



INTERNAL AUDIT DIVISION

REPORT 2018/053

Audit of partnerships and resource mobilization at the United Nations Framework Convention on Climate Change

Controls over management of partnerships and resource mobilization activities needed to be strengthened

4 June 2018
Assignment No. AA2017/241/01

Audit of partnerships and resource mobilization at the United Nations Framework Convention on Climate Change

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of partnerships and resource mobilization at the United Nations Framework Convention on Climate Change (UNFCCC). The objective of the audit was to assess the adequacy and effectiveness of UNFCCC governance, risk management and control processes over the efficient and effective management of partnerships and resource mobilization. The audit covered the period from January 2016 to 31 December 2017 and included a review of: strategic management and governance; enterprise risk management (ERM) arrangements; human resources capacity building; and management of partnerships.

During the biennium 2016-2017, through various partnerships, the UNFCCC Secretariat mobilized cash contributions totalling Euro 335,000 including in-kind contributions. The Secretariat recognised the need for a structured approach to partnerships and resource mobilization and established a dedicated team in March 2018. However, there was a need to strengthen controls over management of partnerships and resource mobilization activities.

OIOS made seven recommendations. To address issues identified in the audit, the UNFCCC Secretariat needed to:

- Develop and implement: (i) a Secretariat-wide strategic plan, aligned with its evolving functions and operations in light of the Paris Agreement and the Sustainable Development Goals; and (ii) a resource mobilization policy that is aligned with its strategic plan, targeted at addressing the funding gap and expanding the donor support base;
- Strengthen its ERM by: (i) identifying in the risk register the staff responsible for risk treatment actions relating to critical risks and completing the required actions; and (ii) developing guidelines to mitigate the risk of conflict of interest in the selection of partners;
- Develop and implement an action plan to build appropriate capacity for staff involved in partnerships and resource mobilization activities;
- Strengthen the controls to ensure that the mandatory legal clearance is obtained prior to conclusion of partnership agreements;
- Develop and implement standard operating procedures with appropriate checklists to ensure that all requirements are complied with when selecting partners;
- Disclose in the financial statements contributions from non-exchange transactions, including the procedure followed to recognize them in accordance with the International Public Sector Accounting Standards; and
- Ensure compliance with the guidelines on partnerships by posting the required information relating to partnerships on its own portal as well as the United Nations' business website.

The UNFCCC Secretariat accepted the recommendations and has initiated action to implement them.

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	2
III. AUDIT RESULTS	2-9
A. Strategic management and governance	2-4
B. Enterprise risk management	4-5
C. Human resources capacity building	5
D. Management of partnerships	5-9
IV. ACKNOWLEDGEMENT	9
ANNEX I Status of audit recommendations	
APPENDIX I Management response	

Audit of partnerships and resource mobilization at the United Nations Framework Convention on Climate Change

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of partnerships and resource mobilization at the United Nations Framework Convention on Climate Change (UNFCCC).
2. UNFCCC is an international treaty established as an overall framework for intergovernmental process to combat climate change. The Convention was ratified by 192 countries and came into force in 1994. The Conference of the Parties (COP) is the Convention's supreme legislative body which is supported by the UNFCCC Secretariat (hereinafter referred to as 'the Secretariat'). The Secretariat was required to primarily focus on providing support to intergovernmental negotiations, assisting the Parties in the regulatory functions required by the Kyoto Protocol and facilitating the flow of authoritative information on the implementation of the Convention. The Paris Agreement of December 2015 charted a new course in the global effort to combat climate change.
3. Based on the approval of the COP, the Secretariat had established six trust funds and a special account to receive extra budgetary resources in support of its operations and activities. The funds were mainly sourced through Parties' annual contributions, as well as from extra-budgetary Party contributions, non-traditional contributions and partnerships. The Secretariat continues to record an increase in the level of outstanding core contributions over the years. There were 133 Parties with outstanding contributions for 2017 and prior years, of which 24 Parties, had outstanding contributions from 2010 and prior years. There was an increase in the outstanding balance from under Euro 500,000 in 2010 to close to Euro 10 million in 2017. Over the years, the availability of resources under the Trust Fund for Core Budget had not been commensurate with the increase in the critical work mandated by Parties and thus many activities were funded from the Trust Fund for Supplementary Activities.
4. The Secretariat had a budget of \$172.6 million for the biennium 2016-2017. Post-Paris agreement, the Secretariat estimated an overall budgetary requirement of Euro 9.24 million for the biennium 2016-2017 for activities that cannot be covered by the core budget. To meet its additional mandates, the Secretariat was required to, inter alia: enhance the balance between the activities funded from core and supplementary resources; review mandated activities and its delivery capability; increase cost-effectiveness; and intensify partnership and resource mobilization efforts. During the biennium 2016-2017, through various partnerships, the Secretariat mobilized cash contributions totalling Euro 335,000 out of which Euro 315,000 was meant for COP23 activities held in Bonn, Germany in November 2017. In addition, there were certain in-kind contributions for goods and services.
5. Prior to February 2018, the Secretariat's partnerships and resource mobilisation activities, were led by the Chief of Staff (later appointed as Director, Finance, Technology, and Capacity building programme in January 2018) and overseen by the Deputy Executive Secretary. In March 2018, the Secretariat created a dedicated Resource Mobilization and Partnerships team headed by a P-5 staff member under the Executive Development and Management programme.
6. Comments provided by the UNFCCC Secretariat are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the adequacy and effectiveness of UNFCCC governance, risk management and control processes over the efficient and effective management of partnerships and resource mobilization.

8. This audit was included in the 2017 risk-based work plan of OIOS due to the risks associated with partnerships and resource mobilization activities which could potentially affect the implementation of the UNFCCC mandate.

9. OIOS conducted this audit from January to March 2018. The audit covered the period from January 2016 to 31 December 2017. Based on an activity-level risk assessment, the audit covered high and medium risk areas which included: strategic management and governance; enterprise risk management (ERM); human resources capacity building; and management of partnerships.

10. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) sample test of selected partnership agreements.

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

III. AUDIT RESULTS

A. Strategic management and governance

Need to strengthen controls over governance

12. Article 7, paragraph 2 (l) of the Convention recognizes the value of engaging with non-governmental organizations to seek and utilize, where appropriate, the services and cooperation of, and information provided by, competent international organizations and intergovernmental and non-governmental bodies. The General Assembly, in its resolution 67/226 of 2012 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, underlined a need for a more predictable, effective and efficient funding, and broadening the donor base, among others. In implementing its mandate, the UNFCCC Secretariat is responsible for mobilizing resources and coordinating effective strategic planning to pursue the mandate and evolving functions and operations in light of the Paris Agreement and United Nations Sustainable Development Goals.

13. In the current climate of declining contributions, the Secretariat recognized the need for a long-term strategic plan and strengthening its partnerships with donors through a robust resource mobilization strategy. Accordingly, it prepared a draft partnerships and resource mobilization strategy in March 2016.

14. OIOS observed the following areas in governance where controls could be strengthened:

- a) Secretariat-wide strategic plan: Notwithstanding the intermittent efforts made by the Secretariat to develop a long-term Secretariat-wide strategic plan, it did not have a strategic plan aligned with its mandate and the Sustainable Development Goals. A long-term strategic plan, linked with the organization's mission and objectives, should provide a solid basis on which to develop resource mobilization efforts.

- b) Resource mobilization policy: Although the Secretariat had recognized the need for a policy on resource mobilization, such a policy was yet to be developed by articulating the goals, commitments and performance indicators, among others, to serve as a guideline for operational decision-making for fundraising. For instance, notwithstanding the efforts made to collaborate with local communities, there was no policy to tap the potential of the Secretariat’s five Regional Collaboration Centres as conduits for resource mobilization. Best practice in other United Nations agencies show that the reach of fundraising efforts can be broadened by assigning increased responsibility to Country and Regional Directors or Representatives for fundraising. Additionally, while the Secretariat recognized that the business sector had increasingly become an active partner, it had not established a clear policy for identifying opportunities, risk tolerance levels and a mechanism for fully availing the identified opportunities.
- c) Resource mobilization strategy: The Secretariat initiated action to formalize its Partnerships and Resource Mobilization Strategy in March 2016 but this effort was not completed. Additionally, the draft strategy was not: (i) focused on various options to mobilize resources (such as widening the donor base and strengthening existing partnerships with major donors) but rather portrayed the existing partnerships as the only source for resource mobilization; (ii) linked with resource gaps identified upfront to meet its multi-year programmatic activities; (iii) aligned with an overarching Secretariat-wide strategic plan which was yet to be prepared; (iv) target-oriented with measurable performance indicators; and (v) focused on the human and financial resources required to mobilize resources. Best practices in other United Nations agencies show that effective resource mobilization strategies are multi-year, targeted to bridge the resource gap identified, aligned with the strategic plans and monitored regularly.
- d) Sustainability of funding: The Secretariat’s budget under the Trust Fund for Core Budget remained constant over a period of time, and there had been a decline in the funding under the Trust Fund for Supplementary Activities financed through voluntary funding. For example, the voluntary funding had declined from Euro 27 million in 2012 to Euro 18 million in 2016, necessitating a predictable and sustainable funding model. The Secretariat had a concentrated number of donors where 10 out of over 40 donors provide more than 50 per cent of the income. Although the Secretariat had a system for estimating the resource gap and writing fund-raising letters to donors, over a period of time, this approach did not help in securing: (i) predictable and sustainable funding; and (ii) a pool of unearmarked contributions to fulfil its mandate effectively considering that legislations of most contributing parties are inclined to contributing earmarked funds.
- e) Monitoring mechanism for resource mobilization activities: The Secretariat was yet to establish parameters for monitoring, tracking and reporting on fundraising efforts and results achieved, including predictability and sustainability of funding, to senior management. Quantitative assessment of the predictability and sustainability of funding was, therefore, a challenge. Best practices in other United Nations agencies involve the establishment of clear performance monitoring parameters and a process to assess and report on the impact.

15. In view of the above, UNFCCC needs to strengthen the controls in strategic planning and governance in order to more effectively manage the risks relating to resource mobilization.

(1) UNFCCC should develop and implement: (i) a Secretariat-wide strategic plan, aligned with its evolving functions and operations in light of the Paris Agreement and the Sustainable Development Goals; and (ii) a resource mobilization policy that is aligned with its strategic plan, targeted at addressing the funding gap and expanding the donor support base.

UNFCCC accepted recommendation 1 and stated that a Secretariat-wide strategic plan aligned with its evolving functions and operations in light of the Paris Agreement and the Sustainable Development Goals is under development. The plan will establish long-term objectives for 2030 and include vision and mission statements, Secretariat-wide objectives and, related to these, specific strategies to achieve them. A first high-level draft is scheduled for presentation to the Management Team in June/July 2018, and the strategic plan is envisaged to be finalized in the second half of 2018. Following the presentation of the strategic framework for resource mobilization and partnership to the Management Team on 10 April 2018, the development of the policy and standard operating procedures for resource mobilization and partnership is in progress and will be presented to the Management Team in July 2018 for adoption. The development of the policy and strategic plan will be worked on to the extent it is practically possible within the constraints of available resources. Recommendation 1 remains open pending receipt of: (i) a Secretariat-wide strategic plan aligned with UNFCCC's evolving functions and operations; and (ii) a resource mobilization policy that is aligned with the strategic plan, targeted at addressing the funding gap and expanding the donor support base.

B. Enterprise risk management

Need to strengthen ERM processes

16. To effectively manage the risks which may adversely affect the achievement of its objectives, the Secretariat needs to: (i) identify the key risks; (ii) analyse and evaluate them; and (iii) develop and implement a risk mitigation plan. The Secretariat had put in place an ERM framework modelled on the framework of the United Nations Secretariat and completed an initial risk assessment in 2015. It updated the risks in September 2017 and identified two critical risks associated with partnerships and resource mobilization activities as follows: (a) objectives of partnering activities and expectations of leadership are not appropriately aligned with one another or with the UNFCCC purpose, principles, mandates and objectives; and (b) the inability to obtain extra-budgetary funding may impact the ability to achieve the objectives.

17. OIOS review of the Secretariat's ERM procedures relating to partnerships and resource mobilization activities indicated the following:

- a) Risk treatment actions needed to be strengthened: Although the Secretariat had identified and evaluated the risks, it did not complete the risk mitigation actions for the two critical risks identified. Additionally, despite the Secretariat having shared the identified risks with the heads of programme, it had not identified the specific individuals responsible for implementing the risk mitigation activities. Instead, they were assigned to a working group, which may diffuse accountability for their implementation.
- b) Risk of conflict of interest needed to be effectively managed: The Secretariat did not undertake an assessment of the potential conflicts of interests in the selection of partners. For example: (i) it did not determine the roles and responsibilities of the staff involved in partnerships and resource mobilization activities in the substantive programmes, including their potential impact; (ii) although the partnership did not materialize eventually, a staff member of a programme that had liaised with a private donor was expected to benefit through funding for the staff member's position; and (iii) a staff member of the Communications and Outreach programme who had liaised with prospective partners for COP23 activities had participated in the partnership committee as case owner and member of the committee for selection of these partners. Management explained that the staff member had recused himself in respect of deliberations on the cases he dealt with and

only participated as a resource person in case of questions on due diligence. Although no irregularities were established, such arrangements expose the Secretariat to the risk of conflict of interest in the absence of formal terms of reference and guidelines for the partnership committee on how to deal with conflicting situations.

(2) UNFCCC should strengthen its enterprise risk management by: (i) identifying in the risk register the staff responsible for risk treatment actions relating to critical risks and completing the required actions; and (ii) developing guidelines to mitigate the risk of conflict of interest in the selection of partners.

UNFCCC accepted recommendation 2 and stated that the 2017 risk management plan has been revised to identify staff responsible for the risk treatment plan. The Partnership Committee was developing standard operating procedures for the Guidelines for Partnerships, including on the selection of partners, to be presented to the Management Team in July 2018 for adoption. The development of the standard operating procedures will be worked on to the extent it is practically possible within the constraints of available resources. Recommendation 2 remains open pending receipt of: (i) updated risk register indicating the staff responsible for risk treatment actions for the critical risks, including timelines; and (ii) the guidelines developed to address the risk of conflicting roles in the selection of partners.

C. Human resources capacity building

Need for capacity building of staff involved in the partnerships and resource mobilization activities

18. The Secretariat's staff development strategy requires it to provide direction and guidance in maintaining the skills required to support its staff in delivering on its mandate.

19. The Secretariat had not arranged capacity building courses on resource mobilization for staff involved in these activities, including the members of the partnership committee. Capacity building is important to ensure that staff are equipped with the requisite knowledge and skills to deal with complex legal instruments which are used for fundraising activities. Capacity building would also ensure consistency in approach and facilitate collaboration among staff involved in fundraising activities from the several substantive programmes.

(3) UNFCCC should develop and implement an action plan to build appropriate capacity for staff involved in partnerships and resource mobilization activities.

UNFCCC accepted recommendation 3 and stated that training and capacity building is a part of the implementation of the resource mobilization strategic framework. Recommendation 3 remains open pending receipt of a capacity building plan and evidence that it is being implemented.

D. Management of partnerships

Need to strengthen controls over partnership activities

20. According to United Nations guidelines on a principle-based approach to cooperation with the business sector, the UNFCCC Secretariat prepared its guidelines for partnerships in 2012 and revised them in 2017. Under these guidelines, the Secretariat is required to: (i) undertake selection and/or retention of government, semi-government and private partners in adherence to the principles of integrity, impartiality and independence of the Secretariat; and (ii) ensure that partnership agreements provide for clear and

efficient accountability procedures, including a monitoring and evaluation process. Furthermore, the Secretariat is required to: (i) monetize and disclose the contributions received through non-exchange transactions in accordance with the International Public Sector Accounting Standards (IPSAS); and (ii) ensure that all legal instruments are signed only upon final clearance by the Legal Affairs programme.

21. UNFCCC had: (i) established a system of inviting expressions of interest through specific proposals from prospective partners as advertised on its website; (ii) developed a due diligence checklist to select and/or retain the best-fit partners in accordance with the principles outlined in the guidelines for partnerships; and (iii) constituted a multi-functional partnership committee in June 2017 to promote and implement effective partnerships. The Secretariat concluded 30 partnership agreements in 2016 and 71 in 2017. About 80 per cent of the partnerships concluded in 2017 were meant for COP23 activities held in November 2017. During the period under review, the Secretariat concluded 29 partnership agreements with other United Nations entities while it concluded 27 and 45 agreements with the public-private partners and other organizations, respectively.

22. OIOS review of a stratified sample of 65 partnerships (10 United Nations entities, 10 public-private partners and 45 others) concluded during the period under review indicated that controls needed to be strengthened during the various phases of the partnership management process, as explained below:

(a) Planning phase: In the absence of a functional resource mobilization strategy that clearly identified resource gaps, it was unclear whether the partnerships concluded during the period emanated from previously identified resource gaps. It was only in June 2017 that the Secretariat established a partnership committee as required in its partnership guidelines of 2012. Consequently, the calls for expression of interest solicited in April 2017 for COP23 activities were not reviewed by a partnership committee. Also, UNFCCC was yet to develop terms of reference for the partnership committee and the related standard operating procedures. Consequently, the committee processed the proposals for COP23 without a clear mandate and established procedures. The Secretariat was also yet to: (i) develop comprehensive criteria for soliciting expressions of interest in accordance with the definition of the partnerships provided in the guidelines for partnerships; (ii) indicate upfront the responsibilities of partners or clearly define the expected deliverables in the calls for expression of interest; and (iii) define and distinguish between partnership and the mechanism for granting of slots for side events/exhibits.

(b) Approval phase: In the absence of a partnership committee, the respective programmes reviewed and selected the partners for the agreements concluded between 1 January 2016 and 22 June 2017. There was insufficient evidence to show that the required due diligence reviews, including the mandatory approvals from Administrative Services and Legal Affairs programme, were complied with. For example, mandatory approval of Administrative Services was not obtained in seven cases concluded in 2016 although these agreements entailed clear financial obligations to the Secretariat. Similarly, 9 partnership agreements were signed in 2016 and 2017 without the knowledge and clearance of Legal Affairs programme which was contrary to the Secretariat's policy and posed risks to the Organization. Also, there were control weaknesses in the approval process with regard to partnerships concluded in 2017 for COP23 activities as detailed below:

- The Secretariat concluded a partnership agreement with a company on 16 August 2017 to organize a global youth video competition and transferred British Pounds 15,000 to the company. The Secretariat had also partnered with this company in 2016 for this purpose on similar terms and conditions. The Secretariat's guidelines for partnerships indicate, among others, that partnerships are based on the pursuit of common objectives, into which the Secretariat and the partner(s) invest resources without seeking financial gain. In the given case, considering that the company did not provide any financial and/or in-kind contribution, the commercial nature of the transaction meant that the Secretariat should have sourced the services following normal procurement procedures.

UNFCCC explained that it reimbursed costs to the partner in the context of a partnership. However, according to the terms of the agreement, the Secretariat made this payment as consideration for fulfilment of obligations by the company which in OIOS' opinion is a case of procurement. As such, according to established procurement procedures, procurement of services exceeding \$10,000 need to go through a competitive process with at least three quotations.

- In one case, as confirmed by Legal Affairs programme, the Secretariat's responsibility was added in the agreement after it was reviewed and approved by the partnership committee in October 2017.
- In two cases, the partnership committee did not maintain the minutes of meetings held in July 2017 in sufficient detail to show how the concerns raised by certain members of the partnership committee were addressed before signing the agreements.
- In one case, the logo of a prospective partner was displayed on its exhibit during COP23 event when no partnership agreement was signed. This was contrary to the guidelines for partnerships which required that partners display their logos on exhibits during the COP23 event only after agreements were signed.
- In 10 cases, the agreements were concluded while the event was in progress from 6 to 17 November 2017 and in 6 cases the agreements were concluded after the event.

(c) Monitoring and reporting phase: Although the template used for concluding the partnership agreements contained a section on reporting, monitoring and evaluation, there were no provisions in the agreements indicating the manner and parameters on which the partner's performance monitoring would be undertaken. Additionally, some agreements with clear deliverables did not have a provision for monitoring. Further, the Secretariat did not systematically document the total volume of transactions and the methodology followed for monetizing the non-exchange transactions such as services and goods received as contributions in-kind during the COP23 to facilitate appropriate disclosure in the financial statements in accordance with IPSAS. Although the partnership documents were stored in an online shared folder, they were not organized systematically to show the year, name of partner and related financial, in-kind and pro bono components to facilitate analysis of their contributions.

23. The above issues pointed to the need for UNFCCC to strengthen the controls relating to management of partnerships to mitigate the related risks.

(4) UNFCCC should strengthen the controls to ensure that the mandatory legal clearance is obtained prior to conclusion of partnership agreements.

UNFCCC accepted recommendation 4 and stated that the Secretariat had an administrative issuance containing the procedures for the clearance, signature and deposit of legal instruments to which the Secretariat was a party. In addition, the Legal Affairs Programme had recently developed a new workspace for the preparation, review and clearance of draft legal instruments, including partnerships, across the Secretariat. This new workspace will ensure that the review and clearance of draft legal instruments is digitized and this should reinforce clearance requirements and ensure proper implementation. Eventually, it is the responsibility of each senior official signing legal instruments to ensure that they have been properly cleared as per applicable procedures. The standard operating procedures to the Guidelines of Resource Mobilization and Partnerships will be issued to consolidate and strengthen these new improvements. Recommendation 4 remains open pending receipt of evidence that controls have been strengthened to ensure mandatory legal clearance of partnership agreements prior to their conclusion.

(5) UNFCCC should develop and implement standard operating procedures with appropriate checklists to ensure that all requirements are complied with when selecting partners.

UNFCCC accepted recommendation 5 and stated that the Partnership Committee is developing standard operating procedures for the Guidelines for Partnerships, including on the selection of partners, to be presented to the Management Team in July 2018 for adoption. The development of these procedures will be worked on to the extent it is practically possible within the constraints of available resources. Recommendation 5 remains open pending receipt of the standard operating procedures developed to assist the Secretariat in selection of partners.

(6) UNFCCC should disclose in the financial statements contributions from non-exchange transactions, including the procedure followed to recognize them in accordance with the International Public Sector Accounting Standards.

UNFCCC accepted recommendation 6 and stated that its financial statements are prepared in conformity with IPSAS and due consideration is given for recognition of in-kind contributions. The draft 2017 financial statements recognize in-kind contributions in line with IPSAS. The information for in-kind contributions is collected, however the estimates cannot be accurately measured and verified and in many cases, there was no economic inflow to UNFCCC. Many of the activities contributed to joint outcomes in conjunction with UNFCCC contributions hence these were more likely parallel funding rather than contributions to UNFCCC. Recommendation 6 remains open pending receipt of: the financial statements for 2017 that recognize in-kind contribution; and evidence of the mechanism established for documenting the in-kind contributions received by different substantive programmes for consolidation and reflection in the financial statements by the Secretariat's Finance Unit.

Need to comply with disclosure requirements for partnerships concluded with the business sector

24. According to UNFCCC guidelines for partnerships, the Secretariat is required to make available to the public information on the nature and scope of its cooperative arrangements with its partner(s) including the name of the partner(s), contributions and matching funds. Additionally, the United Nations guidelines require the concerned United Nations entity to post relevant information on the Organization's business website (<http://www.business.un.org>).

25. According to UNFCCC records, the business sector constituted about 40 per cent of the Secretariat's partnerships. The Secretariat had maintained a portal for seeking partnerships which contained information on the sectors in which it was seeking collaboration, how to partner, the benefits of partnering, and the latest partnerships. However, the information provided did not contain details of the partnerships with the business sector. This was also not disclosed on the United Nations' business website, as required.

26. The Secretariat needs to strengthen compliance with applicable guidelines to strengthen the management of partnerships and enhance transparency in its engagement with partners.

(7) UNFCCC should ensure compliance with the guidelines on partnerships by posting the required information relating to partnerships on its own portal as well as the United Nations' business website.

UNFCCC accepted recommendation 7 and stated that it will ensure that information relating to partnerships are posted in the partnership portal. UNFCCC will investigate on the most effective process to publish information relating to partnerships on the United Nations business website.

Recommendation 7 remains open pending receipt of evidence that the applicable guidelines on partnerships have been complied with.

IV. ACKNOWLEDGEMENT

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

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of partnerships and resource mobilization at the United Nations Framework Convention on Climate Change

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNFCCC should develop and implement: (i) a Secretariat-wide strategic plan, aligned with its evolving functions and operations in light of the Paris Agreement and the Sustainable Development Goals; and (ii) a resource mobilization policy that is aligned with its strategic plan, targeted at addressing the funding gap and expanding the donor support base.	Important	O	Submission to OIOS of documentary evidence of: (i) a Secretariat-wide strategic plan aligned with UNFCCC's evolving functions and operations; and (ii) a resource mobilization policy that is aligned with the strategic plan, targeted at addressing the funding gap and expanding the donor support base.	31 December 2018
2	UNFCCC should strengthen its enterprise risk management by: (i) identifying in the risk register the staff responsible for risk treatment actions relating to critical risks and completing the required actions; and (ii) developing guidelines to mitigate the risk of conflict of interest in the selection of partners.	Important	O	Submission to OIOS of documentary evidence of: (i) updated risk register indicating the staff responsible for risk treatment actions for the critical risks, including the timelines; and (ii) the guidelines developed to address the risk of conflicting roles in the selection of partners.	31 December 2018
3	UNFCCC should develop and implement an action plan to build appropriate capacity for staff involved in partnerships and resource mobilization activities.	Important	O	Submission to OIOS of documentary evidence of a capacity building plan and it is being implemented.	31 December 2019
4	UNFCCC should strengthen the controls to ensure that the mandatory legal clearance is obtained prior to conclusion of partnership agreements.	Important	O	Submission to OIOS of documentary evidence of controls strengthened ensure mandatory legal clearance of partnership agreements prior to their conclusion.	30 June 2019
5	UNFCCC should develop and implement standard operating procedures with appropriate checklists to ensure that all requirements are complied with when selecting partners.	Important	O	Submission to OIOS of documentary evidence of the standard operating procedures developed to assist the Secretariat in selection of partners.	31 December 2018
6	UNFCCC should disclose in the financial statements contributions from non-exchange transactions,	Important	O	Submission to OIOS of documentary evidence of the financial statements for 2017 that recognize in-	31 December 2018

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNFCCC in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of partnerships and resource mobilization at the United Nations Framework Convention on Climate Change

	including the procedure followed to recognize them in accordance with the International Public Sector Accounting Standards.			kind contribution; and evidence of the mechanism established for documenting the in-kind contributions received by different substantive programmes for consolidation and reflection in the financial statements by the Secretariat's Finance Unit.	
7	UNFCCC should ensure compliance with the guidelines on partnerships by posting the required information relating to partnerships on its own portal as well as the United Nations' business website.	Important	O	Submission to OIOS of documentary evidence of applicable guidelines on partnerships have been complied with.	31 December 2019

APPENDIX I

Management Response

Management Response

Audit of partnerships and resource mobilization at the United Nations Framework Convention on Climate Change

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNFCCC should develop and implement: (i) a Secretariat-wide strategic plan, aligned with its evolving functions and operations in light of the Paris Agreement and the Sustainable Development Goals; and (ii) a resource mobilization policy that is aligned with its strategic plan, targeted at addressing the funding gap and expanding the donor support base.	Important	Y	(i) Special Assistant on behalf of DES (ii) Coordinator of Resource Mobilisation and Partnership (RMP) Unit	December 2018 December 2018	(i) A secretariat-wide strategic plan aligned with its evolving functions and operations in light of the Paris Agreement and the Sustainable Development Goals is under development. The plan will establish long-term objectives for 2030 and include vision and mission statements, secretariat-wide objectives and, related to these, specific strategies to achieve these. A first high-level draft is scheduled for presentation to the MT in June/July, and the strategic plan is envisaged to be finalized in the second half of 2018. (ii) Following the presentation of the strategic framework for resource mobilization and partnership to the Management Team last April 10, 2018, the development of the Policy and Strategic Plan for resource mobilization and partnership is in progress and will be presented to the Management Team in July 2018 for adoption. The development of

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of partnerships and resource mobilization at United Nations Framework Convention on Climate Change

						the Policy and Strategic Plan will be worked on to the extent it is practically possible within the constraints of available resources.
2	UNFCCC should strengthen its enterprise risk management by: (i) identifying in the risk register the staff responsible for risk treatment actions relating to critical risks and completing the required actions; and (ii) developing guidelines to mitigate the risk of conflict of interest in the selection of partners.	Important	Y	(i) Director of AS (ii) Chair of Partnership Committee	December 2018 December 2018	(i) The 2017 risk management plan has been revised to identify staff responsible for the risk treatment plan. (ii) The Partnership Committee is developing the SOP to the Guidelines for Partnerships, including on the selection of partners, to be presented to the Management Team in July 2018 for adoption. The development of the SOP will be worked on to the extent it is practically possible within the constraints of available resources. Implementation is subject to availability of staffing and financial resources, and taking into consideration competing priorities.
3	UNFCCC should develop and implement an action plan to build appropriate capacity for staff involved in partnerships and resource mobilization activities.	Important	Y	Coordinator of RMP Unit	December 2019	Training and capacity building is part of the implementation of the resource mobilization strategic framework. Implementation is subject to availability of staffing and financial resources, and taking into consideration competing priorities.
4	UNFCCC should strengthen the controls to ensure that the mandatory legal clearance is obtained prior to conclusion of partnership agreements.	Important	Y	Coordinator of RMP Unit	June 2019	The secretariat has an administrative issuance containing the Procedures for the clearance, signature and deposit of legal instruments to which the

Management Response

Audit of partnerships and resource mobilization at United Nations Framework Convention on Climate Change

						<p>secretariat is a party (UNFCCC bulletin B/2007/1).</p> <p>In addition, the Legal Affairs Programme has recently developed a new Sia workspace for the preparation, review and clearance of draft legal instruments, including partnerships, across the secretariat. This new workspace will ensure that the review and clearance of draft legal instruments is digitalized and this should reinforce clearance requirements and ensure proper implementation. Eventually, it is the responsibility of each senior official signing legal instruments to ensure that they have been properly cleared as per applicable procedures. The SOP to the Guidelines of Resource Mobilisation & Partnership will be issued to consolidate and strengthen these new improvements.</p>
5	UNFCCC should develop and implement standard operating procedures with appropriate checklists to ensure that all requirements are complied with when selecting partners.	Important	Y	Chair of Partnership Committee	December 2018	<p>The Partnership Committee is developing the SOP to the Guidelines for Partnerships, including on the selection of partners, to be presented to the Management Team in July 2018 for adoption. The development of the SOP will be worked on to the extent it is practically possible within the constraints of available resources.</p> <p>Implementation is subject to availability of staffing and financial resources, and taking into consideration competing priorities.</p>

Management Response

Audit of partnerships and resource mobilization at United Nations Framework Convention on Climate Change

6	UNFCCC should disclose in the financial statements contributions from non-exchange transactions, including the procedure followed to recognize them in accordance with the International Public Sector Accounting Standards.	Important	Y	Director of AS	December 2018	<p>UNFCCC financial statements are prepared in conformity with IPSAS and due consideration is given for recognition of in-kind contribution. The draft 2017 financial statements recognize in kind contribution in line with IPSAS.</p> <p>The procedure for recognition is as outlined in the relevant IPSAS provision.</p> <p>The information for in kind contributions is collected, however the estimates cannot be accurately measured and verified and in many cases, there was no economic inflow to UNFCCC. Mainly of the activities contributed to joint outcomes in conjunction with UNFCCC contributions hence these were more likely parallel funding rather than contributions to UNFCCC.</p>
7	UNFCCC should ensure compliance with the guidelines on partnerships by posting the required information relating to partnerships on its own portal as well as the United Nations' business website.	Important	Y	Coordinator of RMP Unit	December 2019	<p>UNFCCC will ensure that information relating to partnerships are posted in the Partnership Portal. UNFCCC will investigate on the most effective process to publish information relating to partnership on the United Nations business website.</p> <p>Implementation is subject to availability of staffing and financial resources, and taking into consideration competing priorities.</p>