the focal points in the respective programme sections, who make budgeting, planning and programme coordination decisions. This will strengthen UNICEF’s ability to demonstrate sound fiduciary management of the multi-donor joint programmes.

AGREED ACTION

1. In its role as Development Fund Admin Agent (Secretariat), the office agrees to:
   i. continue to pursue a fit-for-purpose governance structure for each development fund, in the best interests of all stakeholders, using UNDG guidance as a reference.
   ii. ensure that development fund risk registers reflect all relevant matters and include sufficiently detailed mitigating actions to address the issues.

2. In its role as Development Fund Convening Agency (Fund Manager), the office agrees to conduct a periodic review of the exit strategy of each fund, assessing its appropriateness to the prevailing context, and ensure that Steering Committee agreement of any revision is achieved before the end of the current phase.

3. Following the establishment of the new structure under the leadership of the Deputy Representative Programme, the office agrees to review and revise, as necessary, the programmatic and financial oversight of the development funds, to ensure effective, efficient processes and performance. This will include maintaining an internal UNICEF country office risk register in sufficient detail to allow regular review by the Country Management Team of existing and emerging development fund risks specific to UNICEF’s own objectives, and to facilitate systematic monitoring of the adequacy of mitigation measures and progress with their implementation.

4. Donor feedback from this audit will be considered by the office and followed up, as appropriate, to improve donor engagement. This will include steps to provide greater visibility of donor contributions to the development funds and to improve understanding amongst key donor counterparts of relevant UNICEF processes to allay concerns about transparency and to increase collaboration.

Staff Responsible: Actions 1 and 2 Deputy Representative Programme; Action 3 Deputy Representative Programme and Deputy Representative Operations

Implementation Date: March 2023

2. Financial assurance mechanisms — Medium

There were opportunities to refine the activities which are designed to provide assurance that cash disbursed to partners is used for the achievement of intended programme outputs.

Quality of assurance activities

In 2021, the office transferred US$ 54.2 million to 100 implementing partners for humanitarian and development work. As required by the Harmonized Approach to Cash Transfers (HACT)[8], the office maintained a cash transfer assurance plan, comprising spot checks, programmatic visits, and scheduled audits. The office conducted more than the required minimum number of scheduled spot checks because of the number of implementing partners assessed as high risk. The office relied heavily on third parties for its financial assurance – not only for audit but also for spot checks. The total cost of third party HACT assurance in 2021 was US $304,000.

OIAI observed a range in quality of reports of some financial assurance providers, which may indicate weaknesses in the underlying assurance activities. For instance, it was not evident in some of the scheduled audit reports how much of the population of expenditure was sampled for validation, and the reports did not consistently provide relevant details of expenditure types reviewed or FACE forms reviewed for the period of the audit. Assurance activities which are not sufficiently robust increase the risk of false positive assurance in respect of the use of donor funds for intended purposes.

While the office stated its intention to revise its resourcing strategy for HACT assurance in 2022, OIAI did not find sufficient evidence of this. It will be important both to conduct such a review and to address identified quality issues with existing assurance providers.

Assurance follow-up and recovery of ineligible amounts

The office was not using eTools adequately to record and/or assign all financial assurance findings for follow-up, which impacted the timely recovery of ineligible funds. Of the ten sampled spot checks, OIAI noted that the assignment in eTools had been delayed for all three spot checks with high-risk findings, and the same for scheduled audits. This was partly negated by an Excel tracker used by the office to record financial amounts due, and amounts received against them.

Inadequate recording in eTools impacts the prompt and complete recovery of ineligible funds.

The office had developed a recovery follow-up protocol, which included the issuance of letters to the concerned implementing partner, the requirement for action plans from the partners, and a final position letter outlining amounts to be repaid. However, the audit noted significant delays in the process, for example, in sending the refund request (by up to three months) and in further follow-up. For some partners, responses and recoveries were received one to two months after the refund requests were issued. In other cases, they were received five to seven months after the requests were issued. In some instances, the full amount of the refunds requested was not received. The office stated that the delays were partly caused by movement restrictions stemming from the COVID-19 pandemic.

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[8] Harmonized Approach to Cash Transfers (HACT) is an approach used by several United Nations agencies with their implementing partners. HACT is meant to reduce bureaucracy and transaction costs while still providing an adequate level of assurance on the use of funds. The framework includes a number of tools for that purpose, including programmatic visits to check on progress, and spot checks of a partner's financial management.

The office did not enforce non-payment of further cash transfers until repayment of owed amounts, nor did it establish more structured payment plans to encourage timely repayment. Despite them not repaying in full ineligible amounts identified by audits, the office generally continued to work with such partners. The office stated that a decision was taken to continue to work with partners while pursuing recovery, to allow programme implementation to continue during the COVID-19 pandemic when available partner capacity was limited. In several cases, outstanding amounts were recorded on the financial tracker as closed, even though the full amount was not repaid.

School improvement grants (SIG)
The office relied on the Ministry of Education's MIS master school data to determine schools' eligibility for SIG. The main assurance mechanism to verify SIG school expenditure was the independent verification reviews conducted by third-party audit firms, which occurred in the year following disbursement of the grant to the school. This was supplemented by rapid assessments, conducted by the same third-party firm, designed to be done within a month of the issuance of the school grant. The audit team noted that both the rapid assessment and verification review covering 2019 school grants were significantly delayed. Both reports were only issued in March 2022. The rapid assessment was delayed by more than twelve months. The office explained that this was due to COVID-19 and the challenges this created for the collection of data. The office anticipated the normalization of these assurance processes for the 2023 SIG. Timely, efficient assurance mechanisms ensure that any issues can be identified and rectified early, as appropriate.

AGREED ACTION

The office agrees to:

i. Review the office's HACT assurance practices to determine the most effective, best-cost resourcing strategy and ensure provision of quality services by third-party service providers.
ii. Strengthen the oversight of data entry in eTools, to ensure timely follow-up of action items, including financial recoveries.

Staff Responsible: (i) Operations Specialist with support of the HACT Working Group; (ii) Chief of PPM and Operations Specialist.

Implementation Date: (i) December 2022; (ii) March 2023

3. Prevention of sexual exploitation and abuse — Medium

Despite the office's commitment to the prevention of sexual exploitation and abuse (SEA)*, further improvements were required to streamline and improve the prevention and response mechanisms employed by the office and its implementing partners.*

In view of UNICEF's zero tolerance of SEA, it is critical that offices are assured that their implementing partners are taking appropriate measures to prevent SEA. Between 2020 and early 2022, the office's assessments of 42 implementing partners in respect of their ability to prevent SEA rated five partners as "High" and 38 as "Moderate" risk.

Robust assessments of measures taken by partners to prevent SEA are critical.

OIAI's review of eight of the IP assessments noted delays in finalising the assessments (five cases), reducing the rating of the high-risk partners (two cases) and drawing up action plans to address gaps (two cases). In one case, the required 'Note for the Record' from the country office management was not available for a partner which had been rated as high risk in June 2021. In five cases, the internal quality review issues raised by the office's PSEA Coordinator had not been resolved and were overdue. These actions had remained open due to capacity gaps at implementing partners and temporary resource constraints within the office.

Observations related to PSEA monitoring are included in Observation 5 'Programme Monitoring'.

AGREED ACTION

The office agrees to enhance the oversight of the PSEA assessment process with a view to increasing partner capacity and reducing risk related to PSEA amongst high- and moderate-risk partners.

Staff Responsible: Country Representative supported by Gender Specialist and Chief of Child Protection

Implementation Date: March 2023

4. Accountability to Affected Populations — Medium

While good progress had been made in 2021, some key initiatives to develop a more effective framework to obtain and act upon feedback from affected populations had not been followed through.

In 2021, the office identified Accountability to Affected Populations (AAP)[9] work as a key priority, with a focus on the need for building partner capacity. The office had established an AAP Taskforce, which, in its first meeting in February 2022, identified the need to develop an AAP strategy as a basis for implementing activities and mainstreaming AAP across programme sections. At the time of the audit, the Taskforce had not met again, and the actions agreed during the first meeting had not been implemented.

Observations related to AAP monitoring are included in Observation 5 'Programme Monitoring'.

[9] 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". The IASC is the Inter-Agency Standing Committee, established by a decision of the UN General Assembly in 1992. It works in countries where there is a humanitarian response and coordinates the humanitarian response of UN and other bodies. See https://interagencystandingcommittee.org/iasc/.

AGREED ACTION

The office agrees to develop and implement harmonised feedback mechanisms among UNICEF partners to facilitate oversight and reporting of AAP-related issues.

Staff Responsible: Deputy Representative Programme supported by SBC Manager and Emergency Specialist

Implementation Date: March 2023

5. Programme monitoring — Medium

Weaknesses in the quantity and quality of programmatic visits undertaken and in the broader programme monitoring architecture affected the ability to assess results, make timely adjustments and ensure that interventions remained relevant and supported programmatic goals.

Missed partner coverage
In 2021, the office reported that it had completed a total of 215 programmatic visits (PVs), thereby exceeding the minimum 166 required. However, OIAI found that 16 partners (including eight rated 'high' risk) had fewer PVs done in 2021 than the minimum required, which impacted the level of assurance over programme delivery. These partners had received a total of US$ 4.5 million in 2021.

Programmatic minimum visit requirements had not been met for high-risk partners in receipt of US$ 4.5 million in 2021

Quality of assurance activities
In a sample of ten PVs from the 2021 HACT Assurance Plan, the audit noted several exceptions as follows:

i. Four PV reports had not been approved;
ii. Three did not qualify for a programmatic visit (one was a technical assistance meeting and two were partner meetings where no supporting evidence was received for verification of results);
iii. Four had insufficient or unclear evidence to report on the status of implementation of the programme activity.

In the ten sampled PVs, the audit team noted that Action Points covering six partners were not recorded in eTools[10] and there was no evidence to show whether the findings had been addressed. Furthermore, for two partners, the number of reports indicated in the 2021 HACT implementation plan did not match the available reports in eTools.

Outstanding final partnerships review
A final partnership review is required on completion of activities for all Programme Documents with a UNICEF contribution (cash and supplies) of US$100,000 or more. This helps to determine the need to increase the partner's capacity and the suitability of the partner for future engagements. The audit found that, out of 55 Programme Documents with activities ending

[10] eTools is an online platform to collect data on UNICEF implementing partners. It is used for the effective and efficient management of partnerships and to generate analytics that support high-quality management decisions.

between January 2021 and June 2022, and for which UNICEF's total contribution was higher than $100,000, 38 (70%) did not have a final partnership review.

PSEA
During the period under review, the office developed a new Programmatic Visit (PV) template which includes a section for staff to report on PSEA. In eight out of the ten PVs sampled by the audit, PSEA monitoring was found to be insufficient (for example, in relation to the existence of policies or training) or not done at all.

Accountability to Affected Populations (AAP): In seven out of ten programmatic visit reports reviewed by the audit, AAP had not been assessed or insufficient information was provided in the assessment report. Such visits facilitate the systematic collection of information about AAP implementation and can provide a trigger for corrective actions in programming.

OIAI noted that, in late 2021, the office undertook an analysis of PV reports and identified the need to improve the use of the standard reporting template, the use of eTools and timely completion of reports, amongst other recommendations. In 2022, the analysis of PV reports was instituted as a quarterly exercise.

AGREED ACTION

The office agrees to:

i. Strengthen the capacity of staff responsible for performance and oversight of programmatic visits to improve the quality of reporting and follow-up, through further training and implementation of recommendations identified in the quarterly PV analysis exercise.
ii. Finalize all outstanding partnership reviews and assess the suitability of partners for future work.
iii. Include specific indicators related to PSEA in the office programmatic visit template and provided training to staff responsible for programmatic visits to improve the quality of reporting and follow-up including matters related to PSEA and AAP.

Staff Responsible: (i) and (iii) Chief PPM supported by Gender Specialist and SDB Manager; (ii) Chief PPM supported by Implementation Partnership Officer

Implementation Date: December 2022

6. Supply End User Monitoring (SEUM) — Medium

The recent Supply End User Monitoring procedures had not yet been fully implemented, to enable timely and complete monitoring of the delivery of required programme supplies to beneficiaries.

During 2021, the office dispatched US$ 12.8 million of programme supplies, including schoolbooks and hygiene equipment, to implementing partners for distribution to end users. The office recently introduced systematic SEUM as part of the Field Monitoring standard operating procedure, including questions on planned supplies, quantity, availability, timeliness, quality, and use. The Supply & Logistics section had piloted the approach by conducting three SEUM visits in

2022. It had also selected ten high risk partners to assess their capacity in relation to procurement practices and storage and distribution of supplies.

A lack of planning between sections affected the ability to monitor distribution of supplies to beneficiaries.

However, SEUM had not been adequately rolled out across the office. Even though the new guidance included instructions on sampling for EUM, audit noted a lack of planning between the Supply and Programme sections to coordinate SEUM activities and to ensure a consistent approach to implementing the strategy.

AGREED ACTION

The office agrees to complete implementation of the Supply End User Monitoring procedures, including planning, to ensure that the office obtains sufficient feedback from the final recipients of UNICEF-procured supplies.

Staff Responsible: Supply Manager and Chief PPM through the Programme Management Team
Implementation Date: March 2023

APPENDIX

Definitions of Audit Observation Ratings

To assist management in prioritizing the actions arising from the audit, OIAI ascribes a rating to each audit observation based on the potential consequence or residual risks to the audited entity, area, activity, or process, or to UNICEF as a whole. Individual observations are rated as follows:

Low	The observation concerns a potential opportunity for improvement in the assessed governance, risk management or control processes. Low-priority observations are reported to management during the audit but are not included in the audit report. Action in response to the observation is desirable.
Medium	The observation relates to a weakness or deficiency in the assessed governance, risk management or control processes that requires resolution within a reasonable period to avoid adverse consequences for the audited entity, area, activity, or process.
High	The observation concerns a fundamental weakness or deficiency in the assessed governance, risk management or control processes that requires prompt/immediate resolution to avoid severe/major adverse consequences for the audited entity, area, activity, or process, or for UNICEF as a whole.

Definitions of Overall Audit Conclusions

The above ratings of audit observations are then used to support an overall audit conclusion for the area under review, as follows:

Satisfactory	→	The assessed governance, risk management or control processes were adequate and functioning well.
Partially Satisfactory, Improvement Needed	→	The assessed governance, risk management or control processes were generally adequate and functioning but needed some improvement. The weaknesses or deficiencies identified were unlikely to have a materially negative impact on the performance of the audited entity, area, activity, or process.
Partially Satisfactory, Significant Improvement Needed	→	The assessed governance, risk management or control processes needed significant improvement. The weaknesses or deficiencies identified could have a materially negative impact on the performance of the audited entity, area, activity, or process.
Unsatisfactory	→	The assessed governance, risk management or control processes needed major improvement. The weaknesses or deficiencies identified could have a severely negative impact on the performance of the audited entity, area, activity, or process.

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