

SHF Accountability Framework Summary

(15 February 2021)

The management of the SHF is based on a risk-based approach, which implies that a thorough analysis of risks has been undertaken and that adequate assurance modalities have been identified and implemented to mitigate these risks. The SHF risk management and assurance activities are undertaken at various levels on a continuous basis. The SHF Accountability Framework consists of interlinked pillars which include implementing partner (IP) capacity, performance assessment and risk rating; project monitoring (field and remote); financial spot checks; reporting (financial and programmatic); and project audits.

I. IP capacity assessment

The capacity assessment component of the accountability framework ensures better fund management and improves the effectiveness of the Fund through:

- acquiring a portfolio of eligible IPs able to manage funds;
- mitigating risk by outlining the capacity of IPs (institutional, managerial, financial, technical etc.); and
- identifying gaps for capacity improvement of IPs.

Organisations deemed eligible to apply for and receive the SHF funding must have passed the SHF capacity assessment. They are categorized in four risk-level categories (low, medium, high, high-conditional).

II. Due diligence

IPs that pass the capacity assessment are required to update the relevant organizational information and documents (focal points, registration certificates, banking details) on a regular basis through the online Grant Management System (GMS)¹.

Any missing or inaccurate information in the due diligence component may prevent an IP from being considered for funding and can cause delays in the overall SHF allocation and contracting process.

III. SHF operational modalities

The operational modalities contained in the SHF Operational Manual (2021) prescribe multiple funding modalities, which depend on the IP risk rating, project duration, budget amount and location of implementation. Other information may also be considered.

Consequently, assurance measures differ between projects, depending on the analysis of these factors. The measures include different disbursement schedules (tranches), number of project reports (narrative and financial), type and frequency of monitoring, financial spot checks and audit requirements.

IV. Monitoring

Monitoring of IP projects is conducted in accordance with the monitoring plan that is developed for each allocation of funds. The risk level of the IP, the standard activities embedded in the projects and the project location determine the prioritization of projects for monitoring in the plan.

Monitoring activities are meant to verify the implementation level of IPs' projects and qualitative aspects of interventions and are conducted both remotely or by field visits to project sites. Currently, the following are the three project monitoring methods undertaken by the SHF:

- Remote Call Monitoring (RCM)
- Third party monitoring (TPM)
- Project field visits by OCHA and/or cluster staff

Invaluable experience and lessons gained through monitoring and technical consultations with respective stakeholders are

used to inform future programming as well as for continuous improvement of the relevant monitoring methodologies.

V. Reporting

Project reporting involves the rigorous quality review and analysis of narrative reports submitted by IPs at project mid and/or final term. The funded IPs are required to provide narrative and financial reports in line with the reporting requirements stipulated in the grant agreement or otherwise agreed in the accountability framework. In addition, any constraints (e.g. financial, logistical, security) leading to significant changes to the project must be communicated to the HC and/or OCHA immediately.

VI. Financial spot checks

Financial spot checks are a central financial control tool conducted during project implementation to:

- verify the accuracy of financial records and project documentation;
- obtain reasonable assurance about the financial management of the project;
- assess the soundness of internal controls adopted by the IP and compliance with UN's Financial Regulations and Rules (FFR);
- follow-up on the recommendations from the previous audit and assessment findings;
- enhance the transparency and sound financial management of resources allocated to the IP.

VII. Audit²

Independent audit of all projects funded through the SHF is conducted by an external audit firm and is usually triggered within two months after approval of the final financial report. The audits are conducted in accordance with the International Standards on Auditing.

A customized project audit report designed to highlight individual management and financial audit findings ensures ease of follow-up and resolution in future. As such, each audit report (often) contains several findings pointing out areas that the IP needs to address in order to improve its capacity and performance.

VIII. Performance management and performance index (PI)

Continuous assessment and rating of IPs' performance is conducted throughout, using the above-mentioned tools (monitoring, reporting, financial spot-checks and audit), which provide up-to-date information on the quality and success of implementation of each funded project. Subsequently, the GMS-based PI identifies and aggregates the scores from these tools, including the last capacity assessment, as well as other information from credible external sources, after which a rolling aggregate risk level is assigned for each IP³ (high, medium or low).

Note: IPs may be temporarily removed from the SHF

¹ GMS is OCHA's online data base for managing all CBPFs

² Forensic audits are also an option if required for more in-depth verification of a project's financial statements and records

³ Changing the actual risk level is endorsed and effected quarterly by the SHF

eligibility list due to incomplete due diligence status or outstanding oversight and compliance issues⁴.

⁴ In case of prolonged suspension, the IP is formally notified by the Humanitarian Coordinator (HC)