UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP's FAST TRACK POLICIES AND PROCEDURES

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Report on the audit of UNDP's Fast Track Policies and Procedures
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the management of UNDP's Fast Track Policies and Procedures (FTPs) from 22 September to 10 October 2014. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to FTPs. Specifically, the audit:

(a) assessed whether adequate controls existed to ensure that risks associated with FTPs had been identified, assessed and mitigated;

(b) reviewed whether FTPs had achieved their intended objectives of "improving speed and timeliness of UNDP's response to crisis and other special situations";

(c) assessed whether the governance mechanisms around the activation of FTPs were functioning and providing the right feedback and oversight – this included a review of the adequacy of corporate controls and corporate oversight over FTPs; and

(d) reviewed FTPs as part of UNDP's overall approach to crisis response.

The audit covered the management of FTPs from their initial approval in January 2010 until September 2014. During this time, FTPs were activated more than 70 times by 47 Country Offices in UNDP. OAI estimated that the programme delivery of projects or Country Offices under FTPs amounted to about $2 billion, equivalent to about 10 percent of UNDP's overall delivery during this period. This was the first audit of the FTPs.

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

Overall audit rating

OAI assessed the management of FTPs 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."

Key recommendations: Total = **3**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There were three medium (important) priority recommendations, which means "Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP." These recommendations include actions to address the insufficient governance and operational arrangements for FTPs and the lack of guidance for operationalizing signature products.

Management comments and action plan

The Directors of the Bureau of Management and the Crisis Response Unit accepted all of the recommendations and are in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Director
Office of Audit and Investigations

I. Background

The "Strategy for Fast-Tracking UNDP's Crisis Response" (i.e. the FTPs) was developed in 2009 by the Bureau of Management and the then Bureau for Crisis Prevention and Recovery to "establish mechanisms for improving speed and timeliness of UNDP's response to crisis and other special situations." FTPs were approved by the then Management Group on 17 December 2009.

FTPs include a set of policy amendments that automatically take effect upon activation of one of the following four defined events ("triggers"):

1. a crisis has been declared by the Office for the Coordination of Humanitarian Affairs or the United Nations Country Team;
2. an emergency grant has been approved by the Bureau for Crisis Prevention and Recovery;
3. SURGE[1] support has been activated; and/or
4. outside the context of an acute crisis, when a strategic and/or time-critical response is needed to maintain UNDP's credibility and relevance.

Upon FTPs activation, Country Offices are automatically granted an increased delegated authority for procurement ("single-level scaling up"), and benefit from more flexible procurement, human resources, project approval and finance policies.

FTPs further include an approach for Fast Tracking through "preparedness" with the goal of increasing UNDP's readiness for future crises by developing a forward-looking crisis response framework. Fast Tracking through "preparedness" foresaw 15 corporate and country-level initiatives, which would "set the stage for offices to respond quickly to special situations." These included "a tailored approach for engaging international and non-governmental organizations and non-commercial private sector entities" and "finalized long term agreements with select international and national NGOs for immediate engagement." They also included "consolidated and expanded expert rosters" and "revised standard operating procedures for [rapid] customs clearance at a Country Office level."

FTPs also suggested modifications to project management, finance, human resources, partnerships and risk and results management in order to implement Fast Track "across the board."

FTPs went live in 2010. Their implementation plan suggested for the "preparedness" part to be mostly implemented in 2010. The "across the board" section was foreseen to be addressed "as part of the overall migration of the current POPP [Programme and Operations Policies and Procedures] content to the next generation."

Between 2010 and September 2014, FTPs had been activated more than 70 times by 47 Country Offices in UNDP. OAI estimated the programme delivery of projects or Country Offices under FTPs amounted to about $2 billion, equivalent to about 10 percent of UNDP's overall delivery during this period.

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[1] SURGE is a UNDP-wide programme that provides unique standard operating procedures to facilitate the rapid deployment of relevant expertise and resources to Country Offices in crisis situations, through operational practices such as recruiting from pre-vetted rosters.

II.   Audit approach

The audit covered the management of FTPs from their initial roll-out in January 2010 to September 2014. As part of the audit, OAI conducted a survey of all 47 Country Offices that had activated FTPs. The response rate was 92 percent.

OAI had already reviewed the procurement components of FTPs as part of its audit of UNDP's corporate procurement function (Report No. 875) in 2011/2012. One recommendation regarding FTPs was addressed to the Bureau of Management and the then Bureau for Crisis Prevention and Recovery. However, this recommendation was not implemented and was withdrawn by OAI in 2014 in light of the upcoming FTPs audit.

III.   Audit results

Satisfactory performance was noted in the following areas:

(a) <u>Risk management in FTPs</u>. OAI revisited its audit reports for 15 Country Offices audited before, during, or after FTPs activation, and reviewed the net financial impact of audits of directly implemented projects that were managed under FTPs. OAI concluded that risk considerations were taken into account in FTPs activation in Headquarters and that risk management processes generally continued to function upon FTPs activation at the Country Office level. Further, the majority of respondents to OAI's survey were either neutral to or disagreed with the statement that FTPs have increased UNDP's risk exposure.

(b) <u>FTPs goal achievement</u>. Overall, OAI concluded that, while not developed as planned, FTPs have met their original objective of improving the speed and timeliness of UNDP's response to crisis and other special situations in the areas of procurement and recruitment. The majority of OAI survey respondents indicated that FTPs had accelerated procurement and recruitment processes. The survey results were also corroborated by OAI's analysis of transaction data on procurement.

OAI made three recommendations ranked medium (important) priority.

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

Medium priority recommendations, arranged according to significance:

(a) Operationalize the signature products with the goal of having a readily available set of crisis response products, to be deployed immediately when crises occur (Recommendation 3).
(b) Streamline the FTPs governance arrangements (Recommendation 1).
(c) Address the operational issues identified in FTPs (Recommendation 2).

The detailed assessment is presented below, per audit area:

1.   Governance of FTPs: Management, monitoring and oversight

OAI reviewed the governance arrangements of FTPs, including accountabilities, maintenance of FTPs, oversight and reporting.

Issue 1   Insufficient governance and operational arrangements for FTPs

The UNDP Accountability Framework emphasizes the need for clear definitions of authorities, responsibilities and accountabilities.

The governance and operational arrangements for FTPs were unclear, and were not aligned with the requirements of the Accountability Framework. In addition, a number of issues in activation, oversight and monitoring had existed since the beginning of the FTPs implementation, but had gone largely unaddressed.

With regards to governance arrangements, the following issues were noted:

- Despite the existence of the original timeline to have most parts of FTPs developed by the end of 2010, no report on the status of FTPs roll-out was made available for audit. OAI analysed and concluded that the frameworks for "preparedness" and "across the board" had never been fully rolled-out, as planned by the original policy. As examples, while other United Nations agencies' long term agreements were mapped, assessed and endorsed for utilization, as originally planned, a service level agreement with the medical division and a policy on cash management in crisis situations were not developed. Further, the development of the "preparedness" and "across the board" elements were neither coordinated nor tracked, but left entirely to the discretion of the Bureaux and Offices that originally committed to developing them.

- There were several attempts to assess the usefulness and usage of FTPs, particularly in 2011 and 2012. At least one of the commenced initiatives also included concrete suggestions for developing the next set of FTPs ("Fast Track 2"). However, none of these analyses were concluded and, in turn, none of the suggestions were implemented.

- Some of the policy elements of FTPs had been overtaken by corporate policy changes, for example, the 2011 single-layer review and the 2012 increase of low value shopping. While these policies were developed independently of FTPs, they led to a certain degree of mainstreaming of FTPs. OAI estimated that around 80 percent of the original FTPs' provisions for procurement had been mainstreamed by October 2014. However, most of these changes were reflected neither on the FTPs website, nor in the 'Programme and Operations Policies and Procedures.' The mainstreaming of many parts of FTPs had also not been effectively communicated to Country Offices or Regional Bureaux. As such, many stakeholders to FTPs may not have been aware that some of the most frequently used items of FTPs (e.g. usage of long term agreements of other agencies) were already available to all offices without activating FTPs.

- The mainstreaming of many of the FTPs procurement rules led to contradictions between FTPs and the policy on Increased Delegated Procurement Authority. Under this policy, Country Offices have to meet certain requirements to be granted additional procurement authority, whereas the same offices can obtain this added authority unconditionally upon FTPs activation under trigger four ("outside the context of an acute crisis, when a strategic and/or time-critical response is needed to maintain UNDP's credibility and relevance"), unless it is specifically declined by the Procurement Support Office within a 48 hour deadline.

On the operational level, OAI noted that:

- FTPs were largely activated for non-emergency purposes (around two-thirds of activations were based solely on trigger 4. While the original FTPs strategy specifically allowed for non-emergency uses, the extent to which this was applied was not in line with the original spirit of the strategy, which clearly put crisis response as the main objective of FTPs. OAI acknowledges the fact that there are different types of crises, which require different, staggered policy approaches, yet the "open door" that was created with trigger 4 of

the existing FTPs was not in line with the spirit of the policy.

- Due to insufficiently developed activation forms, Atlas project numbers for the FTPs projects often cannot be identified without inquiring with the respective Country Office, thus making any kind of corporate monitoring (e.g. regarding procurement and human resources) cumbersome.

- While the original FTPs assign the Regional Bureaux a significant role in the approval and monitoring of FTPs activation and implementation, at the time of the audit, the Bureau of Management was carrying out the de facto activation for Country Offices on the FTPs website.

- The extension of FTPs up to four times in several Country Offices (e.g. Haiti, Somalia, Syria and Yemen) showed that FTPs had become a "regular" way to deliver UNDP results rather than a stop-gap measure for immediate response, as originally intended.

- As per the FTPs, a joint review between the activating Country Office and the respective Regional Bureau is required for an extension of FTPs. While 75 percent of Country Offices indicated that a review took place, there was no documentation to support this.

- Only 2 out of the more than 40 Country Offices that activated FTPs in 2013 and 2014 had submitted usage reports, thus making corporate monitoring of FTPs implementation difficult. In OAI's survey, 33 percent of respondents stated that their respective Country Offices had produced and submitted reports on FTPs usage. However, only 12 percent felt that their reports had been used in order to improve the FTPs policy.

The governance and operational issues may be attributed to the fact that none of the units that played a key role in the development of FTPs (Bureau of Management and Bureau for Crisis Prevention and Recovery) had been assigned a coordination function or a clear management/ownership role for FTPs.

Due to the importance that FTPs play in UNDP's crisis response strategy, the issues noted above can jeopardize UNDP's capacity to deliver on its crisis response commitments.

Priority	Medium (Important)
Recommendation 1: Streamline the FTPs governance arrangements by: (a) defining a clear owner who manages and oversees FTPs' further development, implementation and maintenance, and clarifying the role and accountability of each unit in the activation of FTPs; and (b) establishing a clear timetable for developing the remaining relevant open items that were originally identified in FTPs and enforce them. **Responsible HQ bureau:** Crisis Response Unit, Bureau of Management	
Management action plan: The Crisis Response Unit and the Bureau of Management will recommend an arrangement that establishes clear ownership of the FTPs and will request the Executive Office to review and approve the arrangement.	

The United Nations system-wide approach in crisis response has evolved since the development of the Fast Track Procedures in 2009. Some of the open items may no longer be relevant. The Crisis Response Unit and the Bureau of Management will therefore develop a new work plan for enhancing crisis response in UNDP, which will include a review of the remaining open items.

Estimated completion date: December 2015

Priority	Medium (Important)

Recommendation 2:

Address the operational issues identified by:

(a) limiting the use of FTPs to crises only and reviewing the need for activation trigger 4; and

(b) establishing clear time limits for the application of FTPs, thereby re-emphasizing their stop-gap function and limiting the current widespread practice of extending FTPs.

Responsible HQ bureau: Crisis Response Unit, Bureau of Management

Management action plan:

In consultation with the Regional Bureaux, the Crisis Response Unit and the Bureau of Management will review the use of trigger 4, including which procedures are used in these circumstances and the criteria used for this trigger.

The Crisis Response Unit and the Bureau of Management will establish clear criteria for activation and deactivation of the FTPs which, among others, will include time.

Estimated completion date: December 2015

2. FTPs as part of UNDP's overall approach to crisis response

Issue 2   Lack of guidance for operationalizing signature products

The Inter Agency Standing Committee, a General Assembly-mandated body that seeks to enhance the coordination between the main United Nations and non-United Nations actors in humanitarian assistance (e.g. FAO, OCHA, OHCHR, UNDP, UNFPA, UNHCR, UNICEF, WFP, World Bank, the International Committee of the Red Cross and Interaction) acknowledged UNDP's early recovery role in crisis response for so-called Level 3 emergencies.

Moreover, UNDP's Strategic Plan 2014-2017 clearly makes crisis response a priority and highlights the areas that UNDP plans to engage in.

In response to this increased mandate, the Bureau for Crisis Prevention and Recovery/Crisis Response Unit had developed a set of signature products, designed to specify what services UNDP will offer in response to crises and provide guidance to Country Offices in this regard. Three signature products and corresponding guidance notes to facilitate their implementation were announced UNDP-wide in January 2013. While a comparative experience paper supported the development of each guidance note, the UNDP Guide on Livelihoods & Economic Recovery in Crisis Situations provided policy guidance on the relevance of the signature products for immediate crisis response and how they contribute to recovery and long-term development endeavours. Two more signature products were under development as of September 2014, with the substantive content now provided by the Bureau for Policy and Programme Support.

While the Bureau for Crisis Prevention and Recovery/Crisis Response Unit had announced in January 2013 that the "success of these new Guidance Notes should be measured in the extent to which they enable colleagues, in times of crisis, to define interventions swiftly, and then to put them into operation resulting in the rapid restoration of sustainable livelihoods to people affected by crisis," these new programmatic commitments in crisis response had not yet been reflected in UNDP's operations.

As such, the Guidance Notes mainly consisted of a collection of experiences from different UNDP programme countries, but referred to FTPs for their operationalization. While the initial consultations for the operationalization of the signature products had been conducted as part of several workshops, a coordinated approach in this regard had not been developed. As evidenced by the July 2014 after-action report on UNDP's Haiyan response in the Philippines, signature products (such as debris removal, infrastructure rehabilitation and emergency employment generation) require more concrete operationalization approaches than making procurement and recruitment policies more flexible, as advocated by FTPs. As examples, the pre-positioning of equipment, the negotiation of contracts with service providers, a reliable financial framework for cash for work, and better support to resource mobilization activities for affected Country Offices, are mentioned in the after-action report as steps to improve UNDP's crisis response capacity.

Continued lack of operationalization of programmatic commitments in crisis response may lead to UNDP failing to deliver on its UN system-wide and corporate crisis response commitments and may thus significantly affect the recipients of UNDP's services as well as the reputation of the organization. Ideally, the identified governance and operational deficits (Issue 1) would be solved as part of an overall effort to better operationalize UNDP's programmatic mandate in crisis response.

Priority	Medium (Important)
Recommendation 3: Operationalize the signature products with the goal of having a readily available set of crisis response products, to be deployed immediately when crises occur. The operationalization should be adjusted to the different types of crisis that UNDP responds to, i.e., Level 3 emergencies, protracted crisis, political crisis and others. **Responsible HQ bureau:** Crisis Response Unit, Bureau of Management	
Management action plan: The Crisis Response Unit, the Bureau of Management and Bureau for Policy and Programme Support will enhance the existing signature products for immediate crisis response with operational guidance that would allow for quick delivery of results. This shall also include guidance about operating in different crisis contexts	

as well as an enhanced roster of deployable expertise (SURGE and consultants) for each of the signature products.

UNDP has taken the initiative to reassess the organization's capacity gap in immediate crisis response. A consultation with senior managers from Country Offices in crisis has been conducted to solicit inputs from the field. The consultation has identified a number of actions that could be taken to enhance the existing signature products to be a predictable package of programming tools, operational processes and funding options for Country Offices. A work plan for the development of the enhanced signature products is currently under development and will be considered at an Executive Team Meeting in early 2015. These steps will ensure that UNDP meets its United Nations system-wide and corporate crisis response commitments.

Estimated completion date: December 2015

Definitions of audit terms - ratings and priorities

A.   AUDIT RATINGS

- **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.

- **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.

- **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.

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 that are considered moderate. Failure to take action could contribute to 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.