

# Internal Audit of the Private Fundraising and Partnerships Division

October 2019

Office of Internal Audit  
and Investigations (OIAI)



Report 2019/10

## Executive summary

The Office of Internal Audit and Investigations has conducted an audit of the Private Fundraising and Partnerships (PFP) Division's management of UNICEF fundraising activities. The objective of the audit was to provide independent assurance regarding the adequacy and effectiveness of the governance, risk management and control processes related to PFP's strategic and operational support of private sector fundraising activities. The audit covered the period from January 2018 to 17 April 2019. The audit team visited the office from 1 to 17 April 2019.

### Background

PFP coordinates all private fundraising activities of UNICEF, providing strategic and operational guidance and support to 21 UNICEF country offices called private-sector fundraising (PSFR COs) and 33 national committees (NCs) in various areas including risk management, oversight and governance, planning, and investments for private sector fundraising and engagement. PSFR COs have the additional responsibility of raising funds from the private sector (individuals, key influencers, and businesses) on a larger scale than other offices to support their respective programmes and UNICEF operations globally. NCs are independent, non-governmental organizations created for the purposes of advancing children's rights and well-being globally through fundraising, advocacy and other activities in advancing UNICEF's unique mission in their respective territories.

### Results of the audit and action agreed

With the support of PFP, NCs and PSFR COs continued made commendable contributions towards UNICEF's advancement of children's rights and well-being globally. In 2018, NCs and PSFR COs contributed US\$ 1.4 billion (US\$ 1.2 billion from NCs and US\$ 184 million from PSFR COs) to UNICEF's operations globally. Their goal is to raise US\$ 9.6 billion gross (US\$ 7.5 billion net) from the private sector during the UNICEF 2018-2021 strategic plan. To align with the UNICEF 2018-2021 strategic plan, in close collaboration with NCs and relevant UNICEF regional/COs and headquarters divisions, PFP had drawn up a strategic plan called the Private Sector IMPACT Plan, with clear revenue targets for NCs and PSFR COs. For each NC, there was also a joint strategic plan, reviewed annually, that set out the priorities and revenue, advocacy and communication targets. The equivalent for PSFR COs is called the Private Sector Plan. Progress against established targets in both plans had been monitored. PFP had a commendable risk management culture with a focus both on managing risks to its own operations and helping NCs and PSFR offices to manage theirs. Senior management of PFP routinely discussed risk and related mitigating measures. In general, NCs and PSFR offices were pleased with the strategic and operational guidance provided to them by PFP.

However, the audit identified few areas where further action was needed to better manage risks to fundraising performance. While UNICEF has an oversight system that covers PFP's own activities and those of PSFR COs, the NCs are not directly covered by this system. The frameworks for the governance and oversight of NCs are controlled by the NCs themselves and the information received and hence the processes implemented by PFP were insufficient for UNICEF to obtain satisfactory independent assurances that these frameworks are adequate and effective. There is a special partnership defined in the Cooperation Agreement between UNICEF and each NC whereby there is a shared responsibility to safeguard the UNICEF brand and reputation. For this purpose, PFP agrees to consult with the NCs on specific actions so they can set out the information and processes required to facilitate satisfactory,

independent assurance to UNICEF that there is adequate and effective governance in NCs. Four of these actions are rated as high priority – that is, requiring PFP management’s urgent attention:

- With input from appropriate offices such as the Office of General Counsel, engage with the NCs to jointly review and, as necessary, to seek amendment of the Cooperation Agreement between UNICEF and NCs. The consultations and amendment, if needed, may include, but not be limited to aspects of the cooperation agreement related to NCs’ advocacy and programming responsibilities and PFP data/information requirements and processes to provide UNICEF with the necessary assurances on NCs’ governance, risk management control processes.
- Develop and implement an action plan, within the framework of the cooperation agreement, for UNICEF to regularly attend key meetings of NCs’ governing bodies.
- Consult with NCs to agree on the information and processes that will provide UNICEF with the necessary assurance on NCs’ governance, risk management and control processes.
- Periodically confirm the amount of investment and re-investments made by NCs in private sector fundraising activities.

## Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, PFP’s governance, risk management and internal controls were generally established and functioning during the period under audit.

PFP and OIAI intend to work together to monitor implementation of the measures that have been agreed.

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## Audit objectives and scope

The objective of the audit was to provide independent assurance regarding the adequacy and effectiveness of the governance, risk management and control processes related to PFP's strategic and operational support of private sector fundraising activities. The audit covered PFP's work with NCs and PSFR COs with respect to risk management, oversight and governance, planning, and investment in revenue generation activities. The audit covered the period from January 2018 to 17 April 2019.

This report presents the more important risks and issues found by the audit, the measures agreed with the client to address them.

## Audit observations

### UNICEF's cooperation agreements with national committees

There is a standard cooperation agreement that defines the framework and parameters for the partnership between UNICEF and each NC. The audit team's review of the standard agreement and interviews with UNICEF staff and the leadership of NCs identified that there are gaps and provisions in the agreement that were no longer relevant or adequate for UNICEF to obtain the level of assurance it requires to mitigate and manage its risks, and for UNICEF and NCs to maximize opportunities and results for children.

The audit observed that PFP has not implemented adequate, appropriate activities to provide UNICEF with satisfactory assurances on the existence of adequate and effective governance, risk management and control processes in NCs. This was mainly due to challenges in obtaining the relevant information. To overcome these challenges, the cooperation agreement needs to clearly set out the information requirement for UNICEF while respecting the independent status of the NC and with NC boards and other governing bodies remaining responsible for governance in the NCs. Provisions on governance should provide clear standards applicable to all NCs and allow for enhanced assurance activities of UNICEF depending on the unique risk profile of the individual NC, and clearly recognize UNICEF's need to obtain adequate assurances.

The current agreement includes sections on managing UNICEF cards and products which needs updating to reflect the current business model. It also recognizes that NCs have responsibilities in their respective territories for education for development and child rights advocacy. However, advocacy responsibilities have recently been expanded beyond those anticipated by the agreement and some NCs may not have the structures or capacity to take up additional tasks in advocacy. Some NCs interviewed told the audit that they want UNICEF to recognize their work in advocacy and related programme activities as investment. To do this, the audit was of the view that UNICEF needed to obtain related assurances and insight in those activities to ensure quality control and its risk management.

The cooperation agreement also requires UNICEF to provide NCs with policy and guidance on advocacy and identifies PFP as the responsible office for the relationship with UNICEF. PFP was providing policy and guidance to NCs on their advocacy and the NCs were reporting on their advocacy activities through joint strategic plans (JSPs) signed with PFP. The audit appreciates that fundraising in support of children's causes may not effectively be carried out without advocating for the rights of children. However, the audit

noted that institutional expertise for advocacy work reside in other UNICEF divisions and offices such as (for example) the Division of Communications and Programme Division. PFP is primarily structured to support revenue generation activities of NCs and PSFR COs and not for programme design, monitoring, and implementation. PFP told the audit that it was coordinating with other divisions and offices; however, there were no formal arrangements for this that could be assessed by the audit.

**Agreed action 1 (high priority):** The PFP agrees to, with input from appropriate offices such as the Office of General Counsel, engage with NCs to jointly review and, as necessary, to seek amendment of the Cooperation Agreements between UNICEF and NCs. The consultations and amendment, if needed, may include, but not be limited to aspects of the cooperation agreement related to NCs' advocacy and programming responsibilities and PFP data/information requirements and processes to provide UNICEF with the necessary assurances on NCs' governance, risk management control processes. Provisions on governance may provide clear standards applicable to all NCs and allow for enhanced assurance activities of UNICEF depending on the unique risk profile of the individual NC.

**Responsible staff members:** PFP Director and DD Country Relations

**Target date:** September 2020

**Agreed action 2 (medium priority):** PFP agrees to review demands and further strengthen its capacities, structures and processes for supporting the advocacy work of National Committees (NCs). This may include establishing arrangements and putting in place processes and procedures for utilizing, as needed, existing organizational expertise in planning, managing, implementing and reporting advocacy activities of NCs.

**Responsible staff members:** Deputy Director, Country Relations, with support from NCs Relations and Advocacy team; and PFP SMT

**Target date:** June 2020

## Management of UNICEF's strategic partnership with national committees

The cooperation agreement acknowledges the NC as a separate legal entity associated with, but not owned or controlled by UNICEF. Therefore, while UNICEF maintains an oversight system that comprise the UN Board of Auditors, the UN Joint Inspection Unit and the Office of Internal Audit and Investigations that covers all UNICEF offices including PFP and the PSFR COs; the NCs are not covered by this system. The framework for the governance and oversight for each NC is controlled entirely by the NC within the context of its own statutes and national regulatory environments. There is limited scope for UNICEF to obtain independent assurance that an NC's governance and oversight frameworks are adequate and effective, as the NCs' external audits do not generally focus on non-financial aspects. The agreement between each NC and UNICEF incorporates and describes five<sup>1</sup> areas of the principles of good governance encompassing governing bodies, management and operations, disclosure and transparency, ethical environments, and risk management and compliance. However, UNICEF does not have any direct oversight over these areas.

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<sup>1</sup> Principles of Good Governance for National Committees agreed and endorsed in the 53rd annual meeting of National Committees in Vilnius on 14 October 2008. The principles were agreed to by National Committees as best practice targets, in recognition of the increasing awareness and commitment to transparency and accountability to stakeholders, to ensure the protection of the UNICEF Brand, and to further promote National Committees' continued effectiveness and success.

The audit noted the following:

**Governance bodies:** The responsibilities of an NC's governing body are defined by its own statutes and its national law and are also set out in the cooperation agreement and the annexed Principles of Good Governance. The governing body of an NC is responsible for oversight and monitoring and essential governance processes. This includes the appointment of an external auditor. It also includes approval of the composition of its audit committee and ensuring that it has appropriate terms of reference. UNICEF could derive some assurance on the NCs' framework of internal controls and risk management by regularly attending relevant meetings of their governing bodies. However, according to the cooperation agreement, UNICEF may do this as an observer, with prior notice. The audit was informed that UNICEF occasionally attends meetings of NCs' governing bodies; however, for various reasons, it had not attended these meetings consistently and systematically. There was no timetable for UNICEF's attendance of the meetings. In contrast, given that trust and collaboration are the pillars of the special partnership, UNICEF has allowed the participation of NCs in the Executive Board and membership in the Global Management Team.

**Audits of national committees:** PFP had provided guidance to NCs on the implementation of audit best practices. However, several NCs had yet to implement the guidance on internal audit functions. For those that had internal audit functions, the audit noted that PFP does not obtain the reports of internal audits conducted. While this is important for PFP's own risk management, including risks to UNICEF brand and reputation, there are limitations under the CA.

All NCs interviewed indicated that they had independent external audits performed. However, the audit observed that UNICEF does not obtain the management letters prepared by NCs' external auditors. While the cooperation agreement does not specifically require NCs to provide the management letters, these are typically prepared by external auditors as part of their financial statement audits to highlight specific deficiencies in internal controls.

**Monitoring of the governance and oversight activities of national committees:** PFP is responsible for supporting risk and crisis management processes of NCs. It had thus issued guidelines and templates on risk assessment. It also annually obtained risk registers and self-certifications from the NCs' managements in respect of their compliance with a selected number of the obligations in the cooperation agreement.

The audit noted that, in carrying out its governance reviews, PFP relied almost entirely on already available documentation and self-certifications obtained from NCs' management. It did not do additional verification beyond the limited compliance assessments permitted by the cooperation agreement. This was due in part to limitations imposed by the cooperation agreement. The agreement requires UNICEF to obtain assurance confirmations from NCs on the implementation and operation of the Principles of Good Governance including the effectiveness of internal controls. The provision on governance in the cooperation is an essential and needs strengthening to facilitate assurances required for PFP's own risk management. Under the agreement, NCs are required to review their alignment with these Principles and ensure compliance or explain to UNICEF variations and exceptions. However, this had not been systematically done.

PFP stated that it obtained assurance on an ongoing basis from NCs' governance focal points and during the annual joint strategic plan (JSP) reviews by PFP and the respective NCs. However, the level of assurance obtained is uneven across NCs as some of them consider the JSP process a strategic exercise that should not be used to obtain the level of detail required for assurance purposes.

Recent events in some NCs indicated that the self-certification of compliance, in line with the obligations set out in the cooperation agreement, is not the best way for UNICEF to identify oversight/management challenges and take prompt corrective actions. The monitoring that was being performed based on the interpretation of the cooperation agreement is not set up to detect possible crises and does not cover the level of management/operational detail that would enable PFP to identify all risks and potential issues that could cause a crisis. This meant that UNICEF was impaired in its ability to take prompt corrective action to prevent or minimize any negative impact on reputation and the UNICEF brand and the ability to mobilize resources. UNICEF needs to proactively obtain from NCs information and assurances on controls in place in NCs to identify and manage risks.

PFP had a dedicated unit to support NCs on matters related to governance, oversight and risk management. The unit provides advice and support to ensure and strengthen governance framework of NCs. However, it cannot, under the terms of the cooperation agreement, require the extent of information that PFP may need to have sufficient assurances around effective governance in NCs, including that the Principles of Good Governance had been observed and there were adequate and effective governance, risk management and control processes. For example, paragraph 15 states that UNICEF may request a financial and/or non-financial audit or specific activities only if it has reason to believe that there is material non-compliance with the agreement. Good business practices require preventative measures as these are more efficient. An organization is exposed to elevated risks to its reputation and operation when material non-compliance occurs. Non-compliance can be prevented through monitoring, inspections, and financial and/or non-financial audits.

**Agreed action 3 (medium priority):** The PFP agrees develop and implement an action plan, within the framework of the current cooperation agreement between UNICEF and national committees (NCs), for UNICEF to attend key meetings of NCs' governing bodies. Key meetings may include those where deliberations take place and decisions made with respect to the: exercise of the governing bodies' oversight responsibilities; establishment and changes to composition and terms of reference of the audit committee; appointment, retention and changes of external auditors; internal and external auditor reports; review and preparation of certification of framework of internal controls, risk management, systems of compliance; etc.

**Responsible staff members:** PFP Director and Deputy Director, Country Relations

**Target date:** April 2020

**Agreed action 4 (high priority):** The PFP agrees to consult with National Committees (NCs) to jointly define the information and processes required to provide UNICEF with the necessary assurances on NCs' governance, risk management and control processes. Specifically, PFP agrees to consider seeking agreement with NCs on:

- i. Obtaining NCs' independent (internal and external) assessments of the effectiveness of their internal controls, such as the management letters prepared by NCs' external auditors and the external auditors' report and opinion on the NCs' framework of governance, risk management and controls, internal audit reports, and assessments, reports and recommendations from accreditation, regulatory or other independent bodies.
- ii. Reviewing and determining as to whether the Principles of Good Governance can be formally operationalized and periodically obtain formal assurance confirmations from national committees' governing boards on the implementation and operation of the Principles of Good



Governance on the 'comply or explain basis'<sup>2</sup> identified including as to the effectiveness of internal controls.

- iii. Putting in place additional processes to provide UNICEF with satisfactory, independent assurance on NCs observance of the Principles of Good Governance. These processes may include, amongst others, PFP obtaining and reviewing internal policies and procedures, risk registers and terms of reference for governance and oversight mechanisms.

**Responsible staff members:**

- i. Deputy Director, O&F
- ii. Deputy Director, Country Relations
- iii. Deputy Director, Country Relations

**Target date:** December 2020, noting it is linked to the re-negotiation of the Cooperation Agreement

## Achievement of revenue targets

The original PFP strategy (IMPACT) plan covering the period 2018-2021 indicates that the gross revenue goal will total US \$9.6 billion: US\$ 2.02 billion in 2018, US\$ 2.25 billion in 2019, US\$ 2.53 billion in 2020, and US\$ 2.75 billion in 2021.

The revenue goal is to be reached from various channels including contributors (US\$ 6 billion), influencers (US \$2.6 billion) and businesses (US\$1 billion). In comparison to the 2014 - 2017 strategic plan, the goal of US\$9.6 billion represents an increase in gross revenue from the private sector by US\$2.8 billion and double the number of individual donors to UNICEF. However, the private sector revenue goal was not met for 2018, the first year of IMPACT implementation. Out of the budgeted revenue of US\$ 1.596 billion, UNICEF realized US\$ 1.431 billion, a shortfall of US\$ 225 million (or US\$ 164 million following an exchange rate gain of US\$ 61 million). Compared to 2017, revenue had decreased by US\$ 34 million.

Performance trend data shows that since 2016, the UNICEF has not met the private sector revenue targets for regular resources (RR) and ORR.<sup>3</sup> This trend was noted in the financial returns from both NCs and PSFR COs. Unless the relevant contributing factors are addressed, the revenue targets included in the 2018-2021 IMPACT plan may not be realized.

The audit noted the following regarding NCs and PSFR COs respectively.

**Contributions from NCs:** While the NCs had continued to work towards achieving their respective gross revenue targets, the audit identified scope for many of them to accelerate the achievement of these targets. To help NCs meet their overall contribution targets, they have committed to annual targets in their JSPs, which are monitored by PFP. However, no decision had been made at the strategic level on

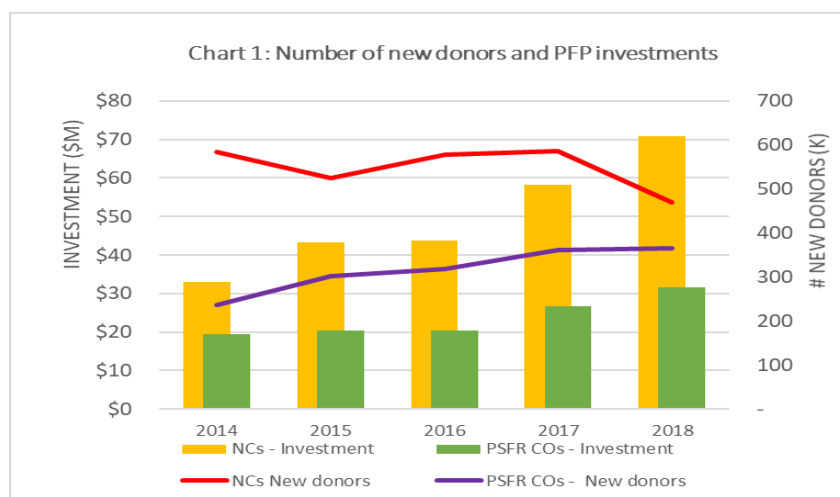
<sup>2</sup> CA 9.a: "The Parties agree to the Principles of Good Governance attached as Annex C. The National Committee will review its alignment with these principles and ensure compliance or explain variations or exceptions. The National Committee will notify UNICEF and provide explanation of all variations and exceptions and UNICEF will provide support to comply whenever possible."

<sup>3</sup> Regular resources (RR) are core resources that are not earmarked. Other resources (OR) are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be otherwise used without the donor's agreement.

what approach to take with the NCs that may be perceived as not doing enough to achieve their contribution rate.

While PFP's investment in NCs grew in 2017 and 2018, the number of new donors dropped compared to 2017 (see the chart). This could indicate that the investment was not effective in growing the number of new pledge donors (see also observation on investment below)

**Contributions from PSFR COs:** Structured PSFR activities were established in 21 UNICEF COs with the expectation that they would help grow regular resources (RR) to support UNICEF operations globally and finance in-country programmes. However, although UNICEF has invested in some of the COs for extended periods, they have not achieved expected private sector revenue targets. For example, in 2018, against a target of US\$ 208 million, the PSFR offices generated US\$ 184 million (88 percent of the target).



PFP told the audit that some of the non-performing COs were in

high potential markets and require time to grow. However, it was not clear at what point PFP would stop making further investments in countries that failed to achieve their potential. The performance of one office had been negatively affected by political developments, but no decision had been made regarding whether to continue PSFR activities in the country.

The audit noted other potential challenges to meeting revenue targets in PSFR COs. The most notable of these were the staff capacity and reporting arrangements in PSFR COs and regional support centres. The PSFR COs had several posts with the sole purpose of supporting their revenue generation activities. However, at the time of the audit, more than 60 of these posts were vacant. The audit notes that UNICEF does not currently require matrix management. This would be ideal for fundraising activities of PSFR COs. It would ensure that they receive sustained support from PFP in assessing and identifying capacity gaps, recruitment, and performance management of staff. However, while UNICEF representatives were managing PSFR activities in their respective offices, PFP had not played any role in the recruitment and performance management of heads of these offices. Neither did PFP play any role in the recruitment and performance management of any staff of the PSFR COs. Some staff in the regional support centers reported directly to PFP while the heads of these centers reported to the regional directors.

**Enablers for revenue generation:** key enablers had been identified as necessary if the planned revenue results in the PFP 2018-2021 (IMPACT) were to be achieved. PFP had also assigned responsibility for ensuring that enablers were in place. The audit noted substantive progress in completing the enablers. However, the decline in revenue in 2018 compared to previous years indicates the need for PFP to review and, as necessary, strengthen the enablers.

**Agreed action 5 (medium priority):** PFP agrees to:

- i. Develop and implement appropriate strategies to help National Committees and PSFR COs with significant growth potential meet contribution targets.
- ii. Identify NCs and PSFR COs where the current operating or fundraising model, respectively, is not viable and, in collaboration with other UNICEF divisions and offices as necessary, recommend alternative forms of operations.

**Responsible staff members:** i) Deputy Director, Private Sector Fundraising and Partnerships; ii) Director, PFP with support of PFP Senior Management Team

**Target date:** i) Market prioritization implemented, remedial action plans developed by end June 2020; ii) September 2020

**Agreed action 6 (medium priority):** PFP should work with relevant regional offices and PSFR COs with dedicated staff for fundraising to jointly review the staff's management and reporting structures and initiate any changes or improvements that may be needed to enhance their effective and efficient utilization.

**Responsible staff members:** Deputy Director, Country Relations

**Target date:** June 2020

## Calculation of return on investment

PFP routinely provides funds to NCs and PSFR COs to invest in specific activities aimed at accelerating private sector revenue growth. For the 2014-2017 strategic plan period, PFP provided US\$ 265 million (an average of \$64 million per year) in investment funds to NCs and PSFR countries. During the 2018-2021 strategic plan period, it plans to provide US\$ 450 million (an average of \$112 million per year) in investment funds to NCs and PSFR COs.

In keeping with good business practice, PFP had established a goal in the form of gross return on investment (ROI) for each NC and PSFR country. This ROI was US\$ 3 for every US\$ 1 invested (or 3:1) over 36-month period. This goal was agreed with UNICEF Executive Board. The criteria for investment were well-defined and were consistently applied each year. PFP reported that its investments had consistently delivered the desired overall ROI of at least 3:1 for all NCs and PSFR countries. For NCs and PSFR countries, PFP reported that the ROI was 3.0:1 in 2014, 2015 and 2016, and 2.97:1 in 2017.

However, the audit noted the following.

**Monitoring and verification of ROI:** While the overall reported ROI had been generally flat as indicated above, data maintained by PFP showed significant differences in performance from one country to another. The best performing markets masked deficient performance in others, some over long periods. Additionally, PFP did not determine NCs own investment in private sector fundraising and/or level of re-investments. PFP stated that it was investing in some markets for long-term and not short-term gains. These were considered as high potential markets that were not expected to generate the ROI of 3:1 in the near future. However, the performance of such markets was not separately monitored and reported.

Further, although NCs were providing the required progress reports at 6, 12 and 36 months points after receiving investment funds, PFP was not verifying the ROI results reported and therefore could not confirm the success of the investments.

PFP told the audit that, in the past, it had found the cost of verifying the reported ROI to exceed any benefit from doing so. However, the cost benefit analyses were not provided for the audit's review. PFP told the audit that, to perform a verification, it would require at least one person for three working days per visit to an NC. According to PFP, a review of sample transactions, would also be an inefficient use of resources considering that the ROI is approved by six people, including the finance officers and executive directors of the NCs and PFP's Finance Office. The nature and extent of reviews leading to the approvals of the ROIs was not clear. In view of the fact that annual investment had averaged more than US\$ 60 million in 2014-2017 and was projected to average at least US\$ 100 million from 2018-2021, the audit felt that PFP should verify the ROI data received so that it could be used for more informed investment decisions – not least, whether it needed to settle for an overall ROI of 3:1, or whether it could aim for higher returns.

***Pledge donors acquired by NCs:*** PFP expected to accelerate private sector revenue growth by investing in activities that would increase the number of individual contributors. However, there was no compelling correlation between the number of pledge donors and the amount of investment made. In fact, it was noted that while PFP investment in NCs was increasing, the number of new pledge donors acquired was decreasing overall - in 2018, NCs acquired 470,002 new pledge donors compared to 585,160 in 2018. The chart above shows the level of investment made by PFP and the number of new pledge donors acquired each year, from 2014 to 2017. There is a general decline in the growth of new pledge donors acquired by NC which is an indicator that the investments made have not been as effective.

**Agreed action 7 (high priority):** PFP agrees to periodically confirm the amount of investment and re-investments made by NCs in private sector fundraising activities.

**Responsible staff members:** Deputy Director, Operations and Finance

**Target date:** April 2020

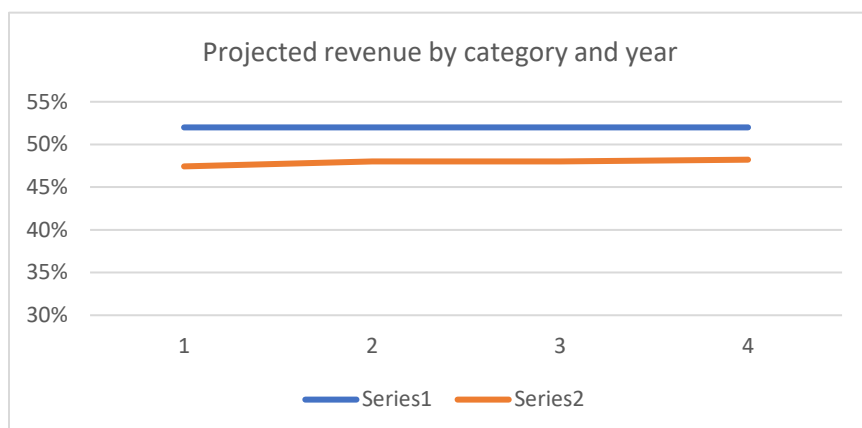
**Agreed action 8 (medium priority):** PFP agrees to identify, within the investment budgets, resources for growing revenue in high potential markets where delivering the agreed ROI of 3:1 is unlikely in the immediate future and implement specific monitoring and reporting of performance in such markets.

**Responsible staff members:** Deputy Director, Private Sector Fundraising and Partnerships

**Target date:** February 2020

## Categories of contributions made by national committees

The standard cooperation agreement stipulates that the NCs “will seek to raise funds in the order of preference: RR regular resources (unrestricted), Thematic Other Resources, and Non-Thematic OR”. It requires NCS to strive to ensure there are no unnecessary restrictions on funds. However, based on PFP revenue projections (shown in the chart), the proportion of RR to total revenue remains generally flat throughout the strategic plan period.



The NCs stated, without providing the relevant supporting documents for

independent review by the audit team, that since 2015, their net RR contributions have been significantly higher than their net OR contribution. They also confirmed that certain types of donors (e.g. corporate and major donors) found OR more attractive. They believe that this is due mainly to the quality of UNICEF reporting. In this connection, some of the NCs interviewed by audit said that there was better visibility for, and access to, programme activities that were supported with OR. They stated that country representatives provided them opportunities for them to make field visits and provided them with appropriate information on the use of OR funds that had been remitted for use by specified COs or specified programme areas.

PFP told the audit that it was working on a plan to make RR fundraising more attractive from the beginning; however, it was not yet clear when the plan will be completed and rolled out.

**Agreed action 9 (medium priority):** PFP should work with National Committees (NCs) to develop a strategy to enable NCs to increase the ratio of regular resources component of their contributions to UNICEF.

**Responsible staff members:** Deputy Director, Private Sector Fundraising and Partnerships

**Target date:** April 2020

## Strategic planning, implementation and monitoring framework

PFP’s key strategic planning document was the Private Sector Plan 2018-2021. The plan was developed with direct linkages to the UNICEF Strategic Plan 2018-2021. It outlined PFP’s results framework which is broken down into six goals, 15 outcomes and 39 outputs. The framework has 141 indicators.

To support the strategic planning process and the tracking and monitoring of the results framework, PFP had implemented an online database called the IMPACT Platform. The platform enables UNICEF and NCs to discuss, plan, approve, update and monitor the execution of PFPs activities and results. While the database includes standard indicators (some mandatory and some optional), each of the NC is free to define and input additional indicators. As a result, the entire results framework amounts to hundreds of indicators. Such a high number of indicators is difficult to monitor and to use in assessing performance.

Based on the feedback received from NCs, the results framework has become complex and needs to be simplified.

PFP budget process mandates annual Board approval, resulting in constant changes to the staffing structure and focus. For example, at the time of audit, PFP was in the process of restructuring with over 100 vacant posts at various levels in recruitment. Such frequent changes may not provide stable basis for managing the PFP's work and its relationships with the NCs.

**Agreed Action 10 (medium priority):** PFP agrees to review the results framework to identify opportunities for simplification.

**Responsible staff members:** Chief, Strategic Planning and Reporting, Info/KM, M&E, PFP

**Target date:** December 2019

**Agreed Action 11 (medium priority):** PFP agrees to assess the impact of the frequent (annual) review and approval of its budget on the implementation of its strategic plan and, as necessary, request the UNICEF Executive Board for budget covering an extended period of at least two years.

**Responsible staff members:** Deputy Director, Operations & Finance

**Target date:** February 2020

## Annex A: Methodology, and definition of priorities and conclusions

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

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

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

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

### Priorities attached to agreed actions

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

## Conclusions

The overall conclusion presented in the 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 control processes over the office were generally established and functioning during the period under audit.

***[Qualified conclusion, moderate]***

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

***[Qualified conclusion, strong]***

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

***[Adverse conclusion]***

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