



AUDIT

OF

UNDP POST-2015 DEVELOPMENT PLATFORM – DIGITAL GOOD PROJECT
(Directly Implemented Project No. 86947)

Report No. 1980
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Report on the Audit of UNDP Post-2015 Development Platform – Digital Good Project (Project No. 86947) Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 2 to 26 April 2018, conducted an audit of the Post-2015 Development Platform – Digital Good Project, Project No. 86947 (the Project), which is directly implemented and managed by the Bureau for External Relations and Advocacy (BERA). The audit aimed to assess the adequacy and effectiveness of risk management, controls, and governance processes to ensure the following: (i) achievement of the organization's strategic objectives; (ii) reliability and integrity of financial and operational information; (iii) effectiveness and efficiency of operations; (iv) safeguarding of assets; and (v) compliance with legislative mandates, regulations and rules, policies and procedures.

The areas reviewed were:

- a) governance (organizational structure, roles and responsibilities, project sustainability, risk management, Steering Committee, and donor relations);
- b) project management (quality assurance process, project design and implementation, knowledge management); and
- c) operations (finance, procurement and human resources management).

The audit covered the activities of the Project from its inception in January 2015 to 31 March 2018. The Project recorded expenses of approximately \$2 million. This was the first audit of the Project.

This audit was conducted based on the request dated 3 January 2018 from BERA in consultation with the Regional Bureau for Arab States (RBAS) prior to requesting further funding support for phase 2 of the Project.

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

Overall audit rating

OAI assessed the Project as **partially satisfactory / major improvement needed**, which means "The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to sub-optimal project implementation and monitoring, and challenges in managing donor expectations and relations.

Key recommendations: Total = 3, high priority = 2

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	2	High
Compliance with legislative mandates, regulations and rules, policies and procedures	3	High
	1	Medium

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. All high (critical) priority recommendations are presented below:

Challenges in managing donor expectations and relations (Issue 2)

OAI was informed that the Donor for the project, the Government of Saudi Arabia expressed dissatisfaction with the way the Project was managed. The donor had reservations about using a specific name as the theme of the North American Market Campaign, noted discrepancies in reported travel costs, and had concerns about the delays in addressing the donor's request for clarification on the draft business plan for phase 2 of the Project.

Recommendation: The Regional Bureau for Arab States should collaborate with the Bureau for External Relations and Advocacy and implement action points on how to manage specific concerns raised by the Donor in phase 1 of the Project, should the Project continue into phase 2 of implementation.

Sub-optimal project implementation and monitoring (Issue 3)

The audit noted weaknesses in the Project's implementation and monitoring mechanism. For instance: (i) the request to the donor for a no-cost extension included activities that were not agreed to or budgeted for in the initial Project Document and corresponding work plans; (ii) the project team did not follow the monitoring framework and evaluation section of the Project Document, which was aligned with the programming policies and procedures; and (iii) no project evaluation had been conducted.

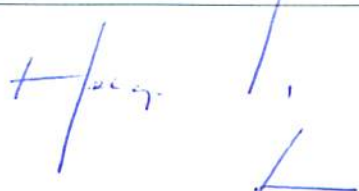
Recommendation: The Bureau for External Relations and Advocacy should implement the project monitoring and reporting framework as required by the 'UNDP Programme Operations Policies and Procedures' should the Project continue into phase 2. Alternatively, if additional funding cannot be secured, the Project should initiate project closure procedures.

Management comments and action plan

The Director of the Bureau for External Relations and Advocacy and the Director of the Regional Bureau for Arab States accepted all of the recommendations and are in the process of implementing them.

Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Ostveiten
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I. About the Project

The Post-2015 Development Platform – Digital Good Project (the Project) was built on the outcome of a series of youth dialogues initiated by the Kingdom of Saudi Arabia (the Donor) and following the recommendations of its youth, who proposed the establishment of the Digital Good Platform. Under the spirit of “Doing Digital Good”, the Digital Good Project aimed to help design, launch and manage a UNDP-managed post-2015 development funding mechanism to channel voluntary contributions from philanthropists and citizens from around the world to UN/UNDP work in countries around the world in thematic areas such as poverty reduction and social inclusion, food-energy-water security, health, education and environmental sustainability.

The Project entailed an initial design and piloting phase (January 2015-December 2016) supported through an initial contribution of \$2 million from the Donor with the aim to design and launch a new UNDP managed global funding mechanism and digital giving platform. In November 2016, the Bureau for External Relations and Advocacy (BERA) requested, and the Donor later agreed to, a no-cost extension of the Project from January 2017 to December 2018. Subsequently, the planned phase 2 of the project activities would consolidate links to the post-2015 and the SDG frameworks based on evaluations of results from phase 1, with a view of engaging a broader, more global base of contributions from philanthropists and citizens.

An online platform for fundraising and standard operating procedures were established to enable receipt of small donations/contributions. A total of \$275,000 was raised via the platform during the first phase of the Project. As of December 2017, there were 170,000 new email subscribers. Through the platform, various campaigns were hosted, such as Give All Girls Hope, Help for Women and Mothers suffering from Famine and Help Rebuild Haiti, all of which served to promote UNDP’s mandate, with the hope of soliciting funds from the public.

As of the end of the audit fieldwork, BERA was unable to secure funding to safeguard the results that had been achieved up to that point. BERA indicated that it had been exploring scenarios such as keeping the platform running in the interim to June 2018, through bridging funds. BERA also made presentations to at least 14 other donors aiming to raise funds for phase 2 of the Project.

II. Audit results

Satisfactory performance was noted in the following area:

- (a) Operations. The audit did not identify significant exceptions. The processes were found to be in compliance with the ‘UNDP Programme and Operations Policies and Procedures’.

OAI made two recommendations ranked high (critical) priority and one recommendation ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

High priority recommendations, arranged according to significance:

- (a) Implement the project monitoring and reporting framework as required by the ‘UNDP Programme Operations Policies and Procedures’ (Recommendation 3).
- (b) Develop and implement action points on how to manage specific concerns raised by the Donor (Recommendation 2).

Medium priority recommendation:

- (a) Establish and strengthen the Inter-Bureau Working Group (Recommendation 1).

The detailed assessment is presented below, per audit area:

A. Governance

1. Organizational structure

Issue 1 Inter-Bureau Working Group not established

The Project Document requires establishing two governance mechanisms, namely, the Project Steering Committee (also referred to as the Project Board) and the Inter-Bureau Working Group. The purpose of the Inter-Bureau Working Group is to support the Digital Good Project in implementing activities outlined under Output 1 of the Project Document, i.e., to design and launch the global UNDP-managed funding mechanism and web-based contributions platform. The roles of each unit in the Inter-Bureau Working Group are as follows:

- i) BERA Communications Group: Lead the design of architecture to effectively channel grants from the web-based platform to identify themes in line with the 'UNDP Programme Operations Policies and Procedures'.
- ii) Bureau for Policy and Programme Support (BPPS): Mobilize various thematic clusters and groups for identification of UNDP work around the world for receiving contributions.
- iii) BMS: Explore roles during project inception with regards to the corporate funding payment mechanism, 'One UN' approaches and reporting functions.
- iv) RBAS: Coordinate with UNDP Saudi Arabia and serve as a liaison between UNDP and the Donor.

According to the annual work plans, the Inter-Bureau Working Group was key for the following planned activities in year 1 (2015): (i) United Nations General Assembly launching of Global Giving Platform; and (ii) identifying specific post-2015 themes for focus of assistance and modalities to channel to these themes. In year 2 (2016), *inter alia*, (i) localizing outreach messages to new target audiences in new markets; (ii) scaling up of technology platforms for multiple markets; (iii) acquiring, developing and launching communications products; (iv) scaling up staffing plan for multiple markets; (v) additional countries joining the platform by end of 2016; and (vi) scaling up to include additional markets.

However, the Inter-Bureau Working Group was not established as envisaged in the Project Document, nor were any sessions held to discuss the implementation progress of the Project, including sharing information with the Donor. Further, the Donor indicated that the lack of an Inter-Bureau Working Group created ambiguity in the reporting line that led to BERA directly contacting the Permanent Mission of the Kingdom of Saudi Arabia in New York and cutting out the facilitating and the liaison role to be played by RBAS and UNDP Saudi Arabia to its counterparts in the relevant government ministry.

BERA explained that it had worked closely with the Bureau for Management Services (BMS), the Legal Office, Treasury, and Office of Financial Resources Management (OFRM) as evidenced through emails and other informal communication. The marketing strategy was designed in collaboration with BPPS, and RBAS was regularly kept informed of all aspects of the design and implementation phase. Further, BERA indicated that RBAS requested to be the main conduit for information with the UNDP Saudi Arabia Country Office.

The audit team requested a meeting with RBAS to clarify the role of the Inter-Bureau Working Group. However, RBAS had not confirmed their availability for the meeting but referred the audit team to BERA.

The non-establishment of the Inter-Bureau Working Group was a decision by both BERA and RBAS who considered its function to be similar to that of the Project Steering Committee.

Issues concerning communication and sharing of information both internally and with the Donor could negatively affect the achievement of the Project's objectives.

Priority	Medium (Important)
Recommendation 1:	
The Bureau for External Relations and Advocacy should establish the Inter-Bureau Working Group with clear terms of reference should the Project be funded for phase 2 of its implementation.	
Management action plan:	
BERA accepts this audit recommendation. BERA and RBAS decided that having a Steering Committee/Project Board in place made the working group redundant, as BMS and BPPS were already heavily engaged bilaterally, without a working group in place. Nevertheless, with the benefit of hindsight, retaining a working group may have assisted in coordinating a corporate response to various implementation challenges that followed.	
Estimated completion date: December 2018	

2. Donor relations

Issue 2 Challenges in managing donor expectations and relations

The Project Document and the Third-Party Cost Sharing Agreement document the nature of the relationship and project expectations between UNDP and the Donor. During the discussion with UNDP Saudi Arabia, the Resident Representative indicated that the Country Office had invested a lot of time in managing relations with the government ministry. The audit team was informed that the Permanent Mission of Saudi Arabia in New York and the government ministry expressed dissatisfaction with the way the Project was managed. This in turn impacted the relationship between UNDP and the Donor. BERA senior management explained that they did not receive any notifications from either the Donor or RBAS regarding these issues.

The audit team requested meetings with RBAS in order to clarify RBAS's role in the Project; however, the audit team was informed that the lead Bureau dealing with the day to day management of the Project and communication with the Donor was in BERA.

In three separate meetings with the Donor,¹ OAI was informed that:

¹ The Donor also shared also copies of correspondences/emails with BERA and RBAS.

- The Donor had reservations about using a specific name as the theme of the North American Market Campaign. The Donor indicated that (i) they were not consulted about the proposed name for the campaign; (ii) the name was already in use; and (iii) the name was identical in name, size and font to one that was already being used in another country.
- The Donor flagged discrepancies in the travel expenditure contained in the second quarter progress report of 2017. Instead of \$43,000, BERA presented a figure of \$6,366. This oversight was later corrected by BERA. The audit noted that all expenditures were in compliance with the 'UNDP Programme and Operations Policies and Procedures'.
- During the Steering Committee meeting dated 24 July 2017, BERA sought an additional \$5 million to support the continuation of operations for the next three years with the funding being used for staff, marketing budget and upgrade of the technology. It was agreed that BERA would provide the Permanent Mission of the Kingdom of Saudi Arabia in New York with a detailed business plan outlining the required investments and potential growth. This business plan would also include how the funds would be spent and operations sustained without additional requests for funds in the future. The Donor indicated that there were delays in the submission of the draft business plan. RBAS indicated that they required more time for internal consultations before sharing the draft business plan with the Donor. The Donor had followed up with BERA on the status of the proposal, as they were keen on keeping the platform alive and in continuing with the funding once they had reviewed and agreed with the business plan. A draft business plan/proposal of \$12 million was shared with the Donor on 19 January 2018. The Donor explained that the proposal was not clear and had discrepancies for which they required clarification. As of the end of the audit fieldwork, this matter had not yet been resolved.

Further, the audit team had requested some additional audit information from RBAS, *inter alia*, (i) donor's official request to audit the Project; and (ii) communication from the Donor voicing their views (positive/negative) regarding the Project's implementation. RBAS indicated that they did not have these documents since the lead unit dealing with the day to day management of the Project and communication with the Donor was in BERA. However, RBAS's role was to work together with UNDP Saudi Arabia as a facilitator and liaison between UNDP and the Donor.

Gaps in communication, coordination, and reporting may affect the Donor's confidence in UNDP and may affect future funding of the Project.

Priority	High (Critical)
Recommendation 2	
The Regional Bureau for Arab States should collaborate with the Bureau for External Relations and Advocacy to develop and implement action points on how to manage specific concerns raised by the Donor in phase 1 of the Project should the Project continue into phase 2 of implementation.	
Management action plan:	
RBAS accepts this recommendation, and should the Project continue into phase 2 of implementation as envisaged in the Project Document, RBAS will develop and implement, in collaboration with BERA, action points on how to manage specific concerns raised by the Donor in phase 1 of the Project.	

Estimated completion date: June 2019

3. Project management

Issue 3 Sub-optimal project implementation and monitoring

According to the 'UNDP Programme Operations Policies and Procedures', implementing a project involves timely achievement of outputs defined in the approved project. This involves conducting activities to produce project outputs as well as monitoring progress. All UNDP programming activities are required to adhere to monitoring standards and policies, for which managers of Global, Regional and Country Programmes are accountable. Monitoring includes: 1) tracking performance through the collection of appropriate and credible data and other evidence; 2) analyzing evidence to inform management decision-making, improve effectiveness and efficiency, and adjust programming as necessary; and 3) reporting on performance and lessons to facilitate learning and support accountability.

Further, to ensure adherence to the quality standards, UNDP-supported programming is monitored and recorded through objective programme and project quality assurance (QA) assessments. Along with regular programme and project monitoring, QA assessments ensure that at the design stage, and at least annually during implementation and at closure, there is a formal focus on key performance issues outlined across seven quality criteria, to ensure improved development effectiveness and greater accountability for results.

The audit noted weaknesses in the Project's implementation and monitoring mechanism as follows:

a) Inclusion of activities that were not budgeted for in the annual work plans

BERA shared with the Steering Committee² an annex titled "Digital Good Project Timeline Through Q4 of 2018", which outlined the activities from Q4 of 2015 to Q1-Q4 of 2018. The annex included the following activities that had not been budgeted for or included in the annual work plans; (i) roll-out of Digital Good to all remaining UNDP Country Offices; (ii) continued roll-out of Digital Good to Organization for Economic Co-operation and Development Markets; and (iii) roll-out of Digital Good fully operational worldwide.

This annex was also used to support UNDP's request dated 18 November 2016 for a no-cost extension of the Project for an additional two years until 31 December 2018.³ These activities could not be implemented, as the funds had already been depleted as of April 2018. In accepting the no-cost extension, the Donor understood that the terms of the contract with UNDP would be extended up to 31 December 2018, and that the planned activities would be implemented.

b) Weak project monitoring

The audit team noted that the Project did not comply with the project monitoring framework and evaluation section of the Project Document and UNDP's programming policies and procedures. Specifically:

² Minutes of the Steering Committee meeting, 16 September 2016

³ Letter to the government ministry dated 18 November 2016

- The Project Manager did not complete the 'Quality Management for the Project Activity Results' at the inception of the Project as required by the Project Document.
- The project quality assurance assessments required on an annual basis were not conducted.
- The Project did not maintain an assessment of risks and an analysis of risk management plans and implementation against the current programming situation as stipulated under UNDP's Enterprise Risk Management policy and UNDP social and environmental standards.
- The risks that were included in the Project Document were not uploaded into Atlas (enterprise resource planning system) or the Corporate Planning System. The project risk matrix was uploaded in Atlas in March 2018, or three years after the Project was approved. In response to the exit meeting notes, the project team indicated that the risks were regularly reviewed and addressed with the Steering Committee.
- The Project did not prepare a Project Lessons-Learned Report, which should outline, *inter alia*, a brief description of context, and a brief description of key project successes, project shortcomings and solutions, lessons learned and follow-up actions. The project team explained that the lessons learned were incorporated into the draft business plan/proposal that was shared with the Donor on 22 January 2018. A review of the draft business plan noted that the content did not meet the requirements of the Project Lessons-Learned Report mentioned above.
- The Project Document included a budgeted amount for approximately \$0.55 million for "international experts" for two years. However, according to the expenditure detail report, the total actual expenditures on project staff and consultants was approximately \$1.35 million as of 31 March 2018, or 68 percent of the project budget. This exceeded the budgeted personnel expenses by 245 percent. There was no evidence of donor agreement with this divergence. The project team explained that the Steering Committee was informed and endorsed all staffing structure proposals and the related budget.
- A review of the cumulative budget in Atlas from the Project's inception up to the time of the audit indicated an amount of \$4 million, as opposed to the agreed budget per the Project Document of \$2 million.
- As of April 2018, the Project's funds had been exhausted and additional funding had not been secured. BERA indicated that the Project was not yet closing and therefore the project closure procedures had not yet been initiated. However, as the Project's funds had been exhausted, it was not clear how BERA would be able to sustain the Project's activities or expansion.

c) No project evaluation

As a part of the Project Document, an evaluation was planned to capture the lessons learned as well as challenges and successes, which would be taken into account in drafting phase 2 of the Project. A total allocation of \$35,000 was budgeted for this purpose. However, no evaluation had been conducted.

Weaknesses in project implementation and monitoring impacted donor relations.

Priority	High (Critical)
Recommendation 3: The Bureau for External Relations and Advocacy should implement the project monitoring and reporting framework as required by the 'UNDP Programme Operations Policies and Procedures' should the Project continue into phase 2. Alternatively, if additional funding cannot be secured, the Project should initiate the project closure procedures.	
Management action plan: BERA will implement the project monitoring and reporting framework as required by the 'UNDP Programme Operations Policies and Procedures' if the Project continues. BERA will initiate project closure procedures if additional funding is not secured.	
Estimated completion date: September 2018	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.