METHODOLOGY SHEET FOR GLOBAL PARTNERSHIP FOR EDUCATION (GPE) INDICATORS

Indicator title	**Indicator (35)** Proportion of significant issues identified through audit reviews satisfactorily addressed
Result measured (from GPE Results Framework):	**GLOBAL-LEVEL OBJECTIVEs Strategic objective (5)** Build a stronger partnership (d) Improve GPE's organizational efficiency and effectiveness, creating stronger systems for quality assurance, risk management, country support, and fiduciary oversight

JUSTIFICATION FOR INDICATOR

Background/context for indicator:	In December 2014, the Board considered the findings of an organizational assessment and approved a number of additional staff positions for the Secretariat including two positions to strengthen the Secretariat's ability to consider fiduciary issues as part of quality assurance and grant monitoring. Per the Final Decisions of the Board of Directors' Meeting of October 16, 2015 held in Washington, D.C. (BOD/2015/10-02 – GPE Operational Model and BOD/2015/10 Doc 06-Decision), the Board adopted a number of actions to strengthen GPE's Operational Model (OM) and in particular to strengthen operational risk management and fiduciary oversight of grant funds. Consistent collection of audit reports by the Secretariat, review, and follow up on issues identified is a key part of this effort. Since the recruitment of Financial Management staff in mid-2015, the Secretariat has commenced the routine review of all audit reports received from Grant Agents related to GPE grants. A standard operating procedure (SOP) is currently being finalized to document how this process works in practice. In summary, the obligation for the Grant Agent to transfer the audit report to the Secretariat is included in the ESPIG policy and the GPE Secretariat will follow up to ensure that Grant Agents adhere to this. The review of the audits is conducted by the GPE Secretariat Finance Team and make a matrix of significant issues for which follow-up is required from the GA on remedial actions identified by the auditors in the audit report. The Grant Agent may need to liaise with the DCP accordingly. The Grant Agent must report back to the GPE Secretariat on the outcomes of these follow up action or status of raised issues until they are resolved.
Rationale for indicator selection:	This indicator aims at tracking the success of a core element of GPE's fiduciary oversight arrangements. A failure to satisfactorily address significant issues identified from audit reports within a reasonable period of time can significantly increase the risk of misuse of funds and subsequent financial loss and reputational damage to GPE. This indicator is based on one of the 11 "Org Review Indicators" (Indicator #7 - % of grant audit reports received and reviewed), which are tracked by the Secretariat and reported to the Board on a quarterly basis.

DEFINITION

| | This indicator expresses the percentage of significant issues, as identified by GPE, and raised in the Finance Team's reviews of audit Reports, *satisfactorily addressed* by the GA and if necessary the DCP, within six months after review by GPE (the 'cut-off date'). The indicator value will be calculated for a given fiscal year on the basis of the cut-off dates within that fiscal year.
Secretariat from Grant Agents. Typically, one audit report per year per each grant is produced. GPE will review 100% of audit reports received. In the context of this indicator:

"Grant" refers to a GPE-funded ESPIG, the Civil Society Education Fund or any other GPE Grant subject to audit

"Audit report" refers to a formal review of the DCP's or Grant Agents financial statements prepared by an independent auditor for a given FY of the program grant. While there are no specific templates for audit reports, they are typically conducted in accordance with International Auditing Standards or equivalent National Standards as agreed by the Grant Agent per their own policies and procedures. Audit reports are typically prepared by a qualified independent third party auditor or a country's Supreme Auditing Institute (SAI) as agreed with the Grant Agent in any applicable Grant Agreement. Where UN or Multilateral organizations are directly implementing GPE Funds as opposed to supporting implementation by the Government or third party, grant audits may not be applicable due to the Single Audit Principle of these entities. It is also to be noted that GAs may waive an audit report requirement in accordance with their own policies and procedures. Typically, this would be in cases when a grant is less than a year into implementation at the end of the reviewed FY, or if the level of funds disbursed is very low. Audit Reports typically include an auditor's opinion on the financial statements and a management letter that may raise recommendations or concerns relating to the auditees internal controls.

- "Received" means the audit report was received by the Secretariat from the Grant Agent
- "Reviewed" means the audit report was reviewed by the Secretariat Finance Team
- "Satisfactorily addressed" denotes that, according to GPE's judgement, the issues identified have either been resolved (e.g where there is a defined outcome to an identified issue such as "acquitting $100k of outstanding travel advances") or appropriate actions are ongoing to mitigate a specific identified risk (e.g. steps to address weakness in compliance with the travel advance policy such as commitment for regular ongoing training of staff and greater oversight by internal audit etc.), and have been appropriately documented

"Significant issues" – are issues that based on the Secretariat's judgement may either jeopardize the successful implementation of a given grant, indicate a weakness in the internal controls related to the management of GPE funds, may be indicative of a potential or actual misuse of GPE funds, value for money concerns regarding the use of GPE funds, or pose a reputational risk to GPE. |
| Indicator definition: | |

Unit of measurement:		"n out of N," expressed as a percentage, where: - n = number of significant issues identified from audit reviews deemed by the Finance Team to be satisfactorily addressed - N = total number of significant issues identified from audit reports reviewed by Finance Team
Disaggregation:		FCAC/non-FCAC
Year for data reported (select only one and mark an "x")		_X_ fiscal year __ calendar year
Frequency of data collection:		The audit reports are submitted throughout the year by the Grant Agent to the GPE Secretariat from Grant Agents. Once received, the audit reports are reviewed by the Secretariat Finance Team in order of priority based on the Operational Risk Framework and will also subsequently feed into the Operational Risk Framework. For the purpose of the GPE results framework corporate indicator, data on issues satisfactorily addressed are aggregated and reported on an annual basis.

DATA TREATMENT

Source of information for collecting data:	Source document, template, etc.:	Audit Reports, Finance audit review Memo, written response from grant agent to issues matrix, other forms of communication which will be referenced in audit log (e.g. emails, letters, meeting minutes)
	Source agency:	• Grant Agents - for audit reports received • Secretariat - for audit reports reviewed • GAs – for follow up with DCPs to satisfactorily address the issues DCPs – for satisfactorily addressing the issues raised by the Secretariat through the GA
Formula:		Cumulative number of significant issues satisfactorily addressed during the reporting period (fiscal year), out of the cumulative number of issues raised by the Finance Team during any FY, expressed as a percentage: $$PROP = \frac{n}{N} * 100$$ n = Cumulative number of significant issues satisfactorily addressed at end of the reference FY N= Cumulative number of issues raised from Finance review of Audit Reports during ANY GPE FY
Aggregation formula:		N/A
Data limitations (if any known / anticipated):		It will be critical to have the cooperation of Grant Agents and DCPs from across our 65 partner countries to ensure audit reports are completed on time and forwarded promptly to the Secretariat. Satisfactorily addressing issues identified and reporting on same is beyond the control of the Secretariat and requires the cooperation of Grant Agents and DCPs. Both the identification of "significant issues" and confirmation that they have been "satisfactorily addressed" is subjective and must be based on the opinions of the Secretariat based on their knowledge of the issue and relevant professional expertise.
Interpretation		Results approaching 100% indicate an overall consistent collection, review, and successful follow-up of issues raised in audit reports, by the Secretariat. This suggests progress towards strengthening GPE's Operational Model (OM) and creating stronger systems for risk management and fiduciary oversight of grant funds.

ANNEXES

Data collection tool utilized for collecting the data, if any:	The Secretariat Finance Team uses and maintains an **Audit Report Log**, or issues matrix, which tracks the reviews and status of audits received by the Secretariat, and out of those reviewed - the status of issues satisfactorily addressed within 6 months from the review Memo.

Process Name: Data Collection, Quality Assurance & Storage for Indicator # 35 of the GPE Results Framework	**Owner:** R&P Team	**Updated:**
Function: Measuring GPE Impact	**Version #:** 1	**Review:**

Material changes from prior version of SOP

None; this is the first version.

Summary

This SOP describes the process for data collection, quality assurance, and storage for indicator # 35 (Proportion of significant issues identified through audit reviews satisfactorily addressed) of the GPE results framework.

Results / Outputs

This process should result in the results framework being updated with quality assured data on indicator# 35.

Interim outputs of the Secretariat: Completed data collection template

Final Output: Updated results framework database

Scope

- Begins: The process begins with the Senior Finance Officer, Operations requesting audit reports from the Grant Agents

- Ends: The process ends with updated data being integrated into the results framework database by the Monitoring and Evaluation Data Manager.

- Includes: All procedural aspects

- Excludes: Methodological aspects of calculating the indicator value. These can be found in the methodology sheet.

- Note: Data will be collected annually

Standards (Policies, Approvals, Deadlines, etc.):

- Policies: GPE 2020, Monitoring Sheet for GPE Results Framework Indicator # 35

- Deadlines: M & E Data Manager updates results framework database with the Indicator #35 data by 15th November

- Approval: The completed data template is prepared by the Senior Finance Officer, Operations and includes quality checks by the M & E Data Manager and final approval from the Head of M & E.

Issues /Risks:

• Relevant documents might not be available to the Grant Agents on time.	

Overview:

Request Data Collection → Quality Assurance and Compilation of Data → Aggregating Data → Update results framework database

By 30th August By 15th October By 30th October By 15th November

Steps in the Process	Roles / Responsibilities	Outputs / Deliverables	Tools / Templates
1. Request Data Collection **Typically by 30th August**			
Request audit reports for each active and, in some cases, closed grant from the Grant Agents	Senior Finance Officer, Operations	Data	Audit Report Log
Collect audit reports from the Grant Agents using the audit report log, finance audit review memo, and written responses from Grant Agents to the issues matrix.	Senior Finance Officer, Operations	Data	Audit Report Log
2. Quality Assurance and Compilation of Data **Typically by 15th October**			
Review the audit reports within a month of receipt	Senior Finance Officer, Operations	Reviewed audit reports	
Perform quality assurance checks on the audit reports	Senior Finance Officer, Operations	Quality assured data	
Consolidate the data collected into a single database	Senior Finance Officer, Operations	Quality assured and compiled data	
3. Aggregate Data **Typically by 30th October**			
Enter data into the template provided by the M&E Data Manager	Senior Finance Officer, Operations		Data collection template
Compute indicator values using the completed data collection template	Senior Finance Officer, Operations	Completed data collection template	

Review completed data collection template and send comments/queries to the Senior Finance Officer, Operations	M & E Data Manager		
Respond to the comments/queries, updates data collection template as necessary and forward to M & E data Manager	Senior Finance Officer, Operations	Updated data collection template	
4. Update Results Framework Database **Typically by 15th November**			
Forward data collection template to the Head of M & E for review and approval	M & E Data Manager		
Review and approve completed data collection template	Head of M & E	Approved data collection template	
Update results framework database using completed template submitted by the Senior Finance Officer, Operations	M & E Data Manager	Updated results framework database	N/A
Notify the secretariat on the availability of data in the results framework database through the intranet	M & E Data Manager	Notification on GPE intranet	