



INTERNAL AUDIT DIVISION

REPORT 2024/009

Audit of the management of funded partnerships with government entities for the Office of the United Nations High Commissioner for Refugees

UNHCR country operations need more effective guidance and support to address challenges in managing funded partnerships with government entities related to their roles, performance, accountability, cost effectiveness and compliance with UNHCR rules

**28 March 2024
Assignment No. AR2022-168-01**

Audit of the management of funded partnerships with government entities for the Office of the United Nations High Commissioner for Refugees

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the management of funded partnerships with government entities for the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess the adequacy and effectiveness of UNHCR's management of funded partnerships with government entities to deliver services to forcibly displaced persons in a timely and cost-effective manner and in accordance with UNHCR's policy requirements. The audit covered the period from January 2021 to 31 December 2022 and covered the management of funded partnerships with government entities in Colombia, Djibouti, Ethiopia, Iran, Jordan, Pakistan, Sudan, Tanzania, and Uganda. The audit focused on higher and medium risk areas related to UNHCR regarding its: (a) organizational strategic direction; (b) operations' strategies for engaging key government partnerships; (c) control framework for effective programme delivery; and (d) management of related risks.

Government partners are key to UNHCR's success in providing protection, assistance and solutions to forcibly displaced and stateless persons, with the Global Compact on Refugees placing them at the forefront of providing sustainable solutions to displaced persons. However, country operations have continually faced challenges in strategizing and managing funded partnerships with government entities. In 2022, UNHCR was yet to finalize drafting position statements that would provide strategic direction to operations on engagement and management of government partnerships. Further, country operations with critical government partner relationships did not have adequate country-level strategies that would have clarified the roles and accountabilities of government partners within their distinctive contexts. UNHCR's control framework for partnership management needed reinforcement to ensure it addresses risks unique to government entities. Additionally, there was no effective process for country operations to escalate key risks and/or challenges to UNHCR senior levels for direction and support. UNHCR in 2022 started the reform of government partner arrangements, which, once operational, should strengthen the related control environment and improve programme performance.

OIOS made four important recommendations. To address issues identified in the audit, UNHCR needed to:

- Review, finalize and implement the organization's position statements on strategic management of funded government entities, in line with the Global Compact on Refugees.
- Identify and support country operations with critical government relations in strengthening country level strategic planning for engagement and management of government partners.
- Implement effective guidance and tools to better enforce the control framework for partnership that reflects the longer-term nature of government partnerships and their capacities.
- Clarify and operationalize processes through which country operations can escalate and get support to mitigate risks they face in managing government partners thereby reducing and/or managing the exposure to the organization.

UNHCR accepted all recommendations and has initiated action to implement them. Actions required to close the recommendations are indicated in Annex I.

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Audit of the management of funded partnerships with government entities for the Office of the United Nations High Commissioner for Refugees

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the management of funded partnerships with government entities for the Office of the United Nations High Commissioner for Refugees.

2. At the core of UNHCR's success is its working with governments in providing much needed protection, assistance and solutions to forcibly displaced and stateless persons (hereinafter referred to as 'displaced persons'). UNHCR signs Project Partnership Agreements (PPAs) with different types of government entities, i.e., (i) government counterparts responsible for refugees; (ii) central government bodies; (iii) local/regional government bodies, e.g., municipalities; and (iv) technical ministries, e.g., in health and education.

3. UNHCR entered into over 250 funding arrangements each year with different types of government entities in the period under audit as detailed in table 1 below. In 2022, there were 58 country operations who had signed partnership agreements with government partners. This represents approximately 12 per cent of the total expenditures implemented through partners globally.

Table 1: Budget/expenditure government partners by year

Year	Number of signed project partnership agreements each year	Budget US\$	Expenditure US\$
2020	268	185,750,672	167,926,448
2021	250	153,003,566	148,039,126
2022	258	184,907,678	153,452,917
Total		523,661,916	469,418,491

Source: data from MSRP through PowerBI.

4. The government partner budget in 2022 primarily consisted of: personnel costs \$73 million (39 per cent); administrative and office costs \$51 million (28 per cent); constructions \$32 million (17 per cent); and other programme costs \$5 million (2 per cent). The regions with the largest government partner expenditure in 2022 were East, Horn of Africa and the Great Lakes (\$67 million), Asia Pacific (\$58 million) and Middle East and Northern Africa (\$23 million).

5. UNHCR country operations (hereinafter referred to as 'operations') were responsible for managing partners. This covered partner selection, signing of PPAs and monitoring of programmes implemented by partners. The Regional Bureaux (hereinafter referred to as 'Bureaux') supported and oversaw the operations' management of funded partnerships. The Division of Strategic Planning and Results (DSPR) was responsible for supporting Bureaux and operations by promoting organization-wide coherence, developing policies, and normative and administrative guidance within their respective functional areas.

6. Comments provided by UNHCR are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the adequacy and effectiveness of UNHCR's management of funded government partnerships to deliver services to forcibly displaced persons in a timely and cost-effective manner and in accordance with UNHCR's policy requirements.

8. This audit was included in the 2022 risk-based work plan of OIOS due to risks which were initially identified in programmes implemented by government partners in UNHCR operations in the Regional Bureau for East, Horn of Africa and the Great Lakes.

9. OIOS conducted this audit from March to August 2023. The audit covered the period from 1 January 2021 to 31 December 2022 and covered the management of funded partnerships with government entities in Colombia, Djibouti, Ethiopia, Iran, Jordan, Pakistan, Sudan, Tanzania, and Uganda. Based on an activity-level risk assessment, the audit covered higher and medium risks areas related to: (a) strategies for managing key government partnerships; (b) management of these partnerships, including risk management, supervision, monitoring and control.

10. The audit methodology included: (a) interviews with key personnel at headquarters, regional bureaux and country operations, (b) review of relevant documentation, (c) analytical review of financial and performance data¹, (d) interviews with other United Nations agencies for benchmarking purposes, and (e) sample testing of controls over government partners. The audit also drew on previous country audits and recommendations related to the management of funded partnerships with government entities.

11. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. UNHCR strategic management of government partnerships

Need for further clarification of the strategy for engagement and management of government partnerships

12. Country operations emphasized the importance of governments in providing protection, durable solutions and services to forcibly displaced persons. This was supported by approximately 250 agreements signed with government partners annually totaling approximately \$180 million in 2022 (see Table 1). However, OIOS found that UNHCR needed to further clarify the principles, systems and procedures to manage funded partnerships with government entities.

Country operations experienced challenges in management of funded partnerships with government entities

13. Prior OIOS country audits² and the operations covered by this audit faced the following challenges in managing funded partnerships with government entities:

- Poor government partner performance against set project targets, which impacted the delivery of quality services to displaced persons in a timely manner.

¹ Financial data from MSRP and performance data from its results-based management systems, FOCUS and COMPASS.

² OIOS audit report numbers: 2022/061, 2022/040, 2021/063, 2021/039, 2021/034, 2020/036, 2020/029, 2019/117, 2019/035 and 2015/182.

- Heightened levels of involvement and/or interference of government partners in the selection processes of non-governmental partners to implement UNHCR projects and restriction of access to project implementation sites. In many cases, the thus selected partners lacked effective controls to safeguard UNHCR resources.
- Increasing, and in some cases full coverage of, government partner costs by UNHCR, a situation that was not sustainable especially when country operations funding was reducing;
- Creation by some government partners of structures that played the same roles as UNHCR, which resulted in inefficiencies that were further aggravated by the lack of a UNHCR exit strategy; and
- Pervasive noncompliance with signed PPAs regarding procurement, construction, travel and fleet and fuel management, which resulted in inefficiencies and unmitigated fraud risks.

14. Government entities partnered with UNHCR as counterparts that set policy and coordinated refugee matters, and/or as implementers of projects. For instance, some government partners were regulating refugee matters through policy-setting and coordinating the refugee response, and at the same time delivering services to displaced persons and operations. These multiple roles were often conflicting and made it more difficult for operations to manage the partnerships.

15. UNHCR operations in Ethiopia, Iran, Pakistan, Sudan, Uganda and Tanzania thus faced challenges in striking a balance between, on the one hand, maintaining good relationships with government partners to guarantee delivering the UNHCR's mandate and, on the other hand, effectively managing the partnership programme and fiduciary risks in compliance with UNHCR regulatory framework. Operations could not hold government entities who held the conflicting roles of regulating/coordinating refugee matters and implementing services accountable when they did not deliver services in accordance with the partnership agreement. This was further complicated by the fact that the regulating and coordinating roles of these specialized refugee government entities were not defined in the PPAs but inferred.

16. The operations noted that these challenges had grown over time and believed that they could not be resolved in the short to medium term. They believed that more clarity was needed on the UNHCR strategy for entering into and managing funded partnerships with government entities.

The UNHCR position statements to guide operations in their management of funded partnerships with government entities were yet to be finalized

17. The 2022 UNHCR draft framework to support operations in their management of funded partnerships with government entities is comprised of: (i) position statements; (ii) guidance on how to maximize existing tools for funded government partnerships; and (iii) the establishment of a group to advise countries on related matters.

18. Audited operations acknowledged that a set of position statements for managing UNHCR-funded partnerships of government entities would be a good starting point to help in addressing challenges. The position statements were to provide operations with practical guidance on how to resolve recurring issues with government partnerships and cover the following areas:

- Definition of preferred roles that government partners should play: The Global Compact for Refugees (GCR)³ highlighted the need for government partners' role to be more of coordination of key stakeholders, thereby leaving programme implementation to existing line ministries. However, government partners continued to play different roles, i.e., counterparts that set policy, coordinators

³ GCR is meant to galvanize improved responses to refugee situations by operationalizing burden and responsibility-sharing and mobilizing the international community.

of matters related to forcibly displaced and stateless persons, and implementers/ deliverers of services under UNHCR projects.

- Cost sharing by UNHCR and government partners: UNHCR funding was to be additional and not replace costs that should be covered by government partners, e.g., paying salaries and allowances of government officials and covering their administration costs.
- Capacity building of government parties: UNHCR was yet to have a defined position on whether it was best placed to assist in building capacity of government entities. Seven of the audited operations continuously invested heavily in building the capacity of government partners but it was person centered and not institution/system driven and thus was lost when officials left offices. Measures to identify and measure effectiveness of the capacity building were also inadequate.
- Creation of duplicative structures, roles and processes: Parallel systems should be created at the onset of emergencies with the expectation that displaced persons would be mainstreamed into national systems after the initial displacement phase.
- Determination of standards to apply: UNHCR operations followed Sphere standards⁴ for service delivery to forcibly displaced persons. These standards were often higher than national ones and this presented inequalities in service delivery to forcibly displaced persons and host communities and presented challenges when displaced persons had to be mainstreamed into the national systems.

19. Cost sharing was an area in acute need for guidance, with salaries and administration costs comprising 67 per cent⁵ of the overall government partner costs in 2022. However, there was no principle to help country operations during their negotiations with government partners, who often had an upper hand due to their role in regulating and coordinating refugee matters through policy-setting and coordinating the refugee response, and at the same time delivering services to refugees. OIOS inquiries with other United Nations agencies showed that, in accordance with the Harmonized Approach to Cash Transfer⁶, they did not pay top-ups; UNHCR did and justified these payments on the basis that its funded partnerships with government entities were different from other United Nations Agencies. However, UNHCR had not formally articulated this position as a guidance to country operations.

20. Six of the audited operations identified specific aspects in cost sharing where policy guidance was needed:

- Whether to pay: There was no guidance on what UNHCR considered acceptable to pay.
- Who to pay: OIOS audits in Ethiopia, Uganda and Sudan noted that salaries and top-ups were paid to administrative and managerial staff that were not necessarily linked to UNHCR programme implementation at the time.
- How many to pay: Most operations faced challenges in negotiating reductions of supported staff and administration costs as funding decreased.
- How much to pay: Some of the reviewed operations were paying top-ups/incentives that were up to three times what civil servant salaries in similar categories were getting. The rates were not harmonized for same level positions in the same location.
- How long to pay for: Operations did not have exit plans which was unsustainable considering the reduced UNHCR funding.

⁴ Sphere defines, promotes and applies humanitarian principles and minimum standards in four life-saving areas: water, sanitation and hygiene promotion; food security and nutrition; shelter and settlement; and health.

⁵ Best practice recommends that salaries and administration costs are 20-30 per cent of total costs.

⁶ This approach dictates policies and procedures applied to government and non-governmental organizations. Here the payment of top-ups was discouraged since it created disparities among civil servants in the public sector and distorted the labor market.

- How to monitor costs: Operations noted that partners were no longer required to submit staffing tables as part of the PPAs which were key to monitoring related costs. DSPR clarified that operations could request for such tables if deemed necessary in mitigating risks, but this was not the understanding of the operations.

21. UNHCR was cognizant of the need for position statements to guide strategic management of government partnerships and had started developing them as part of an overall guidance framework for this area. Without the position statements being finalized, the risks of ineffective and inefficient management of partnerships with government entities remained unmitigated.

(1) The UNHCR Division of Strategic Planning and Results should finalize the organization's position statements on strategic management of funded government entities.

UNHCR accepted recommendation 1 and stated that the UNHCR Programme Handbook published in November 2023 includes a set of statements that help: (i) operations in deciding whether UNHCR is best placed to assist in strengthening capacity or addressing weaknesses in Government institutions; and (ii) operations in deciding what conditions should be placed on the use of financial support in the partnership. The implementation of those statements will be supported by: (i) continuous support throughout the planning process, supported by UNHCR's Division of Strategic Planning and Results (DSPR) and Regional Bureaux; (ii) the strengthened risk management structures and advisory group referenced under Recommendation 2, and (iii) by continuous collation by DSPR of good/best practices and inclusion of the same in the Programme Handbook repository.

B. Country level strategic planning for key government partnerships

Need for improved strategic planning in operations with critical government relationships

22. Six of the audited operations (Ethiopia, Iran, Pakistan, Sudan, Uganda and Tanzania) hosted the largest numbers of displaced persons in the world and heavily relied on government partners to deliver their mandate. UNHCR's results-based management and planning instructions presented an opportunity for operations to develop and implement multi-year strategies alongside key stakeholders on the delivery of services and provision of sustainable solutions to displaced persons. However, the multi-year strategies in these countries did not include specific strategies for engaging key stakeholders including managing critical relationships with governments. Illustratively:

- Operations did not have defined strategies on how the government partner's role needed to transition from delivering services to coordinating the refugee response. The role of delivering services needed to be given to line ministries, which supports inclusion of refugees in line with GCR principles. Such strategies would also help operations determine which institutions were best placed to undertake the different roles.
- Multi-year strategies did not identify the capacity needs of government partners nor determine how capacity would be built over time and assessed. Further, as operations transitioned service delivery to national systems, capacity building strategies needed to change from short term, person centric interventions to addressing national system gaps through working with other development actors and United Nations agencies.
- Operations lacked strategies to support the mainstreaming of displaced persons into national systems. Government partners in five of the audited operations (Uganda, Ethiopia, Sudan, Tanzania and Iran) started off as small coordination bodies and evolved into larger structures (often

specialized agencies that were fully funded by UNHCR) that took on multiple roles, some of which sometimes duplicated those in technical line ministries and/or UNHCR. These structures were known to interfere with operations' decision-making processes, e.g., the selection of partners. Expectedly, UNHCR faced challenges in phasing them out and/or scaling back because they had been in place for many years and without their continued relevance and effectiveness being assessed.

- Multi-year strategies did not help determine the contributions UNHCR and government partners would respectively make to ensuring sustainability of programmes. The parallel systems created by operations at the onset of emergencies were meant to be temporary but displaced persons remained the responsibility of UNHCR since they were not mainstreamed into national systems after the initial displacement phase. Even where transitions were made to technical line ministries, e.g., in Djibouti and Sudan, UNHCR remained the primary funder of activities. Strategies needed to include consideration for phasing out parallel systems in a manner that did not affect service delivery to forcibly displaced persons.
- Strategies did not address challenges emanating from the mandatory rotation of UNHCR staff (including representatives), which impacted management of funded government partnerships. Changes in country personnel every two or so years impacted the trust built between operations and government partners as well as the continuity in programmes, especially when there was no proper handover and/or new representatives changed priorities and approaches. Interviewees also noted that the selection of representatives needed to consider known sensitivities around government partners, and in such instances, provide training as needed for effectiveness.

23. Strengthened country level strategic planning would help enhance operations' management of government partnerships and facilitate handover to newly rotated responsible managers. It would also ensure that the change process is less dependent on individuals in government and UNHCR.

(2) The UNHCR Assistant High Commissioner (Operations), in collaboration with the Division of Strategic Planning and Results, should support operations with critical government relations in strengthening country level strategic planning for engagement and management of government partners.

UNHCR accepted recommendation 2 and stated that an advisory group convened by the AHC(O) will be established for the purpose of supporting individual operations in strengthening their management of relations with Government partners. The group will operate with the support of DSPR and other relevant Headquarters Divisions and Services and RB's. The work of the advisory group is expected to provide valuable input to the operation in development of strategic multi-year plans.

C. Control framework for government partnership management

Need to enforce implementation of the UNHCR partnership control framework for government partners

24. The key areas covered by the UNHCR partnership framework consisted of: (i) selection and retention of partners; (ii) signing of PPAs and funds disbursement; and (iii) monitoring project activities and expenditures through a risk-based and multi-functional team approach. In September 2023, UNHCR issued a new Administrative Instruction on Procedures on Partnership Management (UNHCR/AI/2023/05) and a new programme handbook, and introduced the digital partnership management platform, PROMS. The key partnership management processes remained largely the same, but the new framework recognized that for some partners UNHCR could rely on the partners' capacity and internal controls following a risk-based approach.

25. However, as shown below, the new framework did not fully address the challenges that operations faced in managing funded partnerships with government entities.

Partner selection

26. UNHCR exempted government partners from partner selection procedures, and this was based on the fact that government partners were often uniquely placed to carry out certain activities. However, government partners were retained even when not uniquely placed to deliver services and regardless of past programme performance, reasonableness of costs charged, and ability to safeguard UNHCR assets. For example, in Somalia (AR2020/052) government partners imposed themselves as programme implementers although they lacked prior related experience and the required capacity.

27. The new procedures on partnership management required that operations assess the best modality for implementation, i.e., directly by UNHCR, through partnerships or managed through commercial contracts. This process was not new but as noted in OIOS audits had not been consistently implemented, especially regarding government partners.

28. Further, exempting government partners from competitive selection does not mean exempting them from UNHCR due diligence process, i.e., assessing their capacity to implement programmes and safeguard resources. However, audited operations expressed that they did not have the clout to conduct such assessments and thus worked on the assumption that government partners had the capacity to implement programme activities, an assumption that was contradicted by facts.

29. The new procedures on partnership management imposed the requirement that internal control assessments are conducted on all partners as a pre-requisite to signing a funded agreement. However, challenges in enforcing compliance with this requirement remained largely prevalent for government partners. Additionally, audited operations questioned the practicality of applying the new procedures to government partners in a blanket manner and alternatively proposed that the minimum controls necessary for the effective delivery of services and safeguarding of resources are identified for mandatory implementation.

Signing PPAs

30. UNHCR's "one-size-fits-all" approach to managing partners was evident in its annual standardized agreements which were project-centric, had a short-term lens and were for a specific purpose. These PPAs did not always support the longer-term nature of activities, e.g., strengthening national systems and relationships it sought to foster. Additionally, GCR indicated the need for a shift towards longer term planning and engagement for both UNHCR and government partners. There was thus a need for PPAs to be structured over a longer timeframe to enable trust building and continuity.

31. With the entry into force of the new procedures on partnership management, UNHCR planned to introduce multi-year partnership framework agreements for non-governmental and governmental partners from 2024 onwards. However, the multi-year partnership framework agreement only covered the terms and conditions for partnerships and did not reflect the longer-term objectives that would be addressed over time (with a caveat on funding). Only one of the countries reviewed had a Memorandum of Understanding that provided a longer-term framework for engaging government partners. Without such multi-year project planning, the agreements do not support the longer-term focus.

32. Further, in the countries reviewed under this audit, PPAs only covered project activities that would be funded by UNHCR and thus were one-sided since they did not reflect government partners' contributions

to the project. It also meant that other key related activities that government partners were involved in but that were not funded by UNHCR did not fall within ambit of defined agreements. For example, the government's coordination role was often not covered in the PPA, but implied. Consideration needed to be given to the development of frameworks that defined the country operations' relationship with government partners at a high level, with shorter-term PPAs entered into against these frameworks for specific programme activities these entities would implement within available resources.

Monitoring project activities

33. Operations are required to have multi-functional teams that monitor programme implementation by partners including government entities. However, the audit noted that operations faced challenges in:

- Accessing project sites and/or lacked the clout to monitor programme activities implemented by government entities funded by UNHCR.
- Reaching agreement on reasonable indicators and targets that would be used to measure the performance of programmes implemented by government partners. Also, because government entities used national systems to report their performance, parallel systems had to be created for reporting on the indicators and targets in PPAs.
- Holding government partners to account when they did not meet targets. While PPAs provided for the discontinuation of partnerships due to non-performance, operations could not enforce this requirement over government partners.

34. The implementation of the results-based management model presented opportunities to review and strengthen UNHCR's monitoring of government performance. For instance, UNHCR could consider working with government entities to include indicators on forcibly displaced persons in national monitoring systems, thereby using the national results for its own reporting. This would however mean that UNHCR cannot directly attribute reported results to its funding. Other organizations have adopted another results-based management approach where funding is provided to government entities with an agreed upon set of targets and additional funding provided only when they are reached.

35. On the financial aspects, operations also faced challenges when negotiating budgets with government partners. Project control teams generally had access and their reviews often identified ineligible and/or unsupported expenditures reported by government partners. However, even when financial monitoring brought out such gaps, the operations could not hold government partners to account or institute controls to prevent re-occurrence. Furthermore, they were not always able to recover ineligible and/or unsupported expenditures. For instance, controls related to management of vehicles could not be enforced with government partners. For the 415 vehicles and related costs given to government partners in the eight countries covered under this audit,⁷ the assessments required to determine the optimal number of vehicles were not conducted for government partners. Operations also had limited control over government partners' use of vehicles and related costs.

36. Another key control was the project audits conducted by UNHCR on projects implemented by government partners. In some cases, these audits were performed by the State Auditor General which often did not cover in sufficient detail funding from UNHCR. In cases where they did, the audits flagged government partners' poor performance and/or non-compliance with rules. However, operations in most cases were not able to take action to correct the matters, thereby rendering the control ineffective. At the same time, as was noted in Nigeria (AR2022/066), the audits of government partners by the state auditor

⁷ This excluded the vehicles for which UNHCR transferred ownership to government partners, but still covered the operating costs.

sometimes failed to highlight evident and obvious shortcomings. UNHCR needed to be pragmatic in finding solutions to monitoring the performance of government entities.

(3) To effectively manage funded partnerships with government entities, UNHCR's Division of Strategic Planning and Results should implement effective guidance and tools to better enforce the control framework for partnership that reflects the longer-term nature of government partnerships and their capacities.

UNHCR accepted recommendation 3 and stated that DSPR has now made it mandatory for internal control assessments to be completed for all funded partners, including government partners. Given this is a new mandatory requirement, DSPR and RBs will closely monitor this process and perform quality control of every assessment for the first year of implementation. The assessment results will provide important information about where internal controls need to be strengthened and what types of risk mitigation measures can be put in place in the meantime.

D. Risk management

37. Given the strategic importance of government partnerships, UNHCR needed to strengthen mechanisms for identifying and managing risks arising from operations' management of funded partnerships with government entities. The UNHCR roles, accountabilities and authorities required that operations identify, assess, mitigate and monitor risks in a timely and effective manner. This would enable operations to make informed decisions and elevate significant emerging risks as necessary for guidance and action.

UNHCR is planning to strengthen fraud risk assessments for all partnerships

38. UNHCR country operations have identified key risks in the management of partnerships (including government ones), and they were aligned to those identified in prior OIOS audits. All operations reviewed had a high risk identified relating to the performance, relationship and/or management of funded partnerships with government entities. Further, 40 operations, three regional bureaus (East, Horn of Africa and the Great Lakes, Asia Pacific and West and Central Africa) and two headquarter entities listed high risks related to government partners in their risk registers. One of the key risks in UNHCR's strategic risk register was inability to serve affected populations through accountable partnerships aligned with operational requirements.

39. Further, the diverse projects government partners were involved in, ranging from training to construction works, presented different kinds and levels of risks that were not effectively mitigated. Some operations identified fraud risk as one of the key impediments to programme implementation by government partners. OIOS audits have in recent years also identified financial irregularity (waste and misuse) as well as fraud in programmes implemented by government partners, e.g., in Uganda, Nigeria, Somalia and Tanzania. There was also increased donor focus at country level on potential irregularities by partners including government entities. However, UNHCR's fraud risk assessment tools were not applied to government partners nor were antifraud strategies implemented for them to prevent and mitigate the risk of fraud and irregularities by government partners. In the new framework UNHCR is planning to strengthen fraud risk assessments for all partnerships including government partners.

40. Donors are also increasingly raising concerns on adequacy and effectiveness of controls to mitigate risks of diversion of aid funds to sanctioned groups. This was especially important for funding to government partners in countries on donor lists of high-risk environments. In such cases, UNHCR needed to communicate more broadly, externally and internally, that it had implemented specific safeguards to

prevent the funding of sanctioned groups and individuals as well as related activities, e.g., procurement. If unaddressed, this may impact UNHCR's funding from specific donors.

Need to operationalize the committee that deals with escalated risks related to government partnerships

41. The actions proposed by country operations were however not always effective in mitigating the risks above. Operations faced challenges in enforcing compliance and mitigating risks presented by government partnerships because it was likely to affect their relationships. There was thus a fear that any deterioration in relationships between the operations and government partners would undermine the 'protection space' of displaced persons and/or even lead to the expulsion of staff in the respective countries. This created undue pressure on operations that had the primary responsibility of managing funded partnerships with government entities at the country level. Thus, there was a need to balance mission risk, that is, the risk of not delivering UNHCR's mandate, with the management of fiduciary risk.

42. Operations were required to escalate such risks to Regional Bureau Directors, but they too were constrained in providing effective solutions to these risks. A couple of operations noted that the escalation of government partner related risks worked well, and others stated that it was ineffective. At the time of the audit, UNHCR said that it had established a yet to meet committee at Headquarters to deal with such matters.

(4) The UNHCR Division of Strategic Planning and Results, under the guidance of the Assistant High Commissioner (Operations), should clarify and operationalize processes through which country operations can escalate and get support to mitigate risks they face in managing government partners thereby reducing and/or managing the exposure to the organization.

UNHCR accepted recommendation 4 and stated that UNHCR is in the process of strengthening its communication of the procedures that have been put in place for the escalation of operational risks. This includes how UNHCR's 'Risk Register Tool' can be better used to escalate risks to the Regional Risk Adviser and Regional Director. These measures are in addition to general escalation pathways through supervisors (i.e. Representative to Bureau Director to AHC(O)). The establishment of the Advisory Group referenced under Recommendation 2 will supplement these escalation procedures.

IV. ACKNOWLEDGEMENT

43. OIOS wishes to express its appreciation to the management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the management of funded partnerships with government entities for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ⁸ / Important ⁹	C/ O ¹⁰	Actions needed to close recommendation	Implementation date ¹¹
1	The UNHCR Division of Strategic Planning and Results should finalize the organization's position statements on strategic management of funded government entities.	Important	O	Receipt of documentary evidence of UNHCR approved position statements on strategic management of funded government entities, covering topics as preferred roles, cost sharing, capacity building, salaries and staffing structures, and standards to be used.	31 December 2024
2	The UNHCR Assistant High Commissioner (Operations), in collaboration with the Division of Strategic Planning and Results, should support operations with critical government relations in strengthening country level strategic planning for engagement and management of government partners.	Important	O	Receipt of documentary evidence of country level strategies for critical operations for engagement and management of government partners.	30 June 2025
3	To effectively manage funded partnerships with government entities, UNHCR's Division of Strategic Planning and Results should implement effective guidance and tools to better enforce the control framework for partnership that reflects the longer-term nature of government partnerships and their capacities.	Important	O	Receipt of documentary evidence of implementation of effective guidance and tools to better enforce the control framework for partnership that reflects the longer-term nature of government partnerships and their capacities.	31 December 2024
4	The UNHCR Division of Strategic Planning and Results, under the guidance of the Assistant High Commissioner (Operations), should clarify and operationalize processes through which country operations can escalate and get support to mitigate risks they face in managing government partners thereby reducing and/or managing the exposure to the organization.	Important	O	Receipt of documentary evidence of clarified and operationalized processes through which country operations can escalate and get support to mitigate risks they face in managing government partners.	31 December 2026

⁸ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

⁹ Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

¹⁰ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

¹¹ Date provided by UNHCR in response to recommendations.

APPENDIX I

Management Response

Management Response

Audit of the management of funded partnerships with government entities for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ¹² / Important ¹³	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
1	The UNHCR Division of Strategic Planning and Results should finalize the organization's position statements on strategic management of funded government entities.	Important	Yes	Deputy Director, DSPR (Head of Implementation Management and Assurance Service)	31 December 2024	The UNHCR Programme Handbook published in November 2023 includes a set of statements that (i) aim to help operations in deciding whether UNHCR is best placed to assist in strengthening capacity or addressing weaknesses in Government institutions; and (ii) help operations in deciding what conditions should be placed on the use of financial support in the partnership. [Programme Handbook page 113 links to the specific document.] The implementation of those statements will be supported by (i) continuous support throughout the planning process, supported by UNHCR's Division of Strategic Planning and Results (DSPR) and Regional Bureaux (RBs); (ii) the strengthened risk management structures and advisory group referenced under Recommendation 2, and (iii) by

¹² Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

¹³ Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

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						continuous collation by DSPR of good/best practices and inclusion of the same in the Programme Handbook repository.
2	The UNHCR Assistant High Commissioner (Operations), in collaboration with the Division of Strategic Planning and Results, should support operations with critical government relations in strengthening country level strategic planning for engagement and management of government partners.	Important	Yes	Deputy Director, DSPR	30 June 2025	An advisory group convened by the AHC(O) will be established for the purpose of supporting individual operations in strengthening their management of relations with Government partners. The group will operate with the support of DSPR and other relevant Headquarters Divisions and Services and RB's. The work of the advisory group is expected to provide valuable input to the operation in development of strategic multi-year plans.
3	To effectively manage funded partnerships with government entities, UNHCR's Division of Strategic Planning and Results should implement effective guidance and tools to better enforce the control framework for partnership that reflects the longer-term nature of government partnerships and their capacities.	Important	Yes	Deputy Director, DSPR (Head of Implementation Management and Assurance Service)	31 December 2024	DSPR has now made it mandatory for internal control assessments to be completed for all funded partners, including government partners. Given this is a new mandatory requirement, DSPR and RBs will closely monitor this process and perform quality control of every assessment for the first year of implementation. The assessment results will provide important information about where internal controls need to be strengthened and what types of risk mitigation measures can be put in place in the meantime.
4	The UNHCR Division of Strategic Planning and Results, under the guidance of the Assistant High Commissioner	Important	Yes	Deputy Director, DSPR (Head of	31 December 2026	UNHCR is in the process of strengthening its communication of the procedures that have been put in

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	(Operations), should clarify and operationalize processes through which country operations can escalate and get support to mitigate risks they face in managing government partners thereby reducing and/or managing the exposure to the organization.			Implementation Management and Assurance Service)		place for the escalation of operational risks. This includes how UNHCR's 'Risk Register Tool' can be better used to escalate risks to the Regional Risk Adviser and Regional Director. These measures are in addition to general escalation pathways through supervisors (i.e. Representative to Bureau Director to AHC(O)). The establishment of the Advisory Group referenced under Recommendation 2 will supplement these escalation procedures.