INTERNAL AUDIT DIVISION

REPORT 2021/077

Audit of the secretariat of the Joint Fund for the 2030 Agenda for Sustainable Development

The secretariat provided services to the Fund satisfactorily but needed to clarify key stakeholder relationships and strengthen risk management and internal control processes

27 December 2021
Assignment No. AN2021-910-02

Audit of the secretariat of the Joint Fund for the 2030 Agenda for Sustainable Development

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the secretariat of the Joint Fund for the 2030 Agenda for Sustainable Development (the Joint SDG Fund). The objective of the audit was to assess the adequacy and effectiveness of the provision of secretariat services to the Joint SDG Fund. The audit covered the period from January 2019 to June 2021 and included: (a) support to Fund governing bodies and stakeholder coordination; (b) programme funding and portfolio management; and (c) operational management of the Joint SDG Fund secretariat.

The Joint SDG Fund secretariat provided services to the Fund satisfactorily, including establishing adequate mechanisms to monitor and report on the implementation of funded joint programmes. However, it needed to initiate reviews of key documents to clarify the roles and responsibilities of the Development Coordination Office (DCO) and the Multi-Partner Trust Fund (MPTF) Office; and strengthen risk management and internal control processes to ensure continued operational efficiency and effectiveness.

OIOS made seven recommendations. To address issues identified in the audit, the Joint SDG Fund secretariat needed to:

- Propose a review of the governance arrangements outlined in the Fund's terms of reference to clarify the role, accountability, and decision-making authority of DCO;
- Develop a process to update the risk register of the Fund and report significant risks on an ongoing basis to the Operational Steering Committee (OSC) for effective monitoring and mitigation;
- Develop a framework that ensures joint programme risks at the country level (including fraud and corruption risks) are assessed using consistent criteria to facilitate identification and prioritization of systemic risks for additional support from the Fund secretariat, DCO, and other stakeholders at headquarters;
- Develop and implement a mechanism to ensure members of the teams evaluating concept notes and joint programme proposals apply the evaluation criteria consistently;
- Develop and implement appropriate procedures to effectively identify and manage conflicts of interest among members of teams established to evaluate concept notes and joint programme proposals;
- Develop a formal mechanism that is aligned with the Strategic Advisory Group risk appetite to formalize the approval of funding decisions that are beyond the delegated authority of OSC; and
- Propose a review of the governing documents of the Fund to clearly spell out its relationship with the MPTF Office of the United Nations Development Programme, including the respective roles and responsibilities.

DCO accepted the recommendations and indicated actions initiated by the Joint SDG Fund secretariat to implement them. Actions needed to close the recommendations are included in Annex 1.

CONTENTS

Audit of the secretariat of the Joint Fund for the 2030 Agenda for Sustainable Development

I.   BACKGROUND

1.   The Office of Internal Oversight Services (OIOS) conducted an audit of the secretariat of the Joint Fund for the 2030 Agenda for Sustainable Development (the Joint SDG Fund).

2.   The Joint SDG Fund is a multi-partner trust fund that was established in June 2017 as part of the Secretary-General's reforms to reposition the United Nations Development System (UNDS). The operations of the Fund are guided by a memorandum of understanding between participating United Nations organizations (PUNOs) and the United Nations Development Programme (UNDP), the Fund terms of reference (TOR) as well as the Fund operational guidance. The Joint SDG Fund aims to raise at least $290 million per annum to fund projects/programmes at the country level that: (a) identify policy levers, through an integrated and cross-sectoral approach, that unleash rapid progress across different Sustainable Development Goals (SDG) and targets; (b) support the development of financing strategies for SDG investment; and (c) catalyse strategic programming and investments. The Fund's governance structure, represented in Figure 1, is led by the Strategic Advisory Group (SAG).

Figure 1: Joint SDG Fund governance structure
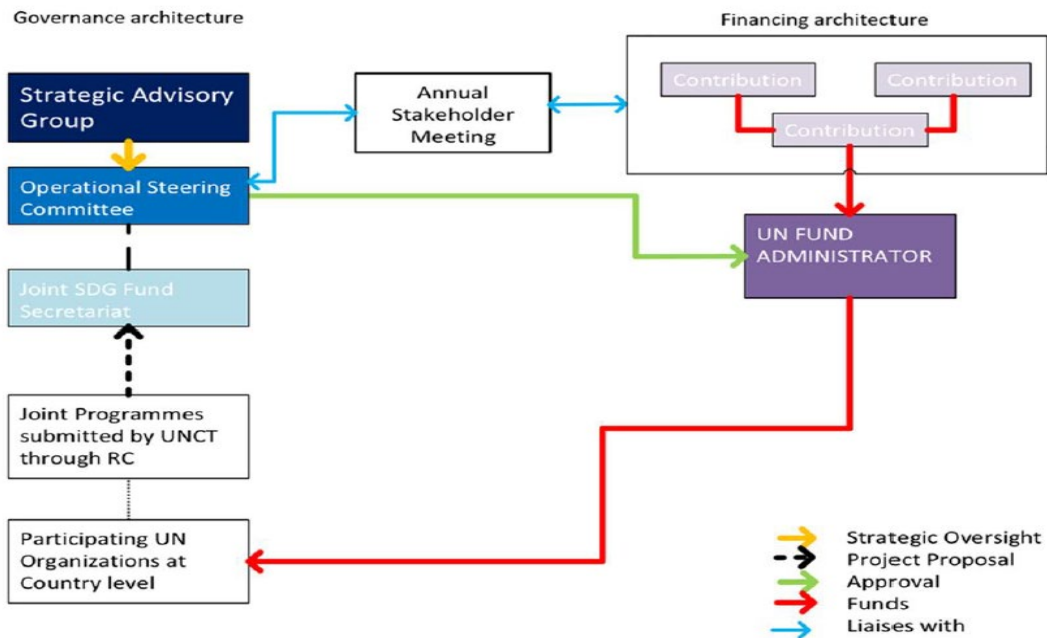
Source: Joint SDG Fund terms of reference

3.   SAG is responsible for the overall leadership, vision, and strategic direction of the Fund, including setting the funding envelopes for each round of financing of country level projects/programmes. It is chaired by the Deputy Secretary-General and meets at least once a year. Its membership includes the eight largest contributors to the Fund (as of 31 December of the preceding year); seven programme country Member States; three private sector, foundation and civil society representatives who sit as observers; and two members of the UNDS – the Deputy Secretary-General and the UNDP Administrator. The Assistant Secretary-General of the Development Coordination Office (DCO) and the Administrative Agent (the UNDP Multi-Partner Trust Fund (MPTF) Office) attend SAG meetings as observers.

4.   The Operational Steering Committee (OSC) meets at least quarterly and is responsible for the effective and efficient management of the Fund under the strategic direction of the SAG, including overseeing calls[1] for and development of concept notes and full proposals, approving budgets for fund allocation, monitoring financial management of funded activities, convening the annual stakeholders meeting and reviewing the Fund's narrative and financial reports. It is composed of senior representatives of five PUNOs: UNDP (Chair), United Nations Population Fund, World Food Programme, United Nations Children's Fund, and International Labour Organization. Apart from the Chair, OSC membership is on a staggered, rotational basis, with three years being the maximum term for any member. DCO has an observer status at the OSC, with no direct influence on its decisions. The Fund secretariat and Administrative Agent participate as ex-officio members.

5.   At the country-level, resident coordinators are "responsible and accountable for the conception, strategic planning and oversight of programmes funded through the Joint SDG Fund,"[2] supported by governance arrangements tailored to each country and to each joint programme. Joint programmes are designed in alignment with the United Nations Sustainable Development Group's guidance on joint programmes and the Management and Accountability Framework. They are undertaken by two or more PUNOs as decided by the United Nations country team, and the programme should be aligned with national priorities as well as contribute to cooperation framework results.

6.   As Administrative Agent, the MPTF Office is responsible for entering into standard administrative agreements with donors, receiving contributions, disbursing funds to PUNOs as authorized by OSC and SAG, and financial reporting.

7.   The Fund secretariat is responsible for providing logistical and operational support to SAG and OSC, as well as day-to-day management of the Fund. This includes supporting the submission of country proposals by resident coordinators, resource mobilization, narrative and consolidated reporting, learning and knowledge management, monitoring operational risks, and fund performance. The Fund secretariat reports substantively to DCO, with the head of the secretariat reporting to the Director, and administratively to the MPTF Office. The Fund secretariat has seven approved posts for 2021 and 2022, including the head of the secretariat at the D-1 level (reclassified from P-5 effective August 2021). Fund personnel included an additional three personnel on International Personnel Services Agreement contracts issued by UNDP, and three individual contractors. The Joint SDG Fund secretariat's approved budget for 2021 and 2022 was approximately $2.5 million per annum.

8.   As Table 1 illustrates, the Fund had received a cumulative total of $176.7 million in income as of June 2021, comprising primarily of voluntary contributions from donors. In 2020 (the latest full year of operation), contributions totaled $43 million, representing 14.8 per cent of the target contributions of $290 million per annum[3]. PUNOs had spent a total of $26.8 million as of June 2021. Fund balances as of that date were $61.5 million with the Administrative Agent, and $86.7 million with PUNOs, representing disbursed funds for approved projects that had not yet been spent.

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[1] Calls for concept notes are invitations, approved by OSC and SAG, for resident coordinators to submit project ideas for potential funding by the Joint SDG Fund. The funding envelopes, templates and criteria for evaluation are specified in each call. If the concept notes are approved, they form the basis for full joint programme proposals.
[2] Per Joint SDG Fund terms of reference.
[3] Per General Assembly resolution 72/279

Table 1: Funding status as of 30 June 2021

Funds with Administrative Agent (in millions of USD)	
Contributions from donors	173.64
Contributions from MDTFs	0.23
Interest and investment income (from Fund)	2.78
Total Income	**176.65**
Transferred to PUNOs, net of refunds	(105.04)
Administrative Agent fee	(1.56)
Direct cost	(8.35)
Other expenditure	(0.16)
Total Disbursements	**(115.11)**
Balance with Administrative Agent	**61.54**

Source: Trust Fund Factsheet - Joint SDG Fund (undp.org)

9.   The Fund secretariat has two programme portfolios, namely: (i) Integrated Social Protection and Leaving No-One Behind; and (ii) Financing for development (SDG Financing). In response to the emergence of the COVID-19 pandemic, OSC authorized the option to repurpose up to 20 per cent of existing funding in the integrated social protection portfolio towards COVID-19 responses. To date the Joint SDG Fund has approved funding of $166.9 million to 125 joint programmes as illustrated in Table 2. The third call for Small Island Developing States (SIDS) with a funding envelope of $30 million was still undergoing evaluations as of audit date.

Table 2: Calls for concept notes since the inception of the Fund (amounts in millions of United States dollars)

Call	Theme	Funding envelope amount	Funded amount	Max. amount per project	No. of funded JPs[a]	Max project duration (initial)
1.	Integrated Social Protection	60.0	70.6	3.0	35	2 years
2.	Financing for development					
	Component 1: Financing architecture	60.0	59.1	1.0	62	2 years
	Component 2: Catalytic investments	40.0	33.0	10.0	4	4 years
	Preparatory funding		4.2	0.3	24	
3.	SIDS	30.0	-	1.0	-	2 years
	Total	**190.0**	**166.9**		**125**	

[a] *Joint programmes*

10.   Comments provided by the Fund secretariat are incorporated in italics.

II.   AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

11.   The objective of the audit was to assess the adequacy and effectiveness of the provision of secretariat services to the Joint Fund for the 2030 Sustainable Development Agenda.

12.   This audit was included in the 2021 risk-based work plan of OIOS due to the critical role of the Joint SDG Fund to the achievement of 2030 agenda for Sustainable Development.

13.   OIOS conducted this audit from August to October 2021. The audit covered the period from January 2019 to June 2021. Based on an activity-level risk assessment, the audit covered higher and medium risks areas in the work of the secretariat of the Joint SDG Fund, which included: (a) support to Fund governing bodies and stakeholder coordination; (b) programme funding and portfolio management; and (c) operational management of the Joint SDG Fund secretariat.

14.   The audit methodology included: (a) interviews with key personnel, (b) review of relevant documentation, (c) analytical review of data, (d) testing of a sample of joint programmes selected judgmentally, including all four joint programmes funded under the second component of the SDG financing call and 9 of the 35 joint programmes on social protection.

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

III.   AUDIT RESULTS

A.   Governance arrangements

<u>The role of DCO in the governance of the Fund needed to be clarified</u>

16.   The TOR for the Joint SDG Fund outline the arrangements for governance and operational management of the Fund. The TOR established a direct reporting relationship between the Fund secretariat and OSC, which derives its authority from, and is accountable to the SAG. While the TOR indicated that the Fund secretariat would be "housed in DOCO" (Development Operations Coordination Office being the predecessor organization to DCO) there is no clear definition of what that meant.

17.   The head of the Fund secretariat, based on current practice, has a dual reporting line to the Director of DCO on substantive matters and to the Executive Coordinator of the UNDP MPTF Office on administrative matters. The MPTF Office is, for example, responsible for conducting the performance assessments for the head of the Fund secretariat after consultation with DCO, but the head of the Fund secretariat is also a member of the DCO senior management team. This arrangement is not outlined in the Fund TOR. The senior leadership of DCO does not have any formally delegated decision-making authority in relation to the Fund, and therefore play more of an advisory/supportive role. Decision-making authority on Fund operational and administrative matters was vested in OSC.

18.   At the time the TOR was first developed, DCO did not exist in its current form as a fully-fledged office in the United Nations Secretariat. The Office now occupies a critical space in supporting system-wide strategic and operational coherence of UNDS, with a key role to support resident coordinators as they lead a new generation of United Nations country teams in delivering policy and programme support to Member States for achieving SDGs. The express goal of the Joint SDG Fund is to give "muscle" to resident coordinators in pursuit of the same goal – by providing funding to priority areas of the resident coordinator system, including integrated policy support and financing for sustainable development.

19.   Continued lack of clarity of the role of DCO in the governance architecture of the Fund could limit its effectiveness in supporting the Fund secretariat, including on such matters as the implementation of effective risk management and internal control frameworks that are described below.

> **(1)   The Joint SDG Fund secretariat should propose a review of the governance arrangements outlined in the Fund's terms of reference to clarify the role, accountability, and decision-making authority of the Development Coordination Office.**
>
> *DCO accepted recommendation 1 and stated that the Fund secretariat had proposed, and OSC was currently reviewing appropriate governance arrangements with DCO.*

<u>The Fund secretariat needed to implement an effective framework for risk management and internal control</u>

20.   The United Nations Enterprise Risk Management and Internal Control Policy and related guidelines place the responsibility for effective implementation of risk management and internal control processes with the relevant heads of offices/departments. Within the Joint SDG Fund, the TOR and operational guidelines state that the secretariat was responsible for monitoring operational risks.

    a.   Risk management at the Fund level

21.   The initial risk register of the Fund was incorporated into its TOR and included seven priority risks, with 26 risk responses identified to mitigate the risks. "Owners," typically with shared ownership, were assigned for each risk response. The register has not been reviewed and updated on a regular basis since 2018 to account for changes in the risk environment, including significant changes in the composition and profile of the Fund secretariat, and lessons learned from programme implementation. Over the years the Fund has been in operation, more knowledge has been gained of its operations by stakeholders that could aid the Fund secretariat in reassessing the impact and likelihood of risks and updating key risk mitigation measures and risk owners. Although the risk register was reviewed in July 2021 and refreshed during the OSC retreat, this was not as part of a structured risk management process, and there were no clear criteria for assessing the severity and likelihood of the risks. Ineffective risk management may impede the Fund from achieving its strategic objectives in an efficient and effective manner.

    b.   Risk management at the portfolio and joint programme levels

22.   Joint programme risks are managed at the country-level by PUNOs participating in the joint programmes, under the leadership of resident coordinators. Project teams have the responsibility to maintain full risk registers, but these were not reviewed by the Fund secretariat during routine project monitoring. The Fund secretariat requires project teams to capture their top three risks in monitoring reports but there was no framework to ensure that the criteria used to assess the risks were clearly defined and consistent. This could result in variability from country to country in determining risk levels, which could hinder the Fund secretariat from being able to effectively analyze reported risks and identify and address systemic risks.

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(2)   **The Joint SDG Fund secretariat should develop a process to update the risk register of the Fund and report significant risks on an ongoing basis to the Operational Steering Committee for effective monitoring and mitigation.**

DCO accepted recommendation 2 and stated that the Fund secretariat would update its operational guidance to document the risk management process and update OSC regularly.

(3)   **The Joint SDG Fund secretariat should develop a framework that ensures joint programme risks at the country level, including fraud and corruption risks, are assessed using consistent criteria to facilitate identification and prioritization of systemic risks for additional support from the Fund secretariat, the Development Coordination Office, and other stakeholders at headquarters.**

DCO accepted recommendation 3 and stated that the Fund secretariat would update its operational guidance on holistic risk management with escalation processes and align it with DCO.

B. Programme funding and portfolio management

<u>The Fund secretariat was taking steps to improve the information technology solution supporting the programming of funds</u>

23.   The first Joint SDG Fund call for concept notes was launched in March 2019, with a focus on "identifying and activating policy accelerators that spark rapid progress across the SDGs by focusing on the Leave No One Behind and social protection portfolio." The Fund secretariat received 114 concept notes, of which 36 passed the initial assessment and were developed into full joint programme proposals. Thirty-five joint programmes were eventually funded for $70.6 million.

24.   The second call for concept notes, launched in December 2019, was focused on SDG financing, and split into two components that were evaluated separately. Component 1 was aimed at supporting the country teams to create an enabling environment to close the SDG financing gap at the country-level, and component 2 focused on providing catalytic grants to unlock public and private capital for financing SDGs. OSC approved $59 million in funding to 62 joint programmes out of the 103 proposals received for the component 1 funding window. The Fund received 155 concept notes from 107 countries for component 2 funding window. The evaluation process resulted in four joint programmes being funded for a total of $33 million, of which the first tranche of $7.97 million had been disbursed to the winning joint programmes by June 2021. Twelve countries with estimated funding requirements totaling $93.6 million were placed on the active pipeline where they receive additional support to strengthen their proposals, for possible future funding.

25.   While the Joint SDG Fund secretariat established a structured process to programme funds, it involved extensive usage of Excel spreadsheets in the evaluations for the first and second calls for concept notes, which could present data quality problems such as increased risk of errors, weaker data governance, inadequate audit trail and potential loss of data integrity. An in-house custom-made online platform combining Microsoft SharePoint and Power Business Intelligence was being used for the ongoing non-competitive call for SIDS that addresses some of the risks. A longer-term, scalable, end-to-end software solution to automate key controls in the programming of funds could improve process efficiencies. The Fund secretariat indicated that it would explore and assess possible options, including through the development of the new MPTF-Office Gateway 2/Funds Management Platform that is underway and is expected to be used by all Funds administered by the Office.

<u>There was significant variability in the scoring of concept notes</u>

26.   Throughout the evaluation process, the Fund secretariat was supported by an external firm that provided technical expertise, convened investor advisory groups, and facilitated lessons learned. The investor advisory groups served as a sounding board for the proposals, co-created impact driven pipelines for future projects, and facilitated co-investment opportunities.

27.   While each concept note and joint programme was to be evaluated by a minimum of three experts, consisting of two experts from the external firm and one from the United Nations, the number of evaluators per concept note/joint programme was inconsistent, as illustrated in Table 3. For example, the Suriname concept note was evaluated by five experts including three from the United Nations, while its joint programme was evaluated by four experts including two from the United Nations. On the other hand, the Ghana concept note and joint programme were each evaluated by the required three experts. Considering the significant variability in scoring of concept notes by individual evaluators described later, this had the potential of under or overweighting United Nations' average score, thus influencing whether a project achieved a passing score or not.

28.   The Fund secretariat indicated that the assignments of concept notes/joint programmes to experts were balanced initially but due to conflicts of interest, some United Nations experts could not evaluate the concept notes/joint programmes that had been assigned to them. For component 1, any conflicts of interest declared by the evaluators were summarized in the evaluation master-file, an Excel workbook. The conflicts arose primarily because of the United Nations experts or consultants' involvement with the preparation of some of the proposals. For component 2, the evaluators were not required to complete formal conflict of interest declarations in advance of the concept note/joint programme assignments. Instead, they were asked informally to disclose any conflicts of interest arising from the joint programmes they had been assigned to, which some documented in the evaluation sheets. In other cases, United Nations experts could not complete all assigned evaluations due to conflicting priorities. Where applicable United Nations group scores were averaged out and treated as one score and combined with the two external experts for the final evaluation score. The external experts therefore had more say on which joint programmes would be recommended for funding, despite the higher number of United Nations experts reviewing each concept note.

Table 3: Number of evaluators per concept note and full joint programme proposal

No.	Country	Status	Concept notes		Joint programme proposals	
			No. of external experts	No. of United Nations experts	No. of external experts	No. of United Nations experts
1.	Uruguay	Funded	2	3	2	1
2.	Malawi	Funded	2	2	2	1
3.	Indonesia	Funded	2	2	2	1
4.	Fiji MCO	Funded	2	3	2	1
5.	Ghana	Pipeline	2	1	2	1
6.	North Macedonia	Pipeline	2	3	2	1
7.	Suriname	Pipeline	2	3	2	2
8.	Madagascar	Pipeline	2	3	2	1

29.   There were significant variations in the scoring of some concept notes between evaluators as illustrated in Table 4. There was no clear consensus among evaluators about what constituted a good proposal and what did not. This variability in the scoring, combined with variability in the number of evaluators per concept note may have impacted the final outcomes of the evaluation process. A white paper prepared by the external firm to capture lessons learned from the financing call highlighted the challenge of inconsistent approaches by evaluators and recommended additional training for evaluators to ensure consistency of approach. The Fund secretariat also needed to implement a process to understand the rationale for significant variability and solicit consensus among reviewers before funding decisions are made.

Table 4: Examples of variability in scoring of concept notes

Project	External evaluator 1 score	External evaluator 2 score	United Nations group average score
Philippines 2	5.13	2.15	8.54
Myanmar 1	5.00	1.67	7.80
Guinea 2	3.42	2.02	8.12
Kenya 1	4.04	1.98	7.77
The Gambia 1	5.33	1.84	7.37

> **(4)   The Joint SDG Fund secretariat should develop and implement a mechanism to ensure members of the teams evaluating concept notes and joint programme proposals apply the evaluation criteria consistently.**

> *DCO accepted recommendation 4 and stated that the Fund secretariat had taken action to apply consistent evaluation criteria for joint programme proposal reviews.*
>
> **(5)** **The Joint SDG Fund secretariat should develop and implement appropriate procedures to effectively identify and manage conflicts of interest among members of teams established to evaluate concept notes and joint programme proposals.**
>
> *DCO accepted recommendation 5 and stated that the Fund secretariat had included in the bespoke portal used for the most recent SIDS call for concept notes, a requirement for evaluation team members to declare conflicts of interest. In the last review round of the component 2 call, all evaluators were requested to sign and return a conflict-of-interest template.*

The Fund needed to obtain formal approval from the Deputy Secretary-General for projects exceeding $6 million

30. According to the Joint SDG Fund operational guidance, funding decisions for $6 million and below can be made by the OSC, while those above $6 million require the approval of the Deputy Secretary-General. Three of the four financing for component 2 approved projects (Malawi, Indonesia and Uruguay) exceeded the $6 million threshold and needed to be approved by the Deputy Secretary-General. While no formal approval from the Deputy Secretary-General was evident, the Fund secretariat indicated that the Deputy Secretary-General was aware of the projects and had ratified the OSC decision through approving announcements and publications pertaining to the funded programmes. Furthermore, SAG was expected to give final sign-off during their annual meeting in the first quarter of 2022, at which time further joint programmes in the active pipeline would likely have been funded, leading to the official closure of the financing call.

31. The current approval thresholds were included in the operational guidance developed at the creation of the Fund. It is plausible that since then, SAG may have changed its risk appetite in practice, but this has not been formally incorporated into the Fund's decision-making protocols. The Fund secretariat should proactively support the OSC and SAG to review their risk appetite, delegation of authority and decision protocols, including how decisions should be documented outside meeting minutes where applicable.

> **(6)** **The Joint SDG Fund secretariat should develop a formal mechanism that is aligned with the Strategic Advisory Group risk appetite to formalize the approval of funding decisions that are beyond the delegated authority of the Operational Steering Committee.**
>
> *DCO accepted recommendation 6 and stated that the Fund secretariat would propose a review of the funding approval criteria by OSC and SAG and update its operational guidance accordingly. In the meantime, it would design a checklist to ensure necessary steps are outlined and followed, including obtaining formal approvals.*

The secretariat implemented measures to ensure adequate monitoring and evaluation of joint programmes

32. As of June 2021, 27 of the 35 joint programmes under the Leave No One Behind and social protection portfolio had received full disbursement of the approved funding. Six of the joint programmes had either expended or committed more than 75 per cent of the disbursed amount. However, only three of them were on track to achieve the expected results by the expected end date, as illustrated in Figure 2. Seventeen countries expected minor delays and 14 expected major delays. Generally, projects under this portfolio had a maximum duration of two years.

33. Although the operational guidance requires joint programmes to get approval for no cost extensions from OSC six months before the expected end date, none of the countries with anticipated delays had received timely approval. The secretariat explained that all joint programmes that were considering an extension had contacted the secretariat and started the process of preparing the requests at least six months before the operational end date, but several did not manage to submit the requests on time because of delays in stakeholder consultations. Based on this, the Fund secretariat was considering recommending the reduction of the period for submission of requests for no cost extensions from six to three months to allow joint programme teams to adequately assess the amount of additional time needed. COVID-19 was a major, but not the sole cause of the delays. Since the Fund secretariat is taking action to review the no extension approval process to ensure efficiency in project implementation, OIOS did not make any recommendation on this matter.

Figure 2: Financial delivery rates and programme progress as of 30 June 2021 for integrated social project joint programmes portfolio

34. The secretariat had received annual and midterm reports for all joint programmes, as applicable, in December 2020 and June 2021, respectively. Although the Fund secretariat has limited capacity to monitor individual joint programmes, it had established a dashboard to monitor the joint programmes progress using financial delivery rates, and corrective action was taken where necessary. All joint programmes submitted quarterly narrative reports for the second quarter of 2021 through a web form, with results viewed online through UNDP SharePoint and Power Business Intelligence dashboards. Component 2 projects were still early in their implementation, with funded projects incurring expenditure totalling $530,670 and $568,450 in commitments as of the second quarter, out of disbursements of $8.5 million. This represented delivery and commitment rates of 6 per cent and 7 per cent, respectively.

35. OIOS concluded that the Fund secretariat had established adequate measures to monitor joint programmes implementation.

C. Operational management of the Joint SDG Fund secretariat

The UNDP administrative support role needed to be fully documented

36. The Joint SDG Fund secretariat staff hold UNDP contracts and are located in UNDP offices. The MPTF Office manages all operational needs of the secretariat including staff selection, performance

assessments, and financial management. These services are beyond its traditional Administrative Agent role.

37.   Such arrangements are typically documented in a formal third-party services or service level agreement between UNDP and the United Nations Secretariat. In this case, however, there was no formal agreement in place. The Fund TOR and the operational guidelines do not refer to this arrangement, instead stated more generally that the Fund secretariat is "housed in DOCO." The programme budget document, however, describes the Fund secretariat as reporting "administratively" to the MPTF Office, with the MPTF Office being the "administrative host." The MPTF Office charges approximately $150,000 per year for direct cost services at a 7 per cent recovery rate.

38.   Failure to adequately document the nature and extent of services provided by UNDP or any other PUNO may result in lack of clarity of roles and responsibilities, which may cause gaps in accountability and complicate dispute resolution processes.

> **(7)   The Joint SDG Fund secretariat should propose a review of the governing documents of the Fund to ensure that its relationship with the Multi-Partner Trust Fund Office of the United Nations Development Programme, including respective roles and responsibilities, are clearly spelled out.**
>
> *DCO accepted recommendation 7 and stated that the Fund secretariat acknowledged the benefit of clarifying the full range of services/support that is received from the MPTF Office and agreed that there was an opportunity for enhanced coherence by highlighting the administrative hosting services provided by the MPTF Office in its governing document. Hence, the Fund secretariat would propose a review of this to OSC and coordinate with the MPTF Office accordingly.*

IV.   ACKNOWLEDGEMENT

39.   OIOS wishes to express its appreciation to the management and staff of the Joint SDG Fund secretariat for the assistance and cooperation extended to the auditors during this assignment.

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

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STATUS OF AUDIT RECOMMENDATIONS

Audit of the secretariat of the Joint Fund for the 2030 Agenda for Sustainable Development

Rec. no.	Recommendation	Critical[4]/ Important[5]	C/ O[6]	Actions needed to close recommendation	Implementation date[7]
1	The Joint SDG Fund secretariat should propose a review of the governance arrangements outlined in the Fund's terms of reference to clarify the role, accountability, and decision-making authority of the Development Coordination Office.	Important	O	Receipt of the results of the review of the role, accountability, and decision-making authority of DCO in the Joint SDG Fund.	30 September 2022
2	The Joint SDG Fund secretariat should develop a process to update the risk register of the Fund and report significant risks on an ongoing basis to the Operational Steering Committee for effective monitoring and mitigation	Important	O	Receipt of the updated risk register and operational guidance outlining the process to report significant risks to OSC on an ongoing basis has been updated.	30 June 2022
3	The Joint SDG Fund secretariat should develop a framework that ensures joint programme risks at the country level, including fraud and corruption risks, are assessed using consistent criteria to facilitate identification and prioritization of systemic risks for additional support from the Fund secretariat, the Development Coordination Office, and other stakeholders at headquarters	Important	O	Receipt of the updated operational guidance on managing the risks of joint programmes at the country level that is aligned with DCO risk management.	30 September 2022
4	The Joint SDG Fund secretariat should develop and implement a mechanism to ensure members of the teams evaluating concept notes and joint programme proposals apply the evaluation criteria consistently	Important	O	Receipt of evidence that a mechanism to ensure consistency in evaluation of concept notes and proposals has been implemented.	30 June 2022
5	The Joint SDG Fund secretariat should develop and implement appropriate procedures to effectively identify and manage conflicts of interest among members of teams established to evaluate concept notes and joint programme proposals.	Important	O	Receipt of the Fund secretariat's documented processes on declaration of conflict of interest by all evaluation team members.	31 December 2021

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[4] 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.

[5] 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.

[6] Please note the value C denotes closed recommendations whereas O refers to open recommendations.

[7] Date provided by DCO in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the secretariat of the Joint Fund for the 2030 Agenda for Sustainable Development

Rec. no.	Recommendation	Critical[4]/ Important[5]	C/ O[6]	Actions needed to close recommendation	Implementation date[7]
6	The Joint SDG Fund secretariat should develop a formal mechanism that is aligned with the Strategic Advisory Group risk appetite to formalize the approval of funding decisions that are beyond the delegated authority of the Operational Steering Committee.	Important	O	Receipt of the updated operational guidance on approving funding decisions that are beyond the delegated authority of OSC.	30 September 2022
7	The Joint SDG Fund secretariat should propose a review of the governing documents of the Fund to ensure that its relationship with the Multi-Partner Trust Fund Office of the United Nations Development Programme, including respective roles and responsibilities, are clearly spelled out.	Important	O	Receipt of evidence that the Fund secretariat has submitted viable proposals to clarify its relationship with the MPTF Office for the consideration of OSC.	30 September 2022

APPENDIX I

Management Response

TO: A:	Ms. Eleanor T. Burns, Director Internal Audit Division, OIOS	DATE:	22 December 2021
		REFERENCE:	OIOS-2021-01868

THROUGH:
S/C DE:

FROM: Robert Piper, Assistant Secretary-General
DE: for Development Coordination

SUBJECT: **DCO Response to the draft report on an audit of the secretariat of the**
OBJET: **Joint Fund for the 2030 Agenda for Sustainable Development**
(Assignment No. AN2021-910-02)

1.   DCO acknowledges receipt of the subject report. On behalf of DCO, please accept my sincere appreciation for conducting this audit and for presenting the outcome with detailed findings and valuable recommendations. DCO will take the opportunity to further strengthen the strategic management of the Joint Fund for the 2030 Agenda for Sustainable Development through the implementation of the recommendations.

2.   DCO has reviewed the draft report and accepts all seven (7) recommendations of the OIOS. DCO has no further comments on the report.

3.   Please find attached the completed Appendix-I including an action plan with target dates and responsible parties for implementations of the recommendations.

4.   DCO looks forward to working with the OIOS in the coming years with a view to enhancing the management of the Joint SDG Fund in support of the successful achievement of the 2030 SDG Goals.

5.   DCO wishes to express its appreciation to the OIOS audit team for closely working with the Secretariat of the Joint SDG Fund during the audit period.

cc: Ms. Fatoumata Ndiaye, Under-Secretary-General, OIOS
     Ms. Lisa Kurbiel, Head of Joint SDG Fund Secretariat
     Ms. Rosemary Kalapurakal, Director and Deputy Head, DCO
     Mr. Bakhodir Burkhanov, Chief, RC System Business Management Branch, DCO
     Ms. Larai Musa, Chief of Section, Finance, DCO

Management Response

Audit of the secretariat of the Joint Fund for the 2030 Agenda for Sustainable Development

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1.	The Joint SDG Fund secretariat should propose a review of the governance arrangements outlined in the Fund's terms of reference to clarify the role, accountability, and decision-making authority of the Development Coordination Office.	Important	YES	Head of Fund Secretariat	30 September 2022	The Fund secretariat has proposed a review and the OSC is currently reviewing the appropriate governance arrangements with DCO.
2.	The Joint SDG Fund secretariat should develop a process to update the risk register of the Fund and report significant risks on an ongoing basis to the Operational Steering Committee for effective monitoring and mitigation.	Important	YES	Head of Fund Secretariat	30 June 2022	The Fund secretariat will update its Operational Guidance to document the risk management process and update the OSC regularly.
3.	The Joint SDG Fund secretariat should develop a framework that ensures joint programme risks at the country level, including fraud and corruption risks, are assessed using consistent criteria to facilitate identification and prioritization of systemic risks for additional support from the Fund secretariat, the Development Coordination Office, and other stakeholders at headquarters.	Important	YES	Head of Fund Secretariat	30 September 2022	The Fund secretariat will update its Operational Guidance on holistic risk management with escalation processes and align its risk management with DCO.
4.	The Joint SDG Fund secretariat should develop and implement a mechanism to ensure members of the teams evaluating concept notes and joint programme	Important	YES	Head of Fund Secretariat	30 June 2022	The Fund secretariat has taken action and will apply consistent evaluation criteria for joint programme proposal reviews.

[1] 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.

[2] 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.

Management Response

Audit of the secretariat of the Joint Fund for the 2030 Agenda for Sustainable Development

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	proposals apply the evaluation criteria consistently.					
5.	The Joint SDG Fund secretariat should develop and implement appropriate procedures to effectively identify and manage conflicts of interest among members of teams established to evaluate concept notes and joint programme proposals.	Important	YES	Head of Fund Secretariat	31 December 2021	This has been initiated already for the most recent SIDS call, where the bespoke portal includes a declaration of conflict. In the last review round of the Component 2 Call all evaluators were requested to sign and return a conflict-of-interest template.
6.	The Joint SDG Fund secretariat should develop a formal mechanism that is aligned with the Strategic Advisory Group risk appetite to formalize the approval of funding decisions that are beyond the delegated authority of the Operational Steering Committee.	Important	YES	Head of Fund Secretariat	30 September 2022	The Fund secretariat will propose review of the funding approval criteria by OSC and SAG and update its Operational Guidance accordingly. In the meantime, a checklist will be designed to ensure necessary steps are outlined and followed, including formal approvals obtained.
7.	The Joint SDG Fund secretariat should propose a review of the governing documents of the Fund to ensure that its relationship with the Multi-Partner Trust Fund Office of the United Nations Development Programme, including respective roles and responsibilities, are clearly spelled out.	Important	YES	Head of Fund Secretariat	30 September 2022	The Fund secretariat acknowledges the benefit of clarifying the full range of services/support that is received from MPTFO, and agrees that there is an opportunity for enhanced coherence by highlighting the administrative hosting services provided by MPTFO in its governing document. Hence, the secretariat will propose a review of this to the OSC and coordinate with MPTFO accordingly.