

Internal Audit of
Sanitation and Water for All

NOVEMBER 2022

Report 2022/18

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EXECUTIVE SUMMARY

The Office of Internal Audit and Investigations (OIAI) conducted an audit of Sanitation and Water for All (SWA), a global partnership hosted by UNICEF, covering the period from January 2019 to December 2021. The audit was conducted remotely and in accordance with the International Standards for the Professional Practice of Internal Auditing.

As a hosted entity, SWA is accounted for by UNICEF as an agency arrangement, for which all cash inflows and outflows are netted together in a liability account. Under the current hosting arrangements, all hosted entities and their personnel are subject to UNICEF's policies and procedures and are subject to audit by OIAI. With the growth in UNICEF's hosting services the audit of all such entities was identified in the OIAI workplan. Therefore, the objectives of this audit were to: review the extent to which the SWA Secretariat is managed in accordance with UNICEF rules, regulations, standard procedures and partnership arrangements; and assess the adequacy and effectiveness of the governance, risk management and control processes over a selection of significant risk areas of the SWA Secretariat and its operations.

Overall Conclusion

Based on the audit work performed, OIAI concluded that the assessed governance, risk management or control processes were **Partially Satisfactory**, Improvement Needed, meaning that the weaknesses or deficiencies identified were unlikely to have a materially negative impact on the performance of the audited entity, area, activity or process.

	Satisfactory
➔	Partially Satisfactory, Improvement Needed
	Partially Satisfactory, Significant Improvement Needed
	Unsatisfactory

Summary of Observations and Proposed Actions

The audit also made several [observations](#) related to the management of the key criteria evaluated for the hosted partnerships. OIAI noted several actions to better manage risk, three of which were classified as high priority. The table below summarizes the findings and key actions management has agreed to take to address the residual risks identified and the ratings of those risks and observations with respect to the assessed governance, risk management and control processes. (See the Appendix for the [definitions of the observation ratings](#).)

Category of Process	Area or Operation and Agreed Action	Rating
Governance	Governance structures (Observation 1): Strengthen the effectiveness of the governance structure by ensuring that there is a process in place to assess the effectiveness of all key governance structures and that UNICEF's formal approval on all hosting arrangement agenda items is obtained and tabled in advance of the meeting at which it will be discussed.	Medium

	Regulatory framework (Observation 2): Ensure that all accountability, responsibilities, and reporting mechanisms of UNICEF hosting arrangements are reflected in the SWA Governance Document immediately after the hosting arrangement and MOU are in place.	Medium
	Ethics and culture (Observation 9): Strengthen SWA Secretariat ethics, organizational culture and safeguarding practices to align with UNICEF values and practices by incorporating the monitoring of prevention of sexual abuse and exploitation (PSEA), conflicts of interest and whistle-blower protection and including the reporting on and follow-up of diversity, equity and inclusion targets.	Medium
Risk management	Risk framework and oversight (Observation 8): Enhance SWA's risk management processes by reviewing its risk identification, assessment and management actions to ensure that they are holistic (e.g., they include risks to objectives) and proportionate to the level of risk and ensuring that its governance bodies charged with oversight of risk management periodically include risk management as a meeting agenda item.	High
Controls processes	Staff management: (Observation 3): Consult with UNICEF to regularize staffing agreements with SWA partners and conduct an affordability analysis for the staffing needed to achieve SWA's planned results. The Secretariat also will ensure the processes around the appointment, management and separation of the CEO are articulated in the governance document when the hosting agreement is in place.	Medium
	Related party transactions (Observation 4): Regularly review SWA's financial ability to implement its activities without UNICEF in-kind support and to put in place mechanisms to recognize and quantify relevant partner's contributions to SWA results.	Medium
	Grantee management (Observation 5): In consultation with UNICEF, review all agreements with its grantees and partners and ensure that contracting documents reflect the programmatic substance of the relationship and payments can be linked to delivery/ performance. In addition, ensure transparent processes for the declaration, management and reporting of any potential conflicts of interest in the identification of grantees and partners.	High
	Results framework (Observation 6): Enhance the results framework by defining its value proposition as compared to the contribution of other stakeholders to Sustainable Development Goal (SDG) 6. The Secretariat also agrees to put in place mechanisms, milestones and indicators for the periodic assessment of SWA's contribution towards its outcomes and vision.	High

OIAI will support the SWA Secretariat in implementing the required actions through periodic monitoring of progress and by conducting follow-up in any subsequent audit. However, the SWA Secretariat remains accountable for ensuring that agreed or appropriate alternative actions are

implemented and for maintaining an effective system of internal controls to manage all residual risks.

SWA 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.



**Ensure availability
and sustainable
management of water
and sanitation for all**

Sanitation and Water for All (SWA) is a global partnership of governments, donors, civil society organizations (CSOs) and other development partners working together to coordinate high-level political dialogue at the country, regional and global levels and monitor progress towards the sanitation, water and hygiene-related targets of the United Nations Sustainable Development Goals (SDGs).

The mission of the SWA partnership is to eliminate inequalities in access to water and sanitation by building and sustaining political will, ensuring good governance and helping to optimize financing for sanitation and water. SWA focuses on the hardest to reach and most vulnerable individuals, communities, countries and regions. It supports the achievement of Sustainable Development Goal 6, which is to “ensure availability and sustainable management of water and sanitation for all”. The high-level, strategic objectives outlined in the SWA 2020–2030 strategic plan are to:

- Build and sustain political will to eliminate inequalities in water, sanitation and hygiene;
- Champion multi-stakeholder approaches towards achieving universal access to services;
- Rally stakeholders to strengthen system performance and attract new investments.

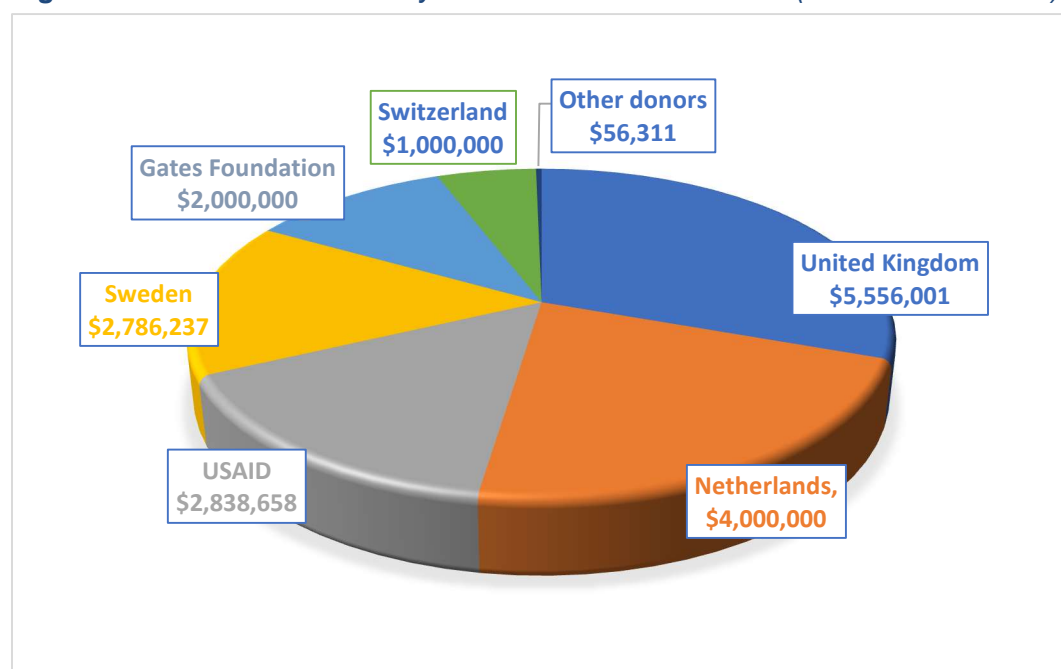
SWA is governed by a Steering Committee, which serves as the leadership and decision-making body of the partnership. The SWA Secretariat supports the Steering Committee and oversees the implementation of the partnership’s Strategic Framework and annual work plans. The SWA Secretariat was established by UNICEF in September 2010 and its functions were first undertaken by the UNICEF Water, Sanitation and Hygiene (WASH) and Climate, Environment, Energy and Disaster Risk Reduction and Recovery (CEED) Programme Team of the Programme Group. In June 2017, the Steering Committee agreed to change the governance arrangements of the SWA, in view of the maturity and increasing responsibility of the partnership. The key change was to transform the Secretariat into an autonomous entity dedicated to the work of the SWA, with its offices and financial management hosted by UNICEF. The SWA CEO was hired in September 2018. A decision memo concerning the establishment of an autonomous Secretariat was issued by the UNICEF Executive Director in June 2019, and the Secretariat began working under this new arrangement. The SWA CEO provides strategic leadership and is accountable for all operational, executive and fundraising activities. The Secretariat has 10 approved posts, of which only one was vacant at the time of the audit. Nine additional individuals provide dedicated support to SWA are based in different organizations and are referred to as staff “not hosted by UNICEF”.

The SWA partnership does not have legal personality under the laws of any state or national authority. Hosted partnerships are legally part of UNICEF and the ability or the authority to commit or transfer assets is vested in UNICEF as host. As custodian and administrator of the SWA partnership’s financial resources, UNICEF provides management services as an agent and assets of the funds are held in trust. UNICEF has two seats with one vote on the SWA Steering Committee, as well as one seat on SWA’s Executive Oversight Committee, and as such does not have control over SWA’s activities. SWA activities are accounted for as agency arrangements and all cash inflows and outflows are netted together in a liability account. The SWA Steering Committee is responsible for directing the use of the funds on behalf of contributors and donors, whilst UNICEF is only accountable for the funds while they are held in trust and upon disbursement. Residual funds from bilateral agreements signed by donors with UNICEF for SWA before its secretariat became autonomous were recognized by UNICEF and are part of UNICEF Programme Group’s budget and accountability even though SWA directs the use of the funds.

UNICEF's role as partnership host also involves supporting the administrative functions of the SWA Secretariat. This means the SWA Secretariat operates and is administered under the regulations, rules, procedures, administrative instructions and other administrative issuances governing the operations of UNICEF, including but not limited to those relating to human resources and financial administration, and the UNICEF policy prohibiting and combatting fraud and corruption.

According to the UNICEF transparency portal,¹ as of March 2022, UNICEF had received, on behalf of SWA, US\$18,237,207 from seven donors, as shown in Figure 1. This includes contributions from the bilateral agreement with UNICEF received before SWA became a hosted partnership in June 2020. Approximately 76.3 per cent of the funds received from those donors has been spent on seven different categories of expenses, including personnel costs (US\$4.9 million), contractual services (US\$3.8 million), and transfers and grants (\$3.5 million). The CEO and five other SWA Secretariat staff operate out of Geneva and the other four staff are based in New York.

Figure 1: Donations received by UNICEF on behalf of SWA (2018 - March 2022)



¹ The [UNICEFs' transparency portal](#) provides comprehensive information on income and expenditure of funds and donations, in line with UNICEF's commitment to transparency.

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 Sanitation and Water for All (SWA) global partnership. The audit scope included key areas as set out in following table, selected during the audit planning process based on an assessment of inherent risks.²

RISK AREA	DESCRIPTION KEY RISKS
Governance structures	The role, responsibilities, and accountabilities of the Hosted Partnerships governance structures versus those of UNICEF as host are not clearly defined, as there is no hosting agreement. This could impact the direction and control of the Hosted Partnership and result in a dysfunctional relationship with UNICEF as host.
Ethics and PSEA	The absence of a tailored ethical framework and an action plan for preventing and addressing sexual harassment and conflicts of interest could impact the hosted partnership's ability to develop and apply the highest ethical standards to staff members and partners/grantees.
Programme results and resources	Lack of alignment to hosted partnership's strategic objective and poorly defined or monitored priorities and their related indicators could reduce the Hosted Partnerships ability to assess its performance, course correct and/or achieve its goals.
Compliance with UNICEF financial regulations, rules and procedures	The lack of an overarching hosting agreement that outlines the purpose/goals of the partnership; clarifies the parties' responsibilities; and applicable rules and regulations and review mechanisms increases the risks of non-compliance with UNICEF rules and regulations.
Monitoring and evaluation	An inadequate monitoring framework and collection of evidence could reduce the hosted partnership's ability to analyse and report on progress towards results; and respond to bottlenecks and demonstrate tangible results

The audit was conducted remotely from November 2021 to March 2022 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 2019 to December 2021. The audit involved a combination of methods, tools and techniques, including interviews, data analytics, document review, tests of transactions, evaluations and validation of preliminary observations.

² 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 would be should the adverse event occur, the stronger the need for adequate and effective risk management and control processes.

OBSERVATIONS AND MANAGEMENT ACTION PLAN

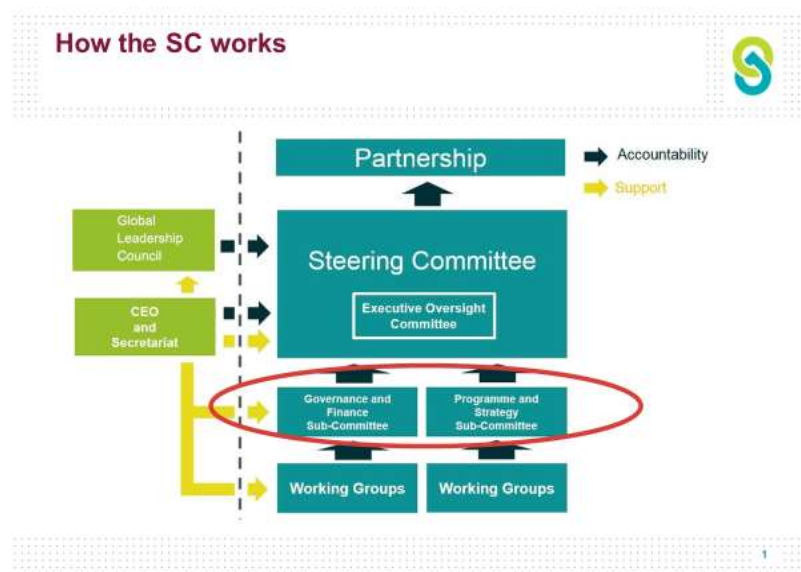
The key areas where actions are needed are summarized below.

1. Governance structures

Medium

Overall, the governance structures of the SWA are well established. The SWA governance document clearly sets out the partnership's governance structures; the various bodies have established terms of reference; and the membership of those bodies has been defined. However, OIAI found that conducting an independent and objective assessment of the effectiveness and efficiency of the governance bodies was challenging due to a lack of adequate records of their deliberations.

Figure 2: SWA governance bodies



The SWA governance document sets out the partnership's four governance bodies: the Steering Committee, the Executive Oversight Committee, the Governance and Finance Subcommittee, and the Programme and Strategy and Subcommittee. Figure 2 shows the relationship between those bodies and other mechanisms of the partnership.

The audit team reviewed the functioning of the governance bodies as formulated and noted the following:

The **Global Leadership Council** is comprised of leaders who advocate for and mobilize wider political commitment to the guiding principles and aims of SWA. The Council is expected to meet once or twice a year to advise the Steering Committee. According to the governance document, the Council plays a key political mobilization and advocacy role, but it is not a part of the SWA governance structure.

The **Steering Committee** is the SWA's ultimate decision-making body. It has 28 members, as follows:

	Number	Vote
Chairperson	1	1
CEO	1	0
Governments	12	12
Civil Society Organizations/networks	4	4
External Support Agencies	3	3
Private Sector Organizations/networks	2	2
Research and Learning Organizations/networks	2	2
Utilities and Regulators	1	1
UNICEF	2	1
Total	28	26

Terms of Reference have been established for the Steering Committee, including a defined nomination and selection process for members. OIAI found that, while Steering Committee meeting minutes were available, the actions taken by its subcommittees were not documented. As a result, OIAI found it challenging to make an independent assessment of the effectiveness and efficiency of the subcommittees.

The **Executive Oversight Committee (EOC)** is a five-member decision-making body with authority delegated by the Steering Committee. It is comprised of the Chair and Vice Chair of the Steering Committee, the Chairs of the Subcommittees, and the CEO. Executive Oversight Committee meetings are held between meetings of the Steering Committee to address urgent issues and take timely action when necessary. According to the governance document, as host, UNICEF should be invited to all Executive Oversight Committee meetings to advise on agenda items that implicate hosting arrangements. During the period under review, UNICEF was not invited and therefore did not attend any meeting of this body. The Governance Document, which was revised and adopted in December 2021, included a UNICEF representative on the Oversight Committee.

The **Governance and Finance Subcommittee and the Programme and Strategy Subcommittee** do not take decisions. They make recommendations to the Steering Committee for decision. (See above regarding documentation of Subcommittee meetings.)

Working groups. SWA has established six working groups. Their purposes and tenures have not been clearly documented or noted by the Executive Oversight Committee and/or Steering Committee. Four of the working groups did not record any meeting minutes. The Programme and Strategy Subcommittee noted inefficiencies in the functioning of the working groups and in March 2021 a decision was made to streamline their work.

Performance review. All committees and working groups are part of the governance structure of SWA and their effectiveness is critical to good governance. They ensure that diverse views are considered when taking decisions, including on programming, and they facilitate group problem-solving. In this regard, OIAI noted that there was no objective process in place to assess the effectiveness of the various governance bodies, including the Steering Committee.

AGREED ACTIONS

- The SWA partnership should strengthen the effectiveness of its governance structures by:
- (i) Ensuring that there is an objective process in place to assess the effectiveness of all key governance structures and that the Steering Committee periodically reviews these assessments and its own performance.
 - (ii) Ensuring that UNICEF's formal approval on all hosting arrangement agenda items is obtained and tabled in advance of the Steering Committee's meeting.

Staff Responsible: Chief Executive Officer

Implementation Date: 31 March 2023

2. Regulatory framework

Medium

A clear regulatory framework tends to enhance organizational performance by facilitating stakeholders' effective and efficient awareness and fulfilment of their accountabilities, responsibilities and roles. The audit identified the following issues that indicated the need to clarify not only the regulatory framework for the administration of the SWA but also the roles, responsibilities and accountabilities of UNICEF as the partnership host and SWA as the hosted entity.

Regulatory framework of the SWA partnership. The SWA governance document was last revised and approved by the Steering Committee in December 2021. In general, the document defines and delineates the roles, responsibilities and accountabilities of some of the governance bodies. SWA mentioned difficulties in incorporating UNICEF roles and responsibilities while there was no hosting agreement with UNICEF, as such it does not specifically outline the relationship between the SWA Secretariat and UNICEF with regard to the hosting arrangement, the coordination and administrative support UNICEF provides or UNICEF's role as fund custodian and administrator.

Hosting agreement between UNICEF and SWA. UNICEF developed a memorandum in 2010 outlining its role in the Sanitation and Water for All partnership. While this document should have been revised in 2019 when the SWA Secretariat became autonomous, at the time of the audit, this had not been done. OIAI notes that the decision memo issued in 2019 was not meant to replace the 2010 memorandum or to serve as a formal hosting agreement, which would clearly define and delineate the roles, responsibilities, accountabilities and obligations of UNICEF as host and SWA as the hosted entity.

While there were tools in place that defined some aspects of the relationship between SWA and UNICEF, OIAI found that these did not fulfill all functions of an updated Memorandum of Understanding. For example, the standard contribution agreement that UNICEF signs with each grant donor includes language stating that the SWA Secretariat will comply with and administer the grant in accordance with UNICEF policies and procedures. However, the agreement does not fully outline the administrative accountabilities of the Secretariat and UNICEF as host, and it cannot be countersigned by SWA. In June 2021, UNICEF put in place standard operating procedures that sought to further clarify the regulatory framework that would govern the administration of the SWA and clearly define roles, responsibilities and accountabilities of UNICEF as the host and SWA as the hosted entity. However, OIAI found that the complex relationship between UNICEF and SWA could not be effectively managed through an internal standard operating procedure, which further underscored the need for a formal Memorandum of Understanding. In response to requests from UNICEF-hosted funds, UNICEF is currently developing a hosting agreement to clarify the respective roles and responsibilities of UNICEF and the UNICEF-hosted entities, which will be finalised in consultation with the hosted entities.

AGREED ACTION

Ensure that all accountability, responsibilities, and reporting mechanisms of UNICEF hosting arrangements are reflected in the SWA Governance Document immediately after UNICEF's hosting arrangement and MOU are in place.

Staff Responsible: Chief Executive Officer

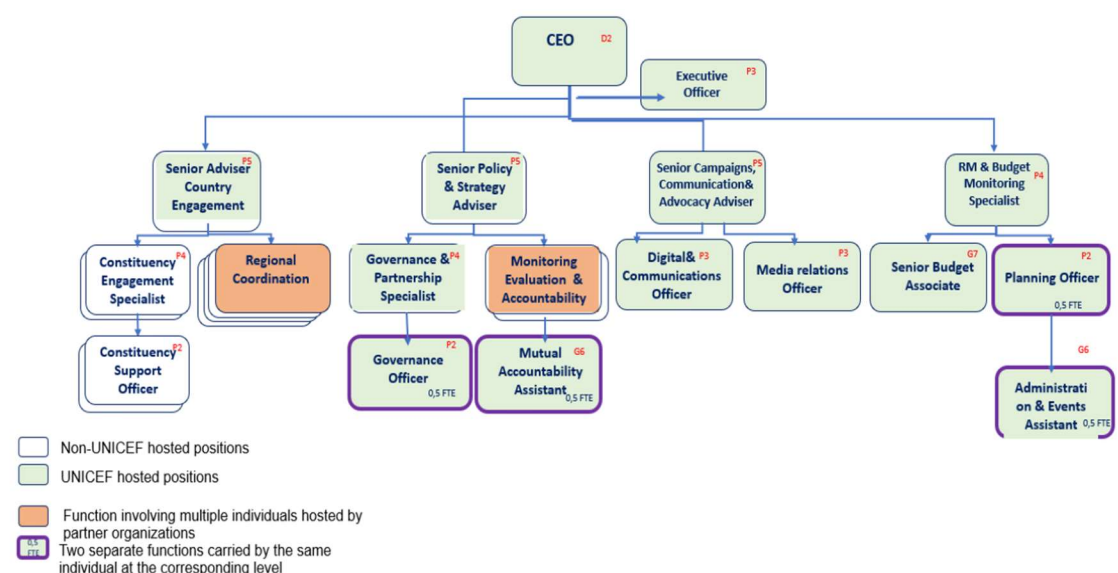
3. Staff management

Medium

Adequate, appropriate and affordable staffing is essential to strategically position the SWA Secretariat to achieve the partnership's objectives.

The audit review of a sample of staff recruitments that took place between 2019 and 2021 confirmed that the UNICEF recruitment process was followed for all posts hosted by UNICEF. As of 31 December 2021, UNICEF hosted 10 SWA staff with full-time positions, under UNICEF contracts (see Figure 3 for details). The audit also confirmed that, with support from the UNICEF Division of Human Resources, the SWA Secretariat complied with UNICEF staff training and performance management systems and processes for those positions, were also administered in accordance with UNICEF policies.

Figure 3: SWA organization chart



The CEO leads the SWA Secretariat, supports the Steering Committee and oversees the implementation of SWA's annual plan and results framework. In the period since the 2019 decision memo was issued by the UNICEF Executive Director, the reporting line of the SWA CEO has changed several times, from the Director of PG to the Deputy Executive Director – Programmes and, most recently, to the Associate Director of WASH. However, the SWA governance document only shows the CEO's reporting line to the Chair of the Steering Committee. It does not reflect how the CEO is appointed, how their performance is reviewed, the process for their separation, or their administrative reporting line to UNICEF.

OIAI noted that there were nine additional SWA functions not hosted by UNICEF, including two monitoring, evaluation and accountability positions, two regional coordination positions, two positions responsible for constituency engagement and support and three technical advisors. Those functions were created through decisions of the SWA Steering Committee, and they are

operationalized through agreements. In humanitarian situations, where surge capacity may be required, UNICEF allows country offices to establish programme cooperation agreements with certain partners to provide staff when needed. In this regard, OIAI notes that the circumstances under which SWA established and hired for the nine positions were not emergencies and did not comply with UNICEF recruitment policies and procedures. While OIAI appreciates that the need for these positions was reviewed and endorsed by SWA Steering Committee, OIAI notes that programme cooperating agreements and grant letters may not have been the correct modality to establish non-UNICEF hosted positions. (See also Observation 5 on partnerships and grantees.)

The audit team also noted that, over the objection of UNICEF, the Steering Committee approved by consensus to moving four SWA Secretariat positions from New York to Geneva without conducting a credible cost-benefit analysis, which would typically be undertaken by UNICEF to determine whether such a move was warranted. The change in location significantly increased costs, given that Geneva, at the time, had a higher post-adjustment³ for staff. In the standard contribution agreements UNICEF signs with donors as fund custodian and administrator for SWA, UNICEF affirms that the premises for the Secretariat's offices will be arranged by UNICEF in accordance with agreements to be reached between UNICEF and the chair of the Steering Committee. Non-compliance by SWA with UNICEF policies, procedures and practices in creating positions and recruiting staff unnecessarily exposes the grants to elevated risk of fraud, waste and abuse.

AGREED ACTIONS

SWA should review and strengthen its staff management by:

- (i) Coordinating with UNICEF to regularize staffing agreements with partners to ensure they adhere to UNICEF policies.
- (ii) Considering the staffing capacity needed to achieve planned results and, in this regard, conduct an affordability analysis in line with UNICEF rules and regulations.
- (iii) Adhering to UNICEF's post management procedures and ensuring UNICEF is consulted and appropriately approves the changes in staff duty station and transnational teleworking.
- (iv) Ensuring the process for appointing and managing the CEO of the SWA Secretariat and the reporting lines for the position are articulated in the SWA governance document.

Staff Responsible: Chief Executive Officer

Implementation Date: 31 December 2023

4. Related party transactions

Medium

The audit found that the administrative, financial and programmatic support UNICEF provided to SWA, in particular through UNICEF country offices, was not formalized or documented, and thus not accounted for when determining the true cost of SWA administration and operations.

Donors are increasingly channeling funding to multiparty stakeholder platforms and pooled funds. For donors to make informed decisions about their investments, partnerships must adhere to the

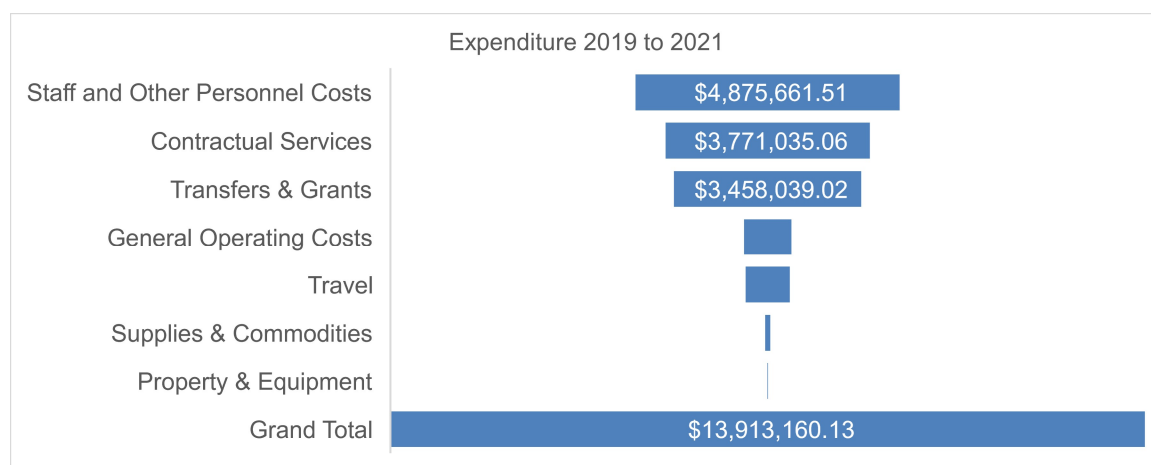
³ Staff members in the Professional and higher categories are paid on the basis of salary scales established by the General Assembly of the United Nations. The salaries are made up of two main elements: the base salary and a post adjustment, which accounts for cost-of-living expenses at the assigned duty station.

principles of transparency and accurate reporting and demonstrate those principles in practical terms when accounting for operating costs.

SWA has focal points in all its partner countries. The audit team noted that although the SWA Secretariat is no longer housed within the UNICEF WASH section, it continues to benefit programmatically, financially and administratively from UNICEF's country offices. SWA has focal points in countries where UNICEF is the lead or co-lead among WASH partners. As a result, there are numerous interactions between the SWA Secretariat and more than 20 UNICEF country offices, whereby the country office provides the SWA with information about UNICEF WASH priorities, and/or resources and contacts to support the coordination of SWA-related activities. For example, in 2020 and 2021 the UNICEF Indonesia Country Office provided financial support to enable the Indonesian Government's participation in an SWA meeting. The meeting was reported as an output for SWA without recognizing UNICEF's contribution. This programme support provided by UNICEF country offices has not been formalized, nor is it documented, quantified or reflected in SWA workplans.

In the period from January 2019 to February 2022, SWA received US\$18.2 million from seven donors. The majority of the funds (76.3 per cent) was used to operate the SWA Secretariat, of which 60 per cent was used for personnel costs (see Observation 3 on staff management for details). The hosted partner does not have a separate cost center in VISION⁴. The SWA Secretariat maintains a manual expense tracking system. (See figure 5 for an analysis of expenses.) The fact that the resources and costs covered by UNICEF have not been accounted for by SWA obscures SWA's true operating costs, thereby increasing the risk that its operations could not be sustained should UNICEF withdraw or charge for its field support.

Figure 5: SWA Expenditure, January 2019 to December 2021



AGREED ACTION

SWA should regularly review its financial ability to implement its activities without UNICEF and other partners' in-kind support. The Secretariat also should put in place mechanisms to recognize and quantify the in-kind contributions of UNICEF and other partners to SWA's results.

Staff Responsible: Head of Policy and Strategy

⁴ UNICEF's enterprise management resource system.

5. Grantees management

High

As a multi-stakeholder platform, SWA plays both a coordination and leadership role in defining strategies to achieve universal access to water and sanitation for all. Effective partnerships are therefore essential to broadening the sum of what the individual partners could achieve alone.

Prior to 2019, when SWA was under the UNICEF WASH section, two grantees received funds based on programme cooperation agreements. When the SWA Secretariat became autonomous in 2019, SWA began formalizing funding agreements by issuing grant confirmation letters. During the audit period, five grantees received funds from SWA, for a total amount of US\$1.7 million.

Administrative arrangements. Pursuant to a recommendation by the Steering Committee that SWA increase regional engagement by hiring regional advisors working under partners, two regional advisors were selected through a competitive process and contracted through a multi-year (2018-2021) programme cooperation agreement (PCA) signed between UNICEF and the CSOs (before SWA became a hosted partnership in June 2020). The PCA was replaced by a standard grant confirmation letter signed by UNICEF on behalf of SWA and the CSOs. (See Tables 1 and 2 for details.) UNICEF procedures allow relationships with CSOs to be managed through programme cooperation agreements or institutional contracts for the procurement of goods and/or services. The audit team was informed that there was an Administrative Agreement with Inter-American Development Bank, signed by UNICEF on SWA's behalf, paid through bi-lateral contributions that were managed by the WASH section in the Programme Group. That is not reflected in the tables below. In that case, the regional advisors are basically personnel of SWA. OIAI notes that the services of those personnel should have been contracted through an institutional contract and assessed and paid on a monthly basis. Instead, during the time SWA was in UNICEF, programme cooperation agreements were used, whereby advance cash transfers were used to provide funds annually in advance, rather than payment being provided upon completion of the service.

Table 1: Partners hosting SWA Secretariat positions under programme cooperation agreements

Partner	Location	Region	Duration	Value (USD)
African Ministers' Council on Water	Abuja	Africa	2018 to 2021	\$479,360
Modern Architects for Rural India	New Delhi	Asia	2018 to 2022	\$246,025

Table 2: SWA Secretariat positions hosted by CSOs reported as grantees

Partner	Location	Staff	Duration	Total Value (USD)/ one time disbursement
Associacao Water Lisbon	Lisbon	Constituency Engagement Specialist	2020 to 2021	\$117,786
		Country Liaison Officer		\$82,450
WaterAid	London	CSO Advisor	2020 to 2021	\$342,000

Partner	Location	Staff	Duration	Total Value (USD)/ one time disbursement
		CSO Officer		
International Water and Sanitation Centre (IRC)	The Hague	Knowledge management and monitoring and evaluation (3)	2020 to 2022	\$546,020

Although SWA recorded the sums paid to staff hosted at CSOs as payments to grantees, effectively, during the audit period there were no actual partnerships where SWA and the CSOs pooled resources together to achieve commonly defined results. OIAI noted a possible instance of unmitigated conflict of interest, where member(s) of the Steering Committee had significant roles in some of the CSOs that were contracted. A review of the Steering Committee minutes did not find any declaration of this potential conflict or what was done to mitigate it.

AGREED ACTIONS

The Secretariat, in coordination with UNICEF, should:

- (i) Review all agreements with partners and grantees and ensure that the related contracting documents reflect the programmatic substance of the relationship between the SWA Secretariat, the partners and grantees, and payments can be tied to delivery/performance.
- (ii) Ensure that there are transparent processes for the declaration, management and reporting of any potential conflicts of interest in the identification of grantees and partners.

Staff Responsible: Resource Mobilization Manager and Programme Management Specialist
Implementation Date: 31 March 2023

6. Results framework

High

Regular information and evidence on the effectiveness of the Sanitation and Water for All is needed to enable the Secretariat, stakeholders and funders to prioritize and allocate resources in a manner that enhances the ability to achieve measurable change.

Regularly reported, up to date information on SWA's effectiveness as a multi-stakeholder platform enables the Secretariat, stakeholders and funders to prioritize and allocate resources in a manner that enhances SWA's role as an agent of change in sanitation and water issues. In that regard, a draft results framework was piloted by SWA between July and December 2020. The framework was subsequently updated and approved by the Steering Committee in January 2021.

The results framework has a clear results chain that includes output, intermediate outcome, outcome and vision. SWA's annual plan is aligned with this framework and with the three strategic objectives set out in the 2020-2030 SWA strategic plan. It also includes a fourth objective on the governance operations of the Secretariat. The audit team assessed how the results framework was implemented and followed up on. OIAI noted the following:

One major challenge with a multi-stakeholder platform is showing how outputs concretely contribute to outcomes. For example, in the SWA workplan, the outputs under the first outcome (“build and sustain political will”) are high-level meetings or workshops facilitated by SWA. These can only be measured quantitatively (e.g., attendance at the 2021 United Nations Climate Change Conference). It is generally recognized that the relationship between the activities of multi-stakeholder platforms and planned system-level effects is neither simple nor direct. Therefore, to concretely demonstrate how its actions contribute to system-level change, it is important that SWA assess what can in fact be measured.

The audit team noted that the results framework states that data from two databases managed by other organizations will be used to measure progress toward SWA’s vision. The databases used are the World Health Organization (WHO)/UNICEF Joint Monitoring Programme database, which reports estimates of progress on WASH, and the UN-Water Global Analysis and Assessment of Sanitation and Drinking-Water database, which is published by WHO on behalf of UN-Water. Although multi-stakeholder platforms can use proxy indicators, as in the case of SWA outputs, OIAI notes that it is difficult to demonstrate SWA’s contribution to those changes using data gathered by other organizations working in the sector. The Secretariat noted that a decision was made not to create a parallel data collection process and instead to support existing efforts to collect, standardize and use sector information across countries. To ensure this approach was effective, the results framework should have reflected the agreed indicators for each output and/or outcome, and how often the data was being collected.

A number of development actors in the water and sanitation sector, including UNICEF, support the achievement of Sustainable Development Goal 6. SWA counts some of those actors’ activities as outputs, which makes it difficult to distinguish SWA’s contributions from those of the other organizations in the sector. Assessing SWA’s contributions is key to evaluating its value proposition and contribution to lasting change.

AGREED ACTIONS

The SWA Secretariat agrees to:

- (i) Ensure that the Partnership’s value proposition when compared to the contributions of other water and sanitation partners, is distinguishable.
- (ii) Ensure the results framework includes the agreed indicators, and the regularity with which relevant data will be gathered to measure SWA’s progress on its objectives.
- (iii) Put in place milestones for the Steering Committee’s periodic assessment of SWA’s contribution towards its outcomes and vision and cost efficiencies.

Staff Responsible: Head of Policy and Strategy

Implementation Date: 30 June 2023

7. Contracting and consultancies

Medium

The pervasive use of short-term contracts to perform staff functions may result in a lack of clarity regarding accountability for deliverables.

Consultants can provide expertise and an objective eye to help management resolve challenges in areas where it lacks expertise. From 2019 to 2021 SWA incurred expenses of US\$3.77 million

related to contractual services. Approximately 40 per cent of this expenditure related to services provided through individual contracts and consultancies. OIAI reviewed a sample of contracts issued during the audit period and noted that SWA's use of consultants and contractors was for staffing functions that were limited in duration; however, in eight of nine samples reviewed, there were no output evaluations available to assess the work completed. In one instance, a retired UNICEF staff member who was engaged as a consultant received compensations exceeding US\$22,000, in contravention of UNICEF's consultant and contractor procedures.

AGREED ACTION

The SWA Secretariat agrees to consistently include specific, measurable, achievable, realistic and time-bound (SMART) key performance indicators in contracts for consultants and individual contractors and use these to frequently evaluate the performance of its contractors.

Staff Responsible: Resource Mobilization Manager and Programme Management Specialist
Implementation Date: 31 March 2023

8. Risk management

High

Lack of a clear risk management framework can result in potential losses of competitive advantage, missed opportunities and even reputational risks.

The standard contribution agreement signed between UNICEF and SWA donors states that the SWA Secretariat is operated and administered under the regulations, rules and other administrative issuances governing UNICEF operations, which include policies on enterprise risk management. As hosted partners do not have access to UNICEF's online enterprise governance, risk management and compliance tool (eGRC⁵) SWA uses a risk matrix documented in an Excel spreadsheet to manage its risks. OIAI reviewed this risk matrix and noted the following:

An effective risk management framework is more than just a set of rules and standards - it can deliver actionable results.

- The SWA risk identification and assessment approach did not clearly link identified risks to organizational objectives. The SWA risk matrix did not define the risk scale used for measuring the likelihood and impact of risks. The identification of risks appeared to be limited to "corporate" risks impacting SWA without considering the programmatic risks. These weaknesses, coupled with an undefined risk appetite, undermine the effective management of key risks.
- The SWA governance document specifies that the Steering Committee should manage and monitor organizational risk while the Governance and Finance Subcommittee should advise the Steering Committee on appropriately identifying and managing risks. However, OIAI found no evidence that these issues related to risk were discussed at the meetings of those bodies during the audit period.

⁵ eGRC is designed to help managers systemically assess, manage and report risks. It also centralizes the monitoring and reporting of exceptions to procedure, helping track potential risks and raise awareness of their impact. It also is a repository of key risks and practical ways to mitigate them.

AGREED ACTIONS

The SWA Secretariat agrees to enhance its risk management processes in line with UNICEF enterprise risk management policy and procedures by:

- (i) Reviewing its risk identification, assessment and management actions to ensure that they are holistic (e.g., they include risks to objectives) and proportionate to the level of risk.
- (ii) Ensuring that its governance bodies charged with oversight of risk management periodically include risk management as a meeting agenda item.

Staff Responsible: Resource Mobilization Manager

Implementation Date: 31 December 2022

9. Ethics and culture

Medium

UNICEF adheres to an ethical organizational culture premised on its core values of care, respect, integrity, trust, accountability and sustainability, and the values outlined in the Standards of Conduct for the International Civil Service. Gaps in adherence to these values could be detrimental to the credibility of SWA and UNICEF.

The SWA governance document incorporates major elements of an ethics framework, including a code of conduct that covers conflicts of interest, gifts and bribery, sexual harassment, and abuse of authority. OIAI noted the following with regard to adherence to ethics and organizational culture:

Conflict of interest policies. The SWA Governance and Finance Subcommittee was tasked with advising the Steering Committee on monitoring, implementing and adapting the SWA's ethics policy and code of conduct, including procedures and protocols on conflicts of interest. However, there is no evidence from the minutes of the Subcommittee's meetings that this task was performed. The SWA Secretariat indicated that during the audit period, there were no complaints or issues raised with the Subcommittee. It is unclear how conflicts of interest are monitored or what specific systems and checks are in place to detect and report potential conflicts of interest. While components of the SWA ethics framework were defined within its code of conduct, this framework still lacked some critical elements, including whistleblower protection.

Culture of diversity and inclusivity. The SWA governance document refers to diversity and inclusivity as desirable qualities in its decision-making bodies. Although the SWA Secretariat is required to report periodically to the Steering Committee on diversity and inclusivity, there was no evidence of such reporting in the Committee's meeting minutes.

Prevention of sexual exploitation and abuse (PSEA) and safeguarding⁶. The SWA governance document does not contain any provisions on PSEA or safeguarding children and vulnerable people. These issues are only covered in the standard grant agreement letter issued to the CSO and signed by UNICEF on behalf of the Secretariat. The audit team noted that assessments of the capacity of CSO partners or grantees to prevent sexual exploitation and abuse were conducted for all five grantees. In three out of five instances, grantees SEA was rated

⁶ UNICEF's Child Safeguarding Policy sets out UNICEF's commitment to minimize risks of harm to children arising from its programmes, operations, personnel and partners.

low risk assumed and in two instances it was rated low risk. The SWA does not appear to have mechanisms in place to monitor adherence by grantees and other SWA constituents to provisions on PSEA and safeguarding children and vulnerable people.

AGREED ACTIONS

The SWA secretariat agrees to strengthen its ethics, organizational culture and safeguarding practices by:

- (i) Incorporating monitoring on actions on the prevention of sexual exploitation and abuse and safeguarding, on conflicts of interest, and on whistleblower protection into its ethics framework and disseminate its ethics framework within SWA.
- (ii) Ensuring reporting and follow-up on diversity and inclusiveness targets.

Staff Responsible: Resource Mobilization Manager

Implementation Date: 31 December 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 of time 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 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, Major Improvement Needed		The assessed governance, risk management or control processes needed major 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 were not adequately established or not functioning well. 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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