



AUDIT

OF

**THE UNITED NATIONS COLLABORATIVE PROGRAMME ON REDUCING EMISSIONS FROM
DEFORESTATION AND FOREST DEGRADATION IN DEVELOPING COUNTRIES (UN-REDD)**

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Report on the audit of The United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD) Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD Programme) from 27 October 2014 to 28 November 2014. The UN-REDD Programme builds on the convening role and technical expertise of its three Participating UN Organizations: the Food and Agriculture Organization (FAO), the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP).

The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to UN-REDD at three levels: (a) UNDP's support to National Programmes in selected countries and local inter-agency coordination; (b) UNDP's support to National Action through the UN-REDD Global Programme and management at the UNDP corporate level; and (c) interagency collaboration and coordination of the UN-REDD Global Programme. The present report focuses on the first two levels. The third level is expected to be analysed in a separate joint report drafted by the internal audit services of UNDP, FAO and UNEP.

Specifically, this report reviewed whether:

(For National Programmes in selected countries [Cambodia and Ecuador] and the UN-REDD Viet Nam Programme Phase II¹)

- the organizational set-up and governance of the UN-REDD Programme in the country are clear and appropriate;
- the implementation and progress of the UN-REDD components of UNDP are making reasonable progress in line with work plan and budget parameters, and operations are actively managed and monitored;
- UNDP's contribution to the UN-REDD Programme is in line with agreements, is timely, and useful;
- collaboration among the Participating UN Organizations in implementing the UN-REDD Programme is well-coordinated and constructive;
- government counterparts play an active role in facilitating and implementing the UN-REDD Programme in the country; and
- the UN-REDD Programme has defined an exit strategy to ensure sustainability and transition of programme achievements to government counterparts.

(For support to National Action and management at the UNDP corporate level [UN-REDD Global Programme])

- UNDP has established adequate objectives, strategy and indicators/milestones to measure the progress on UNDP's dimension of the UN-REDD Global Programme to ensure that feedback received is monitored and followed-up on;
- UNDP has established effective governance arrangements, programme structure, competencies, duties, tasks and reporting lines;
- UNDP's system of accountability, assignment of authority and responsibilities are carried out in compliance with relevant policies and procedures; and
- UNDP's global advocacy, liaison and communications with internal and external stakeholders are aligned with the UN-REDD Programme.

The audit covered UN-REDD activities from 1 January 2013 to 31 October 2014.

¹ UN-REDD Viet Nam Programme Phase II is building on the completed UN-REDD National Programme in the country with the objective to enhance Viet Nam's ability to benefit from future results-based payments for REDD+ and undertake transformational changes in the forestry sector, and has its own Memorandum of Understanding and fund. The Programme is governed by the UN-REDD Viet Nam Executive Group and not by the UN-REDD Policy Board.

This audit did not include a review of internal operations of UNDP activities for UN-REDD, as these operations were executed by UNOPS.

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

Overall audit rating

OAI assessed UNDP's support to National UN-REDD Programmes in selected countries and UNDP's support to National Action and management at the UNDP corporate level (UN-REDD Global Programme) as **partially satisfactory**, which means, "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." This rating was mainly due to weaknesses in governance arrangements, and inadequate oversight and coordination between Participating UN Organizations which reduces the efficiencies of the UN-REDD Programme.

Key recommendations: Total = 11, high priority = 3

The 11 recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendations 1, 3, 4 and 10); (b) reliability and integrity of financial and operational information (recommendation 8); (c) effectiveness and efficiency of operations (Recommendations 2, 6, 9 and 11); and (d) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 5 and 7).

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

Limited effectiveness of Project Executive Board in Viet Nam as a mechanism for decision-making and oversight (Issue 1)

The role of the Project Executive Board is to provide guidance and oversight functions to the Programme Management Unit, and should meet every six months. At the time of the audit, the Board had 27 members. In addition, the Board had only met once in 2013 and once in 2014, along with one virtual session in 2014.

Recommendation: The Viet Nam Country Office should enhance cooperation with the national implementing partner and other Participating UN Organizations by: (a) strengthening the role of the Project Executive Board through meetings held when critical issues need to be addressed, and increasing the effectiveness of meetings by defining the purpose of the sessions for the 27 authorized members (such as guidance, oversight, decision-making, or information sharing session); and (b) using the Project Executive Board as a mechanism to monitor and document the implementation status of the recommendations from the annual review report.

Inadequate monitoring and follow-up on agreement between Viet Nam Country Office and Sustainable Development Cluster of BPPS (Issue 5)

The Sustainable Development Cluster of the Bureau for Policy and Programme Support (BPPS) is accountable for ensuring that the UN-REDD Viet Nam Programme Phase II activities are undertaken in accordance with the UN-REDD Programme principles, criteria, guidelines and quality assurance measures. OAI observed that the UNDP Viet Nam Country Office and BPPS did not have formal quarterly discussions to

agree on the quality assurance elements connected to technical assistance inputs. Furthermore, BBPS' support was agreed to be funded on a full cost recovery basis from the UN-REDD Viet Nam Programme Phase II. However, it (except travel costs) was funded through the UN-REDD Global Programme with no cost recovery from the Viet Nam Programme Phase II.

Recommendation: The Viet Nam Country Office and BPPS should hold formal quarterly discussions to agree on the quality assurance elements connected to technical assistance inputs, and seek clarification for full cost-recovery of BPPS expenses.

Lack of common fund management procedures by Participating UN Organization of UN-REDD Viet Nam Programme Phase II (Issue 6)

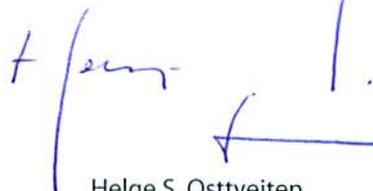
Each Participating UN Organization involved in the UN-REDD Viet Nam Programme Phase II was transferring funds and managing its activities using its own regulations and procedures. Furthermore, financial reporting formats differed for each UN Organization. The lack of a common operational framework for fund management procedures resulted in increased transaction costs and administrative burdens for the country in the implementation of the UN-REDD Viet Nam Programme Phase II.

Recommendation: BPPS, in consultation with Viet Nam Country Office should facilitate discussions with FAO and UNEP headquarters on common fund management procedures to reduce administrative costs.

Management comments and action plan

The Principal Policy & Technical Advisor for the Sustainable Development Cluster of BPPS, along with the UN Resident Coordinators and UNDP Resident Representatives for Cambodia, Ecuador, and Viet Nam 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.



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I. About the UN-REDD Programme

The United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD Programme) was launched in 2008 and builds on the convening role and technical expertise of UNDP, FAO and UNEP.

The aim of the UN-REDD Programme is to assist developing countries to build capacity to reduce CO₂ emissions and to participate in a future mechanism to reward developing countries for reducing emissions from deforestation and forest degradation (REDD+). The UN-REDD Programme delivers through the following two modalities: (a) direct support to the design or implementation of REDD National Programmes; and (b) complementary support, i.e. tools and methodologies to countries (Global Programme/Support to National Action).² By December 2014, the total funding for these two streams of support totalled \$247 million since the start of the Programme. The UN-REDD Programme supports REDD efforts in 56 partner countries in Africa, Asia-Pacific and Latin America (as of December 2014).

The UN-REDD Programme is funded through the UN-REDD Programme Fund, established in 2008 and administered by the UNDP Multi-Partner Trust Fund Office (MPTF). The Fund provides support to both the National Programmes in individual countries and the Global Programme through UNDP, FAO and UNEP, respectively. The donors are Norway, European Union, Denmark, Spain, Japan and Luxembourg. UNDP expenditures from the MPTF were \$22 million during the audit period, around 40 percent of the total expenditures. The budget for National Programmes in Cambodia and Ecuador were \$3 million and \$4 million, respectively. In Cambodia, UNDP had expended \$1.5 million, while in Ecuador expenditures were \$1 million by December 2014. The UN-REDD Viet Nam Programme Phase II was supported through a separate trust fund under MPTF administration, where Norway was the only donor. The approved budget was \$16.8 million. Total expenditures in 2013 and 2014 were \$2.7 million, \$1.6 million of which were UNDP expenditures.

UNDP, FAO and UNEP signed a standard Memorandum of Understanding for multi-donor trust funds using pass-through fund management. Each of the Participating UN Organizations assume full programmatic and financial accountability for implementation of the programme in accordance with their expertise as well as their financial regulations, rules and procedures. The UNDP Global UN-REDD team manages the UN-REDD Programme at the UNDP corporate level, provides support to National Programmes and National Action, and reports to the Sustainable Development Cluster of BPPS based in UNDP headquarters in New York.

UNDP, FAO or UNEP was assigned as the lead UN-REDD agencies in each of the UN-REDD participating countries. The United Nations Resident Coordinators would provide strategic leadership and facilitate relationships with national authorities. The Resident Coordinator would also facilitate ongoing monitoring and evaluation of UN-REDD activities in conformity with UN standards.

The Policy Board is the governing body of the UN-REDD Programme and is responsible for oversight, strategic direction and financial allocations (including approval of National Programmes). The three Participating UN Organizations will contribute to : (a) clear strategic direction related to the Participating UN Organizations' contributions to the UN-REDD Programme through the Strategic Group³; (b) effective programme management through the Management Group; and (c) effective programmatic coordination, quality assurance, and administrative and logistical support for the key decision-making bodies of the UN-REDD Programme through the UN-REDD Secretariat.

² Countries may also request UN-REDD for Targeted Support to fund specific REDD+ readiness activities. Targeted Support is funded through the UN-REDD Global Programme and amounted to \$13.4 million by 24 November 2014, distributed to 36 countries.

³ The strategic group was established in 2011 to complement and enhance the role of the UN-REDD Policy Board and to improve the overall performance of the UN-REDD Programme. The membership includes one representative from each UN Agency.

II. Audit results

Satisfactory performance was noted in the following areas:

National Programmes in Cambodia and Ecuador, and Viet Nam Programme Phase II

- (a) UNDP was largely successful in facilitating the implementation of the UN-REDD Programmes in Ecuador, Cambodia, and Viet Nam.
- (b) Government counterparts in Ecuador played an active role in implementing the UN-REDD Programme.
- (c) Collaboration between the three Participating UN Organizations in implementing the UN-REDD Programme in Cambodia, Ecuador and Viet Nam was found to be satisfactory as it pertains to UNDP.

Global Programme/Support to National Action

- (a) UNDP completed activities in the work areas, where particular UN-REDD responsibilities were assigned, i.e. National REDD+ Governance, engagement of indigenous peoples and local communities and other relevant stakeholders, along with transparent, equitable and accountable management of REDD+ payments.
- (b) UNDP's implementation strategy was flexible and tailored to meet specific country needs, e.g. building on country needs assessments. UNDP's regional coordinators played an important role in liaising between BPPS and the countries.
- (c) A new knowledge management and communications strategy was being developed in the UN-REDD Secretariat supported by UNDP, and was expected to improve knowledge sharing. The strategy included outcomes and concrete actions to improve sharing of knowledge, for strengthened collaboration and knowledge exchange among the UN-REDD Programme, partner countries and other knowledge sources.

OAI made three recommendations ranked high (critical) and eight recommendations ranked medium (important) priority.

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

High priority recommendations, arranged according to significance:

- (a) BPPS, in consultation with Viet Nam Country Office - Facilitate discussions with FAO and UNEP headquarters on common fund management procedures to reduce administrative costs (Recommendation 6).
- (b) Viet Nam Country Office - Enhance cooperation with the national implementing partner and other Participating UN Organizations to strengthen the role of the Project Executive Board and use the Executive Board as a mechanism to monitor and document the implementation status of the recommendations from the annual review report (Recommendation 1).
- (c) Viet Nam Country Office and BPPS - Hold formal quarterly discussions to agree on the quality assurance elements connected to technical assistance inputs, and seek clarification for full cost-recovery of BPPS expenses (Recommendation 5).

Medium priority recommendations, arranged according to significance:

- (a) BPPS - Assess benefits, costs and risks for UNDP in continuing to use UNOPS as an executing partner (Recommendation 11).
- (b) BPPS - Contribute to further development of a results-based reporting framework reflecting key priorities for UN-REDD and UNDP, and use the framework to achieve better oversight and more active management of UNDP's dimension of the Programme (Recommendation 9).
- (c) Ecuador Country Office - Improve the use of project personnel contracts (Recommendation 7).
- (d) Ecuador Country Office - In consultation with FAO, perform the final evaluation and contribute to the implementation of the exit strategy (Recommendation 4).
- (e) Cambodia Country Office - Through the Project Executive Board, take the lead with the government and other stakeholders in identifying and implementing financial and management options for the REDD+ Taskforce Secretariat (Recommendation 2).
- (f) Ecuador Country Office - Enhance efforts to support the REDD National Strategy in consultation with FAO, as envisioned in UN-REDD programme objectives (Recommendation 3).
- (g) Ecuador Country Office - Comply with UNDP policies and procedures governing cash funds used for nationally implemented projects under the direct payment modality (Recommendation 8).
- (h) BPPS - Develop plans to sustain knowledge and capacities when National Programmes in Phase I are ending (Recommendation 10).

The detailed assessment is presented below, per audit area:

A. UN-REDD National Programmes in Ecuador and Cambodia, and Viet Nam Programme Phase II

1. Organization and governance of the UN-REDD Programme

Issue 1 Limited effectiveness of Project Board in Viet Nam for decision-making and oversight

According to the UN-REDD Viet Nam Programme Phase II Terms of Reference, Project Executive Board members should include representatives from relevant departments of the implementing partners and other relevant line ministries and government agencies, Participating UN Organizations, civil society and indigenous people. The Board was to meet quarterly, or more frequently, if required. According to the revised Project Executive Board's Operational Regulations (adopted 2 June 2014), it should meet every six months. The role of the Project Executive Board is to provide guidance and oversight functions to the Programme Management Unit, including approval of quarterly and annual work plans, budget revisions, submission of the fund disbursement requests to the MPTF, and implementation of recommendations addressing critical issues related to the UN-REDD Viet Nam Programme Phase II.

The UN-REDD Viet Nam Programme Phase II inception was in October 2013. At the time of the audit, the Board had only met once in 2013 and once in 2014, along with one virtual session in 2014. The Board has 27 members.

An annual review was ongoing at the time of the audit with the objective of recommending modifications to the results framework and improving institutional and management arrangements. The role of the Project Executive Board in monitoring the implementation of recommendations of the annual review is critical.

Infrequent board meetings and large membership limit the attendance of members to meetings that should take place, and may constrain coordination among them. Further, they may limit the Viet Nam UN-REDD Project Executive Board's role as an effective institutional mechanism for high level decision-making and oversight of the UN-REDD Viet Nam Programme Phase II.

<p>Priority: High (Critical)</p>
<p>Recommendation 1:</p> <p>Enhance cooperation with the national implementing partner and other Participating UN Organizations by:</p> <ul style="list-style-type: none"> (a) strengthening the role of the Project Executive Board through meetings held when critical issues need to be addressed, and increasing the effectiveness of meetings by defining the purpose of the sessions for the 27 authorized members (such as guidance, oversight, decision-making, or information sharing session); and (b) using the Project Executive Board as a mechanism to monitor and document the implementation status of the recommendations from the annual review report. <p>Responsible office: Viet Nam Country Office</p>
<p>Management comments and action plan:</p> <p>The Project Executive Board’s operational regulations were revised on 2 June 2014 to further clarify the role, functions, working principles and meeting frequency of the Project Executive Board. The frequency of Project Executive Board meetings have increased, as well as the co-chairs’ meetings in between formal Project Executive Board sessions. In the first co-chairs’ meeting on 29 September 2014, it was agreed that more co-chairs’ meetings would be held as needed to complement the Project Executive Board meetings.</p> <p>An annual review exercise was held in October 2014 and the report was completed in January 2015. The Project Executive Board reviewed findings and recommendations of the review exercise in its meeting held on 26 December 2014 and agreed on follow-up actions, which will be monitored in subsequent meetings (notably, during the next co-chairs’ meeting that was scheduled to take place on 11 February 2015 and the next Project Executive Board meeting scheduled for March 2015).</p> <p>Subsequent follow-up actions pertaining to this recommendation will be agreed upon in the upcoming Executive Group meeting to be held in March 2015. It is expected that recommendations pertaining to the Project Executive Board will be implemented by 31 December 2015 in conjunction with the approval of the programme extension (currently under consideration).</p> <p>Estimated completion date: December 2015</p>
<p>OAI Response</p> <p>OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.</p>

Issue 2 Limited staff capacity of Taskforce Secretariat in Cambodia and sustainability at risk

The UN-REDD Programme’s Framework Document, signed in 2011, encourages the establishment of a country-led national REDD office to provide day-to-day management of the UN-REDD Programme, coordinate national REDD activities, ensure a coordinated government response, and integrate REDD into national development processes. Under the UN-REDD Programme, this role was to be performed by the REDD+ Taskforce Secretariat in Cambodia. The REDD+ Taskforce Secretariat in Cambodia is located within relevant government ministries,

and is led by government appointed representatives. UNDP and FAO project staff support the project and the government staff representatives.

The UN-REDD staff were located within the REDD+ Taskforce Secretariat. Since government representatives were not assigned to the Secretariat on a full-time basis, and not physically located there, the Secretariat's coordination and administrative functions were largely being administered by UNDP and FAO contracted staff.

Not having full-time government staff assigned to the Secretariat may weaken the sustainability of the REDD+ Taskforce Secretariat as a country-led institution and may reduce the capacity of the Government to coordinate national REDD activities.

Priority	Medium (Important)
Recommendation 2:	
Take the lead with the Government and other stakeholders in identifying and implementing financial and management options for the REDD+ Taskforce Secretariat to become a more solid institution and be more government-driven.	
Responsible office: Cambodia Country Office, through the Project Executive Board	
Management comments and action plan:	
The Country Office will initiate discussions with management of government agencies and engage with the Project Executive Board as required. Enhancing national capacity and establishing government ownership will also be addressed in the planned external evaluation of the UN-REDD Programme that will be undertaken in March-April 2015. At the UN-REDD Programme level, a capacity needs assessment of government agencies and staff is also planned to identify constraints and recommend effective strategies to enhance government staff capacity.	
A capacity-building assessment and follow-up of recommendations will be undertaken in 2015. Approaches to enhance government ownership and institutionalization throughout 2015-2016 will also be undertaken. These activities will be supported by the Forest Carbon Partnership Facility project following the closure of the UN-REDD Programme.	
Estimated completion date: Ongoing through end of 2016.	

Issue 3 Lack of a National Strategy for UN-REDD Programme in Ecuador

According to the United Nations Convention on Climate Change Cancun Agreement of November 2010, the development of a REDD National Strategy is necessary for countries, in order to accomplish the REDD+ phase, which is the overarching objective of the REDD Programme implemented in Ecuador. UNDP is not the leading agency for the implementation of the UN-REDD Programme in Ecuador, but is leading some specific activities.

At the time of the audit, the REDD National Strategy had not been prepared. OAI was informed that the creation of a document titled 'Vision del Ecuador en relacion a REDD+' was being drafted and was expected to be finalized by December 2014. According to the project team in the UNDP Ecuador Country Office, this document would be used as the basis for the preparation of the REDD National Strategy and would help define and

implement the communications strategy and distribution system of benefits. The communications strategy aimed to inform civil society and the communities involved about the REDD+ initiative and its benefits for the country.

The REDD National Strategy as such was not envisioned in the UN-REDD Programme in Ecuador.

The Office commented that a communications strategy had been partially defined already by the UN-REDD Programme. The programme document included a section on a “Plan to Involve Civil Society” which would be executed through a consultation process, working groups, capacity-building, and communication materials. This has been achieved by the UN-REDD Programme in Ecuador (Result 2). A document titled ‘Guidelines about the requirements and procedures for the consultation or negotiation process with indigenous nationalities and people and traditional communities to implement REDD+ activities’ was delivered to the government in 2013 and a proposal on ‘National guidelines for the consultation/negotiation for the National REDD+ Programme’ was approved in September 2014. The Programme has also delivered many outputs concerning stakeholder mapping, communications products, working groups, capacity-building events, etc. Hence, civil society and the communities involved have been informed about the REDD+ initiative and the benefits for the country.

The lack of a UN-REDD National Strategy could potentially compromise the overall achievement of project objectives for the UN-REDD Programme in Ecuador, cause delays in the UN-REDD Programme’s implementation and lead to reputational risks as well as funding challenges, as agreed upon results may not be achieved.

Priority	Medium (Important)
Recommendation 3:	
Enhance efforts to support the REDD National Strategy in consultation with FAO, as envisioned in UN-REDD programme objectives.	
Responsible office: Ecuador Country Office	
Management action plan:	
The Office will implement the recommendation as follows:	
<ul style="list-style-type: none"> (a) The relevant government ministry had been working on a “REDD National Programme” which replaced the UN-REDD National Strategy and would be aligned with the National Climate Change Strategy. The Climate Change Strategy is now being implemented, and is a baseline for work in UN-REDD, while the basic elements of the National Programme are mentioned in the programme document. Further, there is a draft of an official National Plan, and a Targeted Support approved by the UN-REDD Secretariat, to be implemented by the relevant government ministry and UNDP, in order to develop and implement a REDD+ National Strategy. (b) Concerning the distribution system of benefits, the objective was divided twofold: a ‘Guide for the horizontal distribution of benefits’ which has been completed already, and ‘Inputs to finance REDD+ National Program in Ecuador’ which will be completed in June 2015. 	
Estimated completion date: (a) December 2015, and (b) June 2015	

OAI Response

OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

2. Implementation and progress of the UN-REDD component of UNDP

Issue 4 Delays in UN-REDD Programme evaluation and implementation in Cambodia, Ecuador and Viet Nam

The United Nations Development Group's 'Guidance Note on Joint Programmes' (revised May 2014) states that the operational end date of a project is the date in which all Participating UN Organizations complete their project activities. If one Participating UN Organization reports unfinished activities by the date envisaged as the end date, then the programme cannot be closed. Significant programmatic or financial deviations from the Guidance Note (e.g. changes to implementation timelines, scope, objective, or location of activities) require discussions with donors.

The audit identified the following issues:

Ecuador National Programme

There were delays in the UN-REDD Programme's implementation against agreed upon timeframes. The Programme was originally planned to be finalized in December 2013; however, a no-cost extension for finalization up to December 2014 was approved in October 2013. In September 2014, the Technical Committee Meeting decided that some activities (valued at \$100,000) would continue in 2015. Yet, no project extension was requested beyond December 2014, because the Programme Team claimed that financial commitments for future activities could be undertaken in 2014 without requesting an extension. This was not in line with the Guidance Note on Joint Programmes. The lead agency of the Programme needed to make a request for a project extension beyond 2014 to the UN-REDD Secretariat. According to the Office, this was done following audit fieldwork in November 2014.

At the time of the audit, two main activities that were to be implemented by UNDP were delayed, as follows:

- The final evaluation of the Programme had not started due to the lack of agreement among Participating UN Organizations for the recruitment of the evaluator.
- The implementation schedule of the exit strategy was too short to allow for the timely preparation for the REDD+ implementation phase. A draft of the strategy had been prepared and shared with government counterparts.

In addition, project personnel contracts had ended by December 2014.

Delays in programme implementation may result in additional costs. In addition, there is a risk of losing knowledge and capacity in regard to the Programme, which could hamper finalization and the transfer of knowledge to government counterparts.

The Ecuador Office informed OAI that these activities were not to be implemented by UNDP only, as there was an agreement with the national executing agency about using UNDP's Regional Evaluation Centre for the

evaluation because of the reduced costs and time required to select an evaluator. However, the evaluation was being performed under the supervision of an inter-agency committee led by FAO. Regarding the exit strategy, this is a strategic document that has been prepared with the participation of all three agencies as well as the relevant government ministry. FAO is the lead agency of the Programme, with support from UNDP.

Cambodia National Programme

The Cambodia Readiness Plan Proposal (REDD+ Roadmap) was developed in 2010, and led to the development of the Cambodia UN-REDD Programme Document. The Programme Document was signed in August 2011, but the inception period was extended to March 2012 in order to establish the REDD+ Taskforce Secretariat. Even though implementation improved towards the end of 2012, the delay in the start-up resulted in two no-cost extensions; from mid-2013 to December 2014 and subsequently to June 2015 for remaining activities. The progress of implementation had been slow due to the following reasons:

- Time lag between development of the REDD+ Roadmap in 2010 and implementation of UN-REDD activities almost two years later led to the project experiencing turnover of government staff.
- Inter-ministerial nature of the programme implementation required significant efforts in coordination and working arrangements between ministries.
- Limited capacity of government staff who have been assigned roles in the REDD+ Taskforce Secretariat and Technical Teams in addition to their normal job functions, without additional incentives, resulting in a lack of commitment and motivation towards implementing UN-REDD activities.

The UN-REDD activities in Cambodia were being transitioned to the Forest Carbon Partnership Facility project. This project had different management arrangements from the UN-REDD Programme. The UNDP Cambodia Country Office was developing working arrangements with the implementing partner, responsible parties and cooperating United Nations agencies. According to management, programme plans were being designed and moderated to ensure these would not be too ambitious compared to government capacity, providing additional technical assistance as required to meet project objectives.

As working arrangements are no longer under UN-REDD, OAI is not issuing a recommendation.

Viet Nam Programme Phase II

The UN-REDD Viet Nam Programme Phase I started in October 2009 and ended in July 2012. The UN-REDD Viet Nam Programme Phase II document approval and fund transfer from MPTF were effective in July and August 2013. Implementation of the UN-REDD Viet Nam Programme Phase II had been slow due to the following reasons:

- The time lag between Phase I and Phase II approval led to turnover of staff involved in Phase I. The long lag was due to the finalization of the programme document for Phase II, which needed to be aligned to both the United Nations and Government's rules. Additionally, the inception workshop was only held in October 2013.
- There were delays in the start-up of activities, including recruitment of the Programme Management Unit and Provincial Programme Management Unit staff, which took approximately 10 months in 2014. The Chief Technical Advisor and local planning specialist were only on board in the second half of 2014, and several other posts were still in the process of recruitment at the time of the audit.

- There was no delegation of authority assigned to the National Programme Director to approve terms of reference and letters of agreement for co-implementing partners, service providers and consultants, which constrained implementation, especially at the provincial level.
- The capacity of the Programme Management Unit and Provincial Programme Management Unit staff was not adequate for the level of complexity of the Programme. The limited capacity of the Provincial Programme Management Unit resulted in additional delays in harmonizing work planning and financial reporting at the Programme Management Unit level.

In October 2014, the national executing agency implemented changes in the senior management of the Programme Management Unit to improve capacity and working arrangements. Additionally, the results of the annual review, which was ongoing at the time of audit, aimed to address implementation, institutional and management arrangement issues. As OAI discussed related points under Issue 1 and 5, no recommendation is being made in this regard.

In all three countries, programme plans were too ambitious compared to the Government’s capacity.

Priority	Medium (Important)
Recommendation 4:	
Perform the final evaluation and contribute to the implementation of the exit strategy.	
Responsible office: Ecuador Country Office, in consultation with FAO,	
Management action plan:	
The Office will implement the recommendation as follows:	
(a) The final evaluation started in November 2014, and was scheduled to be completed by February 2015.	
(b) The exit and sustainability strategy was approved by the Steering Committee in November 2014 and will be implemented by June 2015.	
Estimated completion date: (a) February 2015, and (b) June 2015	
OAI Response	
OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

Issue 5 Inadequate monitoring between Viet Nam Country Office and BPPS

According to the agreement of 11 January 2013 between the then Environment and Energy Group of the Bureau for Development Policy (EEG/BDP), the Regional Bureau for Asia and the Pacific and the Viet Nam Country Office on ‘Responsibilities & Specialized Technical Services for the UN-REDD Viet Nam Programme Phase II,’ the EEG/BDP represented UNDP in coordinating with the UN-REDD teams of FAO and UNEP at both the global and regional levels for the UN-REDD Viet Nam Programme Phase II. In 2014, the Sustainable

Development Cluster of BPPS succeeded EEG/BDP regarding this authority. The Sustainable Development Cluster is accountable for ensuring that the UN-REDD Viet Nam Programme Phase II activities are undertaken in accordance with the UN-REDD Programme principles, criteria, guidelines and quality assurance measures. According to the agreement, specialized technical services provided by BPPS were to be funded on a full cost recovery basis from the UN-REDD Viet Nam Programme Phase II. Further, the UNDP Viet Nam Country Office, according to the abovementioned agreement, is responsible for general oversight and monitoring, liaising with in-country FAO and UNEP counterparts to ensure the coordination of activities, monitoring risks, initiating and supporting missions of the UNDP UN-REDD team advisors. The purpose is to call on BPPS' support regularly and to participate in quarterly discussions with BPPS to agree on the quality assurance elements connected to technical assistance inputs.

The audit identified the following:

- The UNDP Viet Nam Country Office and BPPS did not hold formal quarterly discussions to agree on the quality assurance elements connected to technical assistance inputs.
- The travel costs for support missions were covered by the UN-REDD Viet Nam Programme Phase II, but support from UNDP's UN-REDD Global Team of BPPS was funded through the UN-REDD Global Programme. According to BPPS, it was not clear how the team effectively could receive cost-recovery from the UN-REDD Viet Nam Programme Phase II.

There is a risk of weakening UNDP's programmatic monitoring and coordination at the corporate level and may indicate cross-subsidizing of different funds.

Priority:	High (Critical)
Recommendation 5:	
Hold formal quarterly discussions to agree on the quality assurance elements connected to technical assistance inputs, and seek clarification for full cost-recovery of BPPS expenses.	
Responsible office: Viet Nam Country Office and BPPS	
Management comments and action plan:	
The Viet Nam Country Office will continue to work with BPPS in order to develop a meaningful support and monitoring plan that duly involves regional and HQ-level UNDP UN-REDD advisors at regular intervals and in conjunction with programme implementation milestones. Such a plan should be agreed by both UNDP and BPPS upon consultation with the national implementing partner, and include cost recovery aspects for BPPS support in a clear and transparent manner. Recognizing the importance of the upcoming Executive Group meeting (to be held in late March 2015) for substantive and programmatic direction of the Viet Nam UN-REDD programme, the above support and monitoring plan should be agreed between the Country Office and BPPS, accepted by the Government and in place by 30 April 2015 covering the remainder of the calendar year.	
Estimated completion date: April 2015	

3. Collaboration and coordination among the three Participating UN Organizations

Issue 6 Lack of common fund management by Participating UN Organizations of UN-REDD Viet Nam Programme Phase II

The United Nations Development Group guidelines on Harmonized Approach to Cash Transfers strives to adopt a common operational framework for United Nations agencies cash transfers to implementing partners, to reduce transaction costs and reduce the burden of multiple procedures and rules.

Currently, each Participating UN Organization transfers funds and manages its own activities within the work plan, using its own regulations and procedures. In the case of funds transfers, this has resulted in separate cash transfers, separate bank accounts for each Participating UN Organization, and different financial reporting formats. These separate cash transfers, bank accounts, and financial reporting formats, apply equally to the Programme Management Unit, the Provincial Programme Management Units and other co-implementing partners in Viet Nam. As such, a common operational framework in terms of fund management procedures does not exist.

The lack of common fund management procedures and modalities was possibly the result of differing implementation modalities by Participating UN Organizations and differing implementation statuses of Harmonized Approach to Cash Transfers. UNDP's activities are based on the national implementation modality, whereas FAO's and UNEP's activities are largely based on the direct implementation modality, with cash transfers being made to implementing partners for selected activities only.

The lack of a common operational framework for fund management procedures has resulted in increased transaction costs and administrative burdens for the Programme Management Unit and the six Provincial Programme Management Units.

A UN-REDD Programme Implementation Manual was developed to provide guidance to the national implementing partner and co-implementing partners on regulations and procedures of each Participating UN Organization. The draft Manual was in the process of being piloted. The manual clarifies the requirements of each Participating UN Organization; however, it does not address the administrative burden of separate fund management procedures for each organization at both central and provincial levels.

At the time of the audit, OAI was informed that at the headquarters level, FAO had recently signed the Harmonized Approach to Cash Transfers framework and UNEP had agreed on following the policies and procedures of a lead organization, which may allow common fund management procedures to be explored.

Priority	High (Critical)
Recommendation 6:	
Facilitate discussions with FAO and UNEP headquarters on common fund management procedures to reduce administrative costs.	
Responsible office: BPPS, in consultation with Viet Nam Country Office	
Management comments and action plan:	
Management will implement the recommendation.	

Estimated completion date: June 2015

4. Other issues

Issue 7 Incorrect use of service contracts in Ecuador Country Office

According to the UNDP 'Programme and Operations Policies and Procedures', a non-staff is defined as an individual that is hired by UNDP to perform duties under a non-staff contract, following the hiring rules for service or individual contractors. When the UNDP Country Office provides support services to nationally implemented projects, the Country Office may recruit personnel for projects according to the UNDP rules. Changes to standard contract templates require clearance by the Office of Human Resources and Legal Support Office. The standard terms and conditions for service and individual contractors are different, and the respective contract holders have different sets of rights and obligations.

OAI identified the following weaknesses:

- The Office engaged project personnel (non-staff) to work on the UN-REDD Programme, which was defined as a nationally implemented project. However, the contracts issued and signed by the Country Office for project personnel were not consistent with the UNDP standard terms and conditions for either service contracts or individual contracts.
- At the time of the audit, OAI identified 50 service contractors hired for the implementing partner under the national implementation modality. In all these cases, the Office used the service contracts template to hire project personnel, adding three clauses that referred to the fact that the contractor would work for the UN-REDD Programme. The standard template does not include these three clauses; however, no clearance from the appropriate headquarters offices had been obtained. The total annual cost of the 50 service contracts was \$156,000.
- In addition, the terms of reference used referred to conditions that could be interpreted in a way that indicated that project personnel were rather hired under the individual contract modality, based on a hybrid contractual modality, as follows:
 - monthly salaries were granted after evaluation of monthly reports;
 - invoices were requested to be submitted for the receipt of salaries, and pay slips were not sent out to payees.

The Ecuador Country Office indicated that the three additional clauses included in the template protected UNDP as an employer, since it clarified both the rights, and obligations of the service contract holder. Lack of clearance of non-standard clauses, and use of non-standard contract templates and terms for the management of service contract holders may lead to legal and financial risks for the Country Office.

Priority	Medium (Important)
Recommendation 7:	
<p>Improve the use of project personnel contracts by:</p> <p>(a) obtaining required clearance for non-standard clauses from the Office of Human Resources and the Legal Support Office; and</p> <p>(b) refraining from using the existing contractual modality until the necessary clearance is obtained from the Office of Human Resources and Legal Support Office.</p>	
Responsible office: Ecuador Country Office	
Management action plan:	
The Country Office will implement the recommendation.	
Estimated completion date: Q2 2015	

Issue 8 Incorrect use and booking of project cash funds in Ecuador

Under the nationally implemented project modality, the implementing partner can choose whether to receive cash advances to manage payments or request the Country Office to make direct payments to the vendors. Alternatively, Country Offices may provide cash advances on a one-time basis when projects are required to make payments in cash for project activities (workshops or seminars) in locations where banking systems are unavailable.

The UN-REDD project was implemented following the national implementation modality, using direct payments provided by the UNDP Country Office on behalf of counterparts to avoid receiving cash advances. The following issues were noted:

- The Country Office paid project personnel by issuing payment vouchers to implement activities instead of granting cash advances, leading to incorrect and early recording of expenses.
- The Country Office disbursed funds to the project by using petty cash for low value payments. However, this method was not in accordance with UNDP policies and procedures, which indicate that cash advances should be used.
- The estimated value of the untimely expensed advances and funds disbursed through petty cash amounted to \$40,000.

Non-compliance with UNDP policies and procedures may present financial risks for the UNDP Ecuador Country Office due to incorrectly disbursed funds and financial reporting errors.

Priority	Medium (Important)
Recommendation 8:	
Comply with UNDP policies and procedures governing cash funds used for nationally implemented projects under the direct payment modality; and book cash advances for project activities, charge expenses when activities are finalized, and monitor remaining balances against the cash advances granted.	
Responsible office: Ecuador Country Office	
Management action plan:	
The Ecuador Country Office will undertake a review process on the implementation of cash management policies for projects. It will make the necessary procedure adjustments.	
Estimated completion date: Q2 2015	

B. Global Programme/Support to National Action

1. Governance

Issue 9 Monitoring information not used in managing UNDP dimension of the UN-REDD Programme

According to the Memorandum of Understanding regarding UN-REDD, each Participating UN Organization will provide the MPTF with narrative progress reports on an annual basis. The UN-REDD Programme Strategy (2011-2015) states that the progress of the Programme will be monitored through a framework defining specific work areas with an assigned lead Participating UN Organization and where each work area is associated with an outcome. UNDP provides its input to the annual and semi-annual progress reports as requested by MPTF, which, after consolidation by the UN-REDD Secretariat, is presented to the UN-REDD Policy Board and is made publically available. Since the strategy was endorsed, the reporting framework has been developed considerably.

The audit identified the following issues:

- The number of outputs under each outcome of the monitoring framework had considerably increased, and from 2013 to 2015 approximately 80 indicators were monitored. While some were for measuring results, most indicators were linked to activities. With such a large number of outputs, there was a risk that UNDP did not prioritize the most important work areas to achieve the objectives of UN-REDD.
- UNDP did not sufficiently use the indicator set for active daily programme and strategic management. Lack of use of monitoring information implies that the monitoring activities may not be systematic or well streamlined, and appropriate corrective action may not be taken when necessary.

Priority	Medium (Important)
Recommendation 9:	
Contribute to further development of a results-based reporting framework reflecting key priorities for UN-REDD and UNDP, and use the framework to achieve better oversight and more active management of UNDP's dimension of the Programme.	
Responsible office: BPPS	
Management action plan:	
Management will implement the recommendation.	
Estimated completion date: 1 October 2016	

Issue 10 Lack of clear UNDP strategy for sustainability when Phase I National Programmes ends

According to the UN-REDD Strategy (2011-2015), it is a vision of the UN-REDD Programme to have a long-term impact to reduce emissions from deforestation and forest degradation. The Programme will reinforce national capacity during various stages of REDD+ development and implementation. A Joint Programme, e.g. the UN-REDD Programme, should include a clear exit strategy to ensure sustainability of changes brought about by the Joint Programme with clear roles and responsibilities of implementing partners (cf. 2014 Guidance Note on Joint Programmes). Furthermore, according to the 'Programme and Operations Policies and Procedures', it is mandatory for each UNDP Country, Regional and Global Programme to make an orderly transition from one programme cycle to the next. The transition from the existing programme to the next/new programme should be planned.

The UN-REDD Strategy defines that development of National Strategies in Phase I will be followed by Phase II (implementation of national policies and measures and national strategies or action plans) and subsequently by results-based actions to reduce emissions from forest that should be fully measured, reported and verified. At the time of audit, it was unclear whether all countries supported by National Programmes would proceed to Phase II due to limitations in funding and national capacity. The UN-REDD Programme had not defined any strategy for transition or exit to ensure sustainability when National Programmes in Phase I are ending.

Without a transition or exit strategy for Phase I there is a risk that knowledge, capacities and activities created in the first phase of UN-REDD will be lost.

Priority	Medium (Important)
Recommendation 10:	
Develop plans to sustain knowledge and capacities when National Programmes in Phase I are ending; and support countries in developing exit strategies from UN-REDD, and transition strategy for the next Phases or other modes of action, as relevant.	
Responsible office: BPPS	

Management action plan:

Management will implement the recommendation.

Estimated completion date 1 October 2015

Issue 11 Lack of rationale for using UNOPS, lack of formal agreement and monitoring

According to the Memorandum of Understanding signed between UNDP, FAO and UNEP regarding the Operational Aspects of the MPTF for UN-REDD, the implementation of programmatic activities will be the responsibility of each Participating UN Organization and will be carried out in accordance with its applicable rules, regulations, directives and procedures. Further, the Memorandum of Understanding points out that where a Participating UN Organization wishes to carry out its programmatic activities through, or in collaboration with a third party, it will be responsible for discharging all commitments and obligations with such third parties. The UNDP 'Programme and Operations Policies and Procedures' set out BPPS' responsibilities on partnerships. This includes periodic reviews of the effectiveness of the agreement with the partner, ensuring adherence to a minimal review schedule (annual), and initiating other scheduled or ad hoc reviews, as required. Monitoring reports are required at a minimum at the end of the annual cycle of each partnership. Given the inevitable transaction and management costs involved, all UNDP partnerships must aspire to achieve clear benefits for UNDP and its constituents.

The then EEG/BDP signed a letter in March 2012, where UNOPS was to execute the largest part of the UNDP UN-REDD Programme: 'Support to National REDD+ Actions – Global Programme Framework 2011-2015'. Essentially, all staff of the UNDP Global UN-REDD Team were employed by UNOPS, and held UNOPS employment contracts. The letter documented the initial budget and budget responsibility. Besides the letter, there was no overall formal agreement, or update of the budget, even though the initial budget stated in the letter changed significantly. The initial budget was \$7 million, and as of December 2013, the budget had increased to \$16.6 million.

The involvement of UNOPS as an execution partner did not affect UNDP's programmatic activities on a day-to-day basis. However, the following issues were noted:

- The UNDP Global UN-REDD Team was led by the Task Manager contracted by UNOPS. The Task Manager was responsible for the UNDP UN-REDD budget. The Task Manager had a reporting line to UNDP. However, it was unclear how UNDP fulfilled its monitoring responsibility, since a separate authority within UNDP should have monitored the arrangement between UNDP and UNOPS.
- The letter signed by UNDP in 2012 did not comprehensively address applicable rules, regulations, directives and procedures for UNOPS. Additionally, the letter did not indicate possible updates to the budget to be executed by UNOPS, and did not refer to procedures, roles and responsibilities in case of budget revisions.
- Besides the already mandated UNDP General Management Support recovery of 7 percent, UNOPS charged an additional 7 percent management fee for execution of the UN-REDD Programme.

OAI was not provided with rationale that using UNOPS as an execution partner provided the best value for money or with an analysis of benefits, costs and risks involved.

This situation presented a risk of not making optimal use of resources.

Priority	Medium (Important)
Recommendation 11: Assess benefits, costs and risks for UNDP in continuing to use UNOPS as an executing partner. In case UNDP makes the decision to continue to use UNOPS as an executing partner, BPPS to ensure that the reporting line from UNOPS to the UNDP Bureau for Policy and Programme Support follows applicable formal monitoring requirements; and that the arrangements with UNOPS are formalized, defining a formal budget update and revision process as well as roles and responsibilities and applicable rules, regulations, directives and procedures for UNOPS. Responsible office: BPPS	
Management action plan: Management will look at corporate level recommendations in the context of the new strategy period that will start in 2016. Estimated completion date: 1 January 2016	

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.

Annex 1 - Overview of relevant figures and management structures of the UN-REDD Programme

Figure 1 Overview of management structure and net funded amount for the audit period in \$ million. Source: Multi-Partner Trust Fund Office Gateway (<http://mptf.undp.org>)

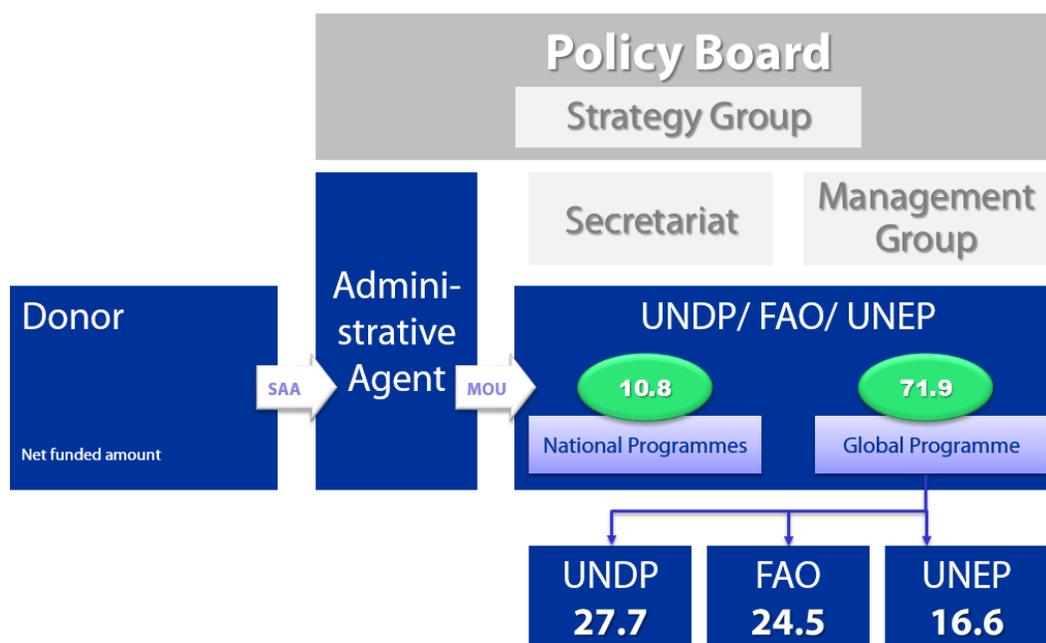


Figure 2 Funding and expenditures for National Programmes in Ecuador, Cambodia and Viet Nam and Viet Nam Programme Phase II as of December 2014. \$ million. Source: Multi-Partner Trust Fund Office Gateway.

UN-REDD Programme Fund - National Program	Net Funded Amount	Expenditure
Cambodia	3.0	2.2 UNDP 1.5 FAO 0.7 UNEP 0.0
Ecuador	4.0	3.3 UNDP 1.0 FAO 1.6 UNEP 0.7
Viet Nam	4.3	4.3 UNDP 2.5 FAO 1.6 UNEP 0.2
UN REDD Viet Nam Phase II MPTF	16.8	2.7 UNDP 1.6 FAO 1.1 UNEP 0.0
Viet Nam Tier II		