



AUDIT

OF

GLOBAL MANAGEMENT FUNCTIONS

OF

UNDP GLOBAL ENVIRONMENT FACILITY

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Report on the audit of Global Management Functions of UNDP Global Environment Facility Executive Summary

From 20 May to 21 June 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the Global Management Functions of the UNDP Global Environment Facility (UNDP-GEF) in New York. The audit covered the activities of UNDP-GEF during the period of 1 January 2012 to 30 April 2013. For that period, UNDP-GEF recorded programme delivery of about \$311 million and management expenditures totalling \$24.4 million. This was the first audit that OAI conducted of UNDP-GEF.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

OAI assessed the Global Management Functions of UNDP-GEF as **satisfactory**, which means “Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.” Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance				
2. Strategic management				
3. Programme management				
4. Knowledge management				
5. Operations				
5.1 Financial management	Satisfactory			
5.2 Human resources	Satisfactory			
5.3 Procurement	Satisfactory			
5.4 Travel	Satisfactory			

Key issues and recommendations

The audit did not raise any reportable issues.



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I. Introduction

From 20 May to 21 June 2013, OAI conducted an audit of the Global Management Functions of UNDP-GEF. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit scope and objectives

OAI audits assess the adequacy and effectiveness of the governance, risk management and control processes in order to provide reasonable assurance to the Administrator regarding the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with legislative mandates, regulations and rules, policies and procedures. They also aim to assist the management of the office and other relevant business units in continuously improving governance, risk management and control processes.

Specifically, this audit reviewed:

- (a) adequacy of UNDP-GEF's management and organizational structure;
- (b) effectiveness of the support and oversight UNDP-GEF provides to Regional and Country Teams and projects;
- (c) effectiveness of strategic management, programme management and knowledge management initiatives of UNDP-GEF; and
- (d) effectiveness and efficiency of internal controls over key operational workflow processes.

The audit covered relevant activities during the period from 1 January 2012 to 30 April 2013. Since the beginning of the GEF fifth funding cycle and by August 2013, UNDP-GEF managed a portfolio totalling \$4.8 billion, including Global Environment Facility Trust Fund, Least Developed Countries Fund, Special Climate Change Fund, Nagoya Protocol Implementation Fund, Adaptation Fund and other cost-sharing funds. In 2012, the management expenditures of the UNDP-GEF Unit totalled \$24.4 million. This was the first audit that OAI conducted of UNDP-GEF and focused on the global management part of the programme.¹

II. About the Global Environment Facility (GEF)

GEF was established in 1991 as a \$1 billion programme of the World Bank to assist countries with protecting the global environment and to promote environmentally-sound sustainable development. GEF finances the incremental costs associated with transforming a project or programme with national benefits into one, which also achieve global environmental benefits. UNEP, the World Bank and UNDP were the three initial GEF implementing agencies, which has since expanded to a total of ten GEF Agencies. In 1994, GEF was restructured and moved out of the World Bank system to become a permanent, separate financing mechanism. The decision to restructure the GEF enhanced the involvement of developing countries in the decision-making process and in implementation of the projects. Since 1994, the World Bank has served as the Trustee of the GEF Trust Fund and has provided administrative services to GEF.

¹ UNDP-GEF funded field implemented projects are subject to separate regular audit exercises.

GEF Agencies are responsible for creating project proposals and for managing GEF projects. Specifically, GEF Agencies assist eligible countries in the development, implementation, and management of GEF projects.

As a GEF Agency, UNDP-GEF offers countries highly specialized technical services for eligibility assessment for GEF assistance, programme/project formulation, due diligence, mobilization of required co-financing, project implementation oversight, results management and evaluation, performance-based payments and knowledge management. The funds received through GEF are: the Global Environment Facility Trust Fund, the Least Developed Countries Fund; the Special Climate Change Fund; Nagoya Protocol Implementation Fund; and the Adaptation Fund.

GEF operates on a four-year funding cycle (also followed by UNDP-GEF), and is currently operating in the fifth funding cycle; the GEF-5 (2010-2014) cycle. For GEF-5, UNDP-GEF has been focusing on 16 signature programmes, clustered into six thematic areas: (a) Ecosystems and Biodiversity; (b) Green Low Emission Climate Resilient Development Strategies; (c) Energy, Infrastructure, Transport and Technology; (d) Water and Ocean Governance; (e) Community Resilience and Sustainability; and (f) Chemicals and Waste Management.

UNDP-GEF operates on a full cost-recovery basis and does not receive core funding from UNDP. On 1 January 2013, a decrease in the service fee to GEF Agencies including UNDP-GEF was made from 10 percent to 9.5 percent of a GEF grant for projects under \$10 million and 9 percent for projects over \$10 million. This implied the need for increased cost-effectiveness measures for UNDP-GEF. The service fee is intended to cover UNDP cost in providing project cycle management services for each project, as well as for performing portfolio-wide corporate services, defined by the GEF Council.

In 2012, UNDP-GEF operated with 84 staff in six locations, including its New York Headquarters.

III. Detailed assessment

1. Governance

Satisfactory

OAI reviewed UNDP-GEF governance using the UNDP Accountability Framework and the Committee of Sponsoring Organizations of the Treadway Commission's Enterprise Risk Management Integrated Framework as references for the main audit criteria. These criteria are: clarity and organizational responsibility; alignment with corporate goals and accountability; formal and consistent delegation of authority; consideration of risks and cost-benefit analysis; verifiable performance monitoring and reporting; information and communication practices of UNDP-GEF for ensuring relevant and quality information; quality of internal communication; and relations with other departments within UNDP and other external parties.

Specifically, OAI reviewed the organizational structure of UNDP-GEF and the roles, responsibilities, authority, accountabilities, and reporting lines of management and staff (including job descriptions for several categories of management and staff). UNDP-GEF has a clear organizational structure aligned with the UNDP and GEF strategy and priorities. The process of establishing key priorities as well as the designing of the Business Plan included engaging in dialogue with the technical teams and other relevant parties. In doing so, environmental, financial, operational and reputational and other risks were identified and a mechanism for their monitoring established.

OAI examined the four key documents that governed accountability and use of GEF resources: (a) Delegation of Authority from the Director of the Bureau for Development Policy (BDP) to the UNDP-GEF Executive Coordinator; (b) Delegation of Authority from the Director of BDP to the UNDP-GEF Deputy Executive Coordinator; (c) Letter of Confirmation of Responsibilities as a Trust Fund Manager; and (d) sample of Delegation of Authority letters

provided by the UNDP-GEF Executive Coordinator to Resident Representatives/Resident Coordinators in Country Offices to implement GEF projects. The OAI examination confirmed that delegations of authority and accountability were clearly defined and the decision-making process and mechanisms of monitoring and controlling were clear in all the cases reviewed.

In providing specialized technical advice to the beneficiaries, UNDP-GEF capacity is supported by a three-tier system of quality control, established to increase the quality of the projects and deliverables and to detect and decrease inefficiencies. This system relies on three levels of support and review as described below:

- Proximity of UNDP Country Offices to country partners, enabling them to provide local response and assurance; and the leverage that comes with access to the Resident Coordination function.
- Highly specialized technical advisors in the regions able to support Country Offices with expertise in technical subject areas, with knowledge covering a wide range of subjects, requirements and processes of various financial mechanisms.
- Global technical advisors able to provide state of the art technical knowledge, forecast emerging policy trends, maintain links with specialized financial mechanisms, and lead new strategic capability development efforts.

With respect to the ongoing and upcoming relocations of the UNDP Regional Centres from Pretoria, South Africa to Addis Ababa, Ethiopia, and from Bratislava, Slovakia to Istanbul, Turkey, OAI noted that UNDP-GEF had undertaken adequate steps to ensure business continuity and programme delivery. UNDP-GEF took timely and proper actions to manage the risks related to staffing, the programme portfolio, and the quality of support offered to the UNDP Country Offices.

As part of the fieldwork, OAI discussed with the GEF Secretariat in Washington D.C. the quality of cooperation with UNDP-GEF, and received very positive feedback regarding the quality of UNDP-GEF performance and the relationship with the GEF Secretariat.

No reportable issues were observed.

2. Strategic management

Satisfactory

OAI reviewed the strategic management using the guiding principles of UNDP Accountability Framework as references for the main audit criteria. These criteria are: clarity and organizational responsibility; alignment with corporate goals and accountability; formal and consistent delegation of authority; consideration of risks and cost-benefit analysis; and verifiable performance monitoring and reporting.

In line with the GEF funding cycle, UNDP-GEF undertakes a rigorous business planning process every four years which takes stock of its changing environment, and revisits the strategic objectives of all concerned stakeholders in order to ensure adequate alignment of its staffing resources. This quadrennial business plan is approved by the UNDP Organizational Performance Group. The quadrennial business plan is supplemented by annual business plans prepared by the six UNDP-GEF technical teams based in Headquarters and by the UNDP-GEF Regional Teams. The UNDP-GEF annual business plans prepared at each region align the UNDP-GEF initiatives with UNDP regional priorities.

As the financial mechanism for climate change, ecosystem related multilateral conventions, and several chemical conventions, UNDP-GEF is promoting funding synergies between development, and climate and ecosystems. It also serves as a mechanism for partnership building, allowing UNDP to work together with the

World Bank, regional development banks and other United Nations agencies on policy formulation. A concrete example of a strategic programmatic approach is the \$78 million multi-focal area, multi-trust funds, and the multi-agency investment project proposal named "Pacific Islands Ridge-to-Reef National Priorities" that was approved by the GEF Council in June 2012 and is currently under preparation by UNDP, UNEP, and FAO.

OAI reviewed the strategic cooperation between UNDP-GEF and the UNDP Regional Bureaux in terms of programming and portfolio management. Coordination with the Regional Bureaux was ensured through the different working groups and task forces (e.g. the Task Force on Strengthening Regional Bureaux Programme Management Oversight) that meet regularly. In line with the UNDP Agenda for Change, UNDP-GEF formally meets with the Regional Bureaux twice a year: at the beginning of the year to review the annual regional business plan, and during the summer to assess progress towards the business plan. Solutions for eventual impediments are discussed and agreed upon with UNDP senior management at both corporate and regional levels. UNDP-GEF works in close cooperation with the BDP Gender Team in order to ensure gender mainstreaming in its projects and programmes that are funded by GEF.

OAI further reviewed the steps undertaken by UNDP-GEF in order to mitigate the impact of the fee reduction effective January 2013 and compliance regarding the GEF programming requirements, and found them to be satisfactory.

UNDP-GEF is systematically reviewing project proposals and evaluation reports for projects implemented by other GEF agencies in order to stay up-to-date and in order to strategically avoid programmatic overlaps. This can be seen as a good practice within UNDP.

No reportable issues were observed.

3. Programme management

Satisfactory

OAI reviewed programme management using UNDP Programme and Operations Policies and Procedures and GEF Guidelines for programming as the main audit criteria. In particular, these criteria related to GEF Guidelines for programming, such as: eligibility screening of the project concept notes; application of relevant funding modality; use of programmatic approach versus stand-alone projects; ensuring that UNDP comparative advantage² is constantly applied in projects; roles and responsibilities in the implementation of GEF-funded projects; respect of the main steps of the GEF project cycle; service standards; and milestones/milestone monitoring.

Through December 2012, UNDP-GEF had managed a portfolio totalling \$3.8 billion. As required by GEF Policy³, UNDP-GEF had also ensured co-financing in the amount of \$9.2 billion. By August 2013, UNDP-GEF managed a portfolio totalling \$4.8 billion, including funds accessed from the Global Environment Facility Trust Fund, Least Developed Countries Fund, Special Climate Change Fund, Nagoya Protocol Implementation Fund, Adaptation Fund and other third party cost-sharing funds. UNDP-GEF had also leveraged an additional \$13.7 billion in co-financing.

² According to the GEF Instrument and the Council document titled 'Comparative Advantages of the GEF Agencies', UNDP-GEF niche is "development and management of capacity building programs and technical assistance projects".

³ GEF Co-financing comprises the total of cash and in-kind resources committed by governments, other multilateral or bilateral sources, the private sector, NGOs, the project beneficiaries and the concerned GEF agency, all of which are essential for meeting the GEF project objectives. The GEF Policy on co-financing was approved by the GEF Council in May 2003.

In December 2012, there were 584 active projects implemented in over 150 countries in the UNDP-GEF portfolio. Of these, by value of programme expenditure, 63 percent were national implementation, 30 percent were implemented by United Nations agencies, 5 percent by UNDP itself, and 2 percent were implemented by non-governmental organizations.

OAI reviewed the programmatic and operational support provided by UNDP-GEF to the Country Offices which support the implementation of GEF projects. The support provided includes training of Country Office staff and counterparts in the local context, knowledge networks to disseminate GEF-related information, the use of expert rosters for consultancy support, and oversight of projects. UNDP-GEF provides advisory and project cycle management services to each project. Such project cycle management services include: project identification; preparation of project concept; preparation of detailed project document; project approval and start-up; oversight over project implementation; and project completion and evaluation. The support provided to Country Offices was effective and timely in general, following both UNDP and GEF requirements for quality programming.

The development of project concept notes goes through a multi-layer process determined by GEF. The projects are subject to the regulatory framework governed by GEF, with clearly identified benchmarks and milestones. During project implementation, both GEF monitoring and evaluation policies and guidelines, and UNDP requirements apply. While the project management is decentralized through delegations of authority entrusted to the UNDP Country Offices, oversight and quality assurance is provided by the UNDP-GEF team and supported by an in-house developed project management tool called Project Information Management System (PIMS) (ref. to Sections 4 and 5.1 below).

UNDP-GEF regularly prepares and distributes advisory notes that provide guidance on UNDP and GEF policies to support project implementation. The advisory notes indicate services provided by UNDP and also cover specific issues, such as conducting mid-term reviews and terminal evaluations, updates on the project document template, and environmental and social safeguards. OAI noted that these advisory notes are, in general, of good quality.

In 2013, over 400 projects are expected to submit annual monitoring reports called Progress Implementation Reports as well as mid-term reviews, Terminal Evaluation reports and GEF Tracking Tools completed in the reporting period. Despite a 20 percent workload increase over 2012, UNDP-GEF management is confident that the reports will be prepared and submitted on time. At the time of the audit, OAI noted that no delays had occurred so far.

OAI noted a UNDP-GEF good practice, which consists of submitting annual project monitoring reports to a quality review performed by a qualified external consultant in order to increase the quality, transparency and objectivity of the monitoring process. The ratings of the external quality review of the individual projects are linked to the performance targets of the responsible project leader. OAI noted that linking the objectively assessed quality/performance of the project to individual staff performance has improved the quality of the programming. This can also be seen as a good practice introduced by UNDP-GEF.

A sample of five projects at various lifecycle stages was selected for detailed testing:

Award	Project title	Project ID	Status
63036	Improved Charcoal Technologies and Sustainable Land Management Practices	80338	Ongoing
50191	Persistent Organic Pollutants	61862	Ongoing
59495	Pacific Alliance for Sustainability	74402	Ongoing
59382	Second National Communication to UN Framework Convention on Climate Change	74231	Operationally Closed
59548	Community Based Forrest and Catchment Management	74512	Financially Closed

OAI reviewed the oversight that UNDP-GEF exercises over the different stages of project implementation, such as: project justification, definition and initiation; preparation of work plans, results and financial monitoring; evaluation; preparation of quarterly and annual reviews; field visits; and project closure. UNDP-GEF was exercising a good level of oversight over the projects, in accordance with both UNDP programming policies and GEF requirements.

No reportable issues were observed.

4. Knowledge management

Satisfactory

OAI reviewed the knowledge management in UNDP-GEF using the GEF policy recommendation for the fifth replenishment of the GEF Trust Fund as the main audit criteria. These criteria are: the process for generating, reporting on, and utilizing lessons learned; knowledge management set of products and activities; and supporting infrastructure.

OAI reviewed, in particular, the UNDP-GEF approach to analysis and codification of lessons learned; knowledge dissemination and mechanisms used; the “knowledge uptake”, which ensures that the knowledge products and services are applied in future programming; as well as the UNDP-GEF website (including its maintenance and update).

Besides the ‘Annual Performance Review of UNDP Supported GEF-Financed Projects Report’, examples of other knowledge products recently issued are: ‘Gender in Action: 2010-2011 Gender Report on UNDP Supported GEF Financed Projects’, ‘Transforming On-grid Renewable Energy Production’, ‘Protecting Biodiversity in Production Landscapes: A Guide to Working with Agrobusiness Supply Chains towards Conserving Biodiversity’, and ‘International Waters: Delivering results’, etc.

OAI noted that UNDP-GEF based the knowledge management on the four pillars described in the GEF Knowledge Management Strategy: (a) development of information systems to monitor and evaluate its programme portfolio; (b) analysis and codification of lessons learned through generation of knowledge products and services; (c) knowledge dissemination through existing UNDP mechanisms; and (d) knowledge uptake, which was critical for ensuring that knowledge products and services were not only applied and used, but also further improved through such use. Regional and country context was ensured through systematic collection and ongoing dialogue with regional teams and field based project teams. Knowledge products were disseminated to UNDP and GEF and all stakeholders, based on learning objectives.

UNDP-GEF also ensured that knowledge was disseminated among staff through a variety of means, such as workshops, trainings, and training-of-trainer sessions. Furthermore, validations were performed among the end

users, i.e., validation of the project management arrangements, indicators, risks, assumptions, etc., among all stakeholders.

The entire programme portfolio of UNDP-GEF is managed through the PIMS, which is a tool for tracking the project development, implementation, monitoring and evaluation processes. Besides serving as a depository of all project documentation, it is a useful tool for the collection of lessons learned and experiences for further dissemination and programming.

PIMS was initially rolled out in 2001-2002. The system's server sits within UNDP and is maintained by UNDP-GEF. At the time of the fieldwork, UNDP-GEF was preparing a launch of the third, upgraded version of the system - PIMS 3, which was expected to allow users to generate reports and aggregate data in a more sophisticated manner, providing improved overview, monitoring and provision of good quality information. It was also expected to include timesheets for the staff to record their time spent providing corporate and project cycle management services. The full roll-out of PIMS 3 was expected to take place by the end of 2013. However, at the time of the audit, some elements of PIMS 3 were already operational. Among others, the use of available elements of PIMS 3 has allowed for the online submission of annual Progress Implementation Reports, thus reducing the time and effort required for the submission and consolidation of the reports.

The well-developed structure of PIMS and the manner in which it enables UNDP-GEF to exercise oversight appropriately and in a timely manner over a large portfolio, can serve as a good practice within UNDP.

No reportable issues were observed.

5. Operations

Satisfactory

OAI reviewed the operations of UNDP-GEF, including finance, human resources, procurement and travel. During the audit planning exercise, some areas were rated as low risk and were thus not reviewed in detail during the fieldwork. These areas included information and communication technology, asset management and leave management.

5.1 Financial management

Satisfactory

OAI reviewed key project cycle financial management processes as well as overall UNDP-GEF financial operations in New York through a documentation review as well as interviews held with members of the Finance and Operations Team of UNDP-GEF. The project cycle financial management process is set out in the 'GEF Project and Programmatic Approach Cycles' document. In summary, full-sized projects follow four main steps. Once a potential project has been identified by UNDP-GEF, the Project Identification Form for the project has to be approved by the GEF Chief Executive Officer and the work programme by the GEF Council. Both the Project Identification Form and the work programme contain cost estimates for the project, prepared by the Technical Advisors and reviewed by the Finance and Operations Team. The GEF Chief Executive Officer also has to formally endorse the project and only then the project is approved by UNDP. There are ongoing, regular monthly, quarterly and annual project delivery and financial reviews. Once the implementation is completed, a terminal evaluation of the project and the formal financial closure of the project are conducted by UNDP. A similar process is followed for all projects, irrespective of their size. The Finance and Operations Team within UNDP-GEF monitors project finance and reviews financial information provided by Country Offices as well as submissions to GEF. Progress Implementation Reports are submitted to the GEF Secretariat and financial reports on an aggregate level are submitted to the GEF Trustee on a quarterly basis.

OAI also observed a walkthrough of the PIMS system performed by UNDP-GEF staff to obtain an understanding of the use of the system in the financial management of projects throughout the project lifecycle, from inception and budgeting to operational and financial closing.

OAI performed testing of internal controls in place to ensure compliance with both UNDP and GEF financial requirements, setting and monitoring of project budgets and project expenditure at a central level, and reporting to GEF in line with the reporting requirements, and found them to be effective and in accordance with corporate requirements.

Financial project documentation available in PIMS as well as reports generated on Atlas (including Annual Work Plan and Combined Delivery Report by project) was also tested for five projects selected. Additionally, year-end UNDP Country Office Timesheets (Country Office-produced summaries of actual administrative costs charged by the Country Office for each project including staff and consultant time/costs and other travel or operating costs) were checked and, for each financially closed project, evidence of a completed project completion checklist was obtained. In one instance (project ID 80338, PIMS number 4493), the Country Office (Uganda) had not submitted the required timesheet for the GEF fiscal year ending in June 2012. Missing Country Office timesheets may result in inaccurate reporting to GEF as well as incomplete information available to UNDP-GEF management. This matter was discussed with UNDP-GEF management, who agreed to periodically remind the Country Offices about the requirement.

Other than the minor issue discussed above, no further discrepancies or exceptions were noted and all required information and supporting documentation was readily available at the time of the audit.

OAI also reviewed past United Nations Board of Auditors reports on UNDP-GEF and noted that no issues were identified. During the time of the OAI audit, the United Nations Board of Auditors was performing its annual audit. No reportable issues were identified in their report.

5.2 Human resources

Satisfactory

In 2012, UNDP-GEF operated with 84 staff in six locations (New York, Bangkok, Bratislava, Pretoria, Panama and Dakar). There were also 25 individuals on service contracts and individual contracts.

OAI reviewed the UNDP-GEF human resources strategy set out in the 2011-2014 Business Plan document that defined UNDP-GEF staffing per geographical area and area of expertise. Since it operates on a full cost-recovery basis, staffing needs are planned according to the funding priorities for the coming funding cycle. The UNDP-GEF human resources strategy is part of the general UNDP-GEF business strategy, and is developed during the annual business plan meetings.

OAI reviewed the recruitments and separations conducted in 2012, and no reportable issues were noted. In 2012, UNDP-GEF conducted only two recruitments in order to accommodate the reduction in the GEF fee effective January 2013. During 2012 and 2013 business planning meetings, UNDP-GEF conducted dedicated sessions discussing cost efficiency and cost saving measures, one being to freeze vacant positions. This was a precautionary measure followed by a detailed analysis of the minimum post requirements required to maintain operations.

OAI also reviewed performance management and work-life balance. The work pressure on UNDP-GEF staff was generally high, which was confirmed in interviews with both management and staff. There was no dedicated learning manager, but instead the BDP learning manager was covering UNDP-GEF staff as well. UNDP-GEF relies on highly skilled technical experts and is dependent on attracting and retaining staff members with unique

expertise. OAI noted a good practice of UNDP-GEF of retaining and enhancing staff competencies and skills, by providing opportunities to attend courses, conferences and seminars. In order to manage and track the performance of staff, UNDP-GEF included a number of detailed, quantifiable targets in the annual Results and Competency Assessment. These included quantifiable targets on project performance as well as work-life balance (number of annual leave days taken, etc.), and can serve as a good example for UNDP.

Human resources data related to recruitment, gender balance, work-life balance and performance management are consolidated in the annual Human Resources Dashboard. OAI reviewed such data and found it to be satisfactory.

Two UNDP Regional Centres that housed UNDP-GEF-funded staff were in the process of relocating to other countries at the time of audit. It was expected that UNDP-GEF would also be affected as the relocations would bring about challenges, such as the retention of staff (including retention of capacity and expertise among national staff) and the physical relocation of staff members and their families. OAI found that UNDP-GEF had taken appropriate actions in relation to planning the staff relocation at the time of the audit.

No reportable issues were observed.

5.3 Procurement

Satisfactory

UNDP Programme and Operations Policies and Procedures prescribe UNDP procurement principles, such as: (a) best value for money; (b) fairness, integrity, transparency; (c) effective international competition; and (d) interest of UNDP.

During the period audited, UNDP-GEF procured services of 46 individuals on individual contracts. The procurement of individual contracts was approximately 95 percent of the total procurement volume. OAI reviewed a sample of 15 cases to assess compliance with the Programme and Operations Policies and Procedures requirements and had a few minor observations, e.g., unforeseen extension of individual contracts because of delays in the recruitment of staff for the functions fulfilled temporarily by the individual contractors.

OAI noted that the due diligence performed by UNDP-GEF for the hiring of individual contractors was satisfactory, in general.

No reportable issues were observed.

5.4 Travel

Satisfactory

OAI reviewed UNDP-GEF travel plans. UNDP-GEF provides technical advisory services to Country Offices and projects on a regional and global level, which involves the need for extensive travelling. Based on Atlas data as of 27 August 2013, approximately 50 percent of the total 2013 planned travel had taken place. OAI noted that the percentage of the annual travel plan completed at the time of the audit (August 2013) was approximately 50 percent. According to management, staff were occupied with critical tasks such as Progress Implementation Report preparations to meet the September deadline and submission of approvals to the November Council session. Increased travel activity was expected for the remainder of the year, resulting in a full implementation of the travel plan by the end of December.

OAI selected a random sample of files related to 12 mission travels for review, and no reportable issues were noted.

A good practice of travel planning was noted. During the annual business planning meetings, detailed travel plans for the official mission travels are drafted for the following year. A detailed travel plan allows for better oversight of travel needs during the year, which can facilitate better time and budgetary planning. Developing and maintaining a detailed travel plan and monitoring it closely throughout the year can be seen as a good practice within the organization. UNDP-GEF further engages in efforts to limit the number of travel days among staff by, for example, replacing physical meetings with telephone/video conferences.

No reportable issues were observed.

ANNEX Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

In providing the auditors' assessment, the Internal Audit Services of UNDP, UNFPA, UNICEF and WFP use the following harmonized audit rating definitions. UNDP/OAI assesses the Country Office or audited HQ unit as a whole as well as the specific audit areas within the Country Office/HQ unit.

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity. *(While all UNDP offices strive at continuously enhancing their controls, governance and risk management, it is expected that this top rating will only be achieved by a limited number of business units.)*
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity. *(A partially satisfactory rating describes an overall acceptable situation with a need for improvement in specific areas. It is expected that the majority of business units will fall into this rating category.)*
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised. *(Given the environment UNDP operates in, it is unavoidable that a small number of business units with serious challenges will fall into this category.)*

B. PRIORITIES OF AUDIT RECOMMENDATIONS

The audit recommendations are categorized according to priority, as a further guide to UNDP management in addressing the issues. The following categories are used:

- **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 and may affect the organization at the global level.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to significant 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.