



PERFORMANCE AUDIT

OF

UNDP GLOBAL ENVIRONMENT

FACILITY (GEF) MANAGEMENT

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Report on the Performance Audit of UNDP Global Environment Facility (GEF) Management Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted a performance audit of the UNDP Global Environment Facility (GEF) management from 3 March to 28 August 2020. Performance auditing is an independent examination of an entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources.

The audit aimed to assess whether UNDP was effective in managing and implementing the GEF portfolio and whether the organization at the corporate, regional and local levels has put in place adequate governance and controls in the form of an organizational structure, operational support, quality assurance and oversight. Specifically, the audit aimed to assess the following questions:

1. Has UNDP established adequate governance arrangements to successfully discharge its role as a GEF agency, including providing adequate oversight and support to GEF-funded projects?
2. Have UNDP Country Offices established effective and efficient mechanisms to ensure successful implementation of the GEF-funded projects?

The audit covered the activities from 1 January to 31 December 2019.¹ UNDP recorded \$685² million in expenditures under the GEF portfolio during this period.

The overall conclusion of the audit is that:

- Generally, the Country Offices appreciated the support being provided by the GEF Principal and Regional Technical Advisors (RTAs). Further, the UNDP Bureau for Policy and Programme Support (BPPS)/GEF Team kept all Country Offices abreast of the new GEF requirements and change in policies.
- The BPPS/GEF team in headquarters did not establish adequate governance arrangements, including adequate oversight by the RTAs.
- Regional Bureaux/Country Office management did not put in place adequate controls or arrangements to provide oversight over project implementation.

The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. Due to the COVID-19 pandemic restrictions, the audit was interrupted on 13 March 2020, and from that day onwards, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

- (a) A review of original documents could not be carried out, and therefore the audit team relied on scanned copies of documents provided.
- (b) Meetings with staff and personnel were carried out virtually, except for meetings with staff from Country Offices in Ukraine and Kazakhstan where fieldwork was ongoing until 13 March 2020.
- (c) Project site visits were not completed.
- (d) Physical verifications of assets were not performed.
- (e) Safe and petty cash contents were not verified.
- (f) Information and communication technology were not reviewed on site.

¹ The review of GEF projects in UNDP Samoa and Ukraine covered the period from 1 January 2017 to 31 March 2020.

² Total expenditures excluding Small Grant Programme (implemented by UNOPS): \$345.3 million (2018) and \$339.85 million (2019)

Overall audit rating

OAI assessed the Office's performance as **partially satisfactory/major improvement needed**, which means that "the assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to insufficient oversight over GEF projects, limited monitoring of audit recommendations of implementing partners, weak Internal Control Frameworks, weaknesses within project management, and weaknesses in financial resources management.

Key recommendations: Total = **12**, high priority = **5**

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 3	High
	2, 4, 10	Medium
Reliability and integrity of financial and operational information	11	High
Compliance with legislative mandates, regulations and rules, policies and procedures	7, 9	High
	5, 6, 8, 12	Medium

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

Insufficient oversight over GEF projects (Issue 1)

UNDP was both supporting the project implementation and providing project oversight at the same time, thus not ensuring adequate segregation of duties between oversight and implementation, which was not aligned with GEF expectations. Further, the role of the Regional Technical Advisors was not fully clear and conducive for adequate oversight. Regional Bureaux were excluded from GEF oversight.

Recommendation 1: To improve UNDP's management and oversight over GEF projects, the Bureau for Policy and Programme Support and the Regional Bureaux should: (a) strengthen the oversight over GEF funded projects at the local, regional and corporate level; (b) strengthen the governance around GEF-funded projects to clarify and delineate the oversight and implementation roles and responsibilities of the Bureau for Policy and Programme Support and the Regional Bureaux, and update the POPP accordingly; and (c) amend the project document management arrangements to clearly assign oversight roles to UNDP.

Limited monitoring of audit recommendations of implementing partners (Issue 3)

Audits of implementing partners conducted as part of the HACT annual audits had highlighted systematic weaknesses. Over the last three years (2017–2019), 1,223 recommendations were issued during the annual HACT audits. In many instances, expenditures were not supported by adequate supporting documentation. There were 96 audit recommendations that were still outstanding as of August 2020.

Recommendation 3: The Bureau for Policy and Programme Support, in coordination with the Bureau for Management Services should: (a) update the capacity assessment tool for implementing partners and ensure that these assessments are regularly updated in line with all capacity issues and risks noted throughout the lifecycle of the projects; and (b) strengthen the

	<p>monitoring and implementation of audit recommendations resulting from the HACT audits of implementing partners, including closer oversight to financial transactions of implementing partners with “modified audit /adverse audit opinions” to their financial statements.</p>
<p>Indications of Irregularities due to weak Internal Control Frameworks and poor accountability (Issue 7)</p>	<p>Based on the review of 10 Country Offices and 22 GEF projects, OAI noted indications (red flags) that fraudulent activities might have occurred or could occur in two Country Offices. In one Country Office, the audit team identified 17 payment vouchers amounting to \$250,136 that had red flags. In another Office, there were suspicions of collusion among the various project managers in charge of implementing the GEF projects. The irregularities at the two Country Offices have been followed up by the investigation section of OAI. In a third Country Office, there was incorrect charging of expenses and inadequate documentation. Furthermore, Delegations of Authority in Country Offices were not updated.</p> <p><u>Recommendation 7:</u> The Regional Bureaux should hold the Country Offices accountable for establishing and implementing Internal Control Frameworks, including maintaining adequate segregation of duties.</p>
<p>Weaknesses within project management (Issue 9)</p>	<p>The audit team identified the following weaknesses within project management:</p> <ul style="list-style-type: none"> ▪ Poor project design and planning. ▪ Weaknesses within the Board/Project Steering Committee. ▪ Unauthorized deviations from the approved project documents, project annual work plans and project budgets. ▪ Ineffective management and monitoring of annual work plans and project annual budgets. ▪ Insufficient documentation for the selection of private sector companies. ▪ Missing assets inventory reports. <p><u>Recommendation 9:</u> The Bureau for Policy and Programme Support, in close collaboration with Regional Bureaux should improve project design, implementation, and monitoring.</p>
<p>Weaknesses in financial resources management (Issue 11)</p>	<p>The audit team identified the following weaknesses with financial resources management:</p> <ul style="list-style-type: none"> ▪ Unsupported or ineligible financial transactions. ▪ Expenses not related to the project. ▪ Payments of value added tax (VAT) not reimbursed. ▪ Weak controls over project cash advances. <p><u>Recommendation 11:</u> The Regional Bureaux should ensure that Country Office financial transactions charged to GEF projects are valid, and adequate supporting documentation is maintained.</p>

Management comments and action plan

The Director of the Bureau for Programme and Policy Support and all Regional Bureaux accepted all recommendations and are in the process of implementing them. Comments and/or additional information provided have been incorporated in the report. Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

OAI was pleased to see the level of involvement of UNDP leadership, including the Executive Office, the Bureau for Policy and Programme Support, Bureau for Management Services, and the Regional Bureaux in addressing the various issues noted during the audit. Following the submission of the audit report, UNDP established an inter-bureau task force to address all recommendations and to initiate immediate remedial actions. UNDP was expecting to implement over 40 percent of the audit sub-recommendations by the end of January 2021, 76 percent by the end of June 2021 and 100 percent of the audit sub-recommendations by the end of December 2021.

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I. About the GEF and UNDP

The Global Environment Facility (GEF) was established in October 1991 as a \$1 billion pilot programme in the World Bank as the financing mechanism for global environmental conventions. UNDP, UNEP and the World Bank were the three initial partners implementing GEF projects. Currently, there are 18 GEF agencies, including UNDP.

UNDP's primary role as a GEF agency is to work with on-the-ground implementing partners to design and implement GEF projects and programmes

For the purpose of engaging with and managing the funding from and the relationship with the various vertical funds, UNDP established the Vertical Fund Unit in the Nature, Climate and Energy team in BPPS (henceforth called BPPS/NCE/VF) to support UNDP Country Offices to assist countries in accessing environmental and climate finance to achieve environmental and climate objectives, while simultaneously supporting efforts focused on the eradication of poverty and the reduction of inequalities and exclusion as outlined in the UNDP Strategic Plan. In delivering this work, the BPPS Global Environmental Finance Unit is comprised of a team of headquarters and region-based specialized technical advisors, supported by a New York-based Directorate. The Unit provides technical expertise across six teams, aligned with the priority areas of the global environmental vertical funds. In supporting Country Offices, the BPPS Global Environmental Finance Unit closely collaborates with UNDP Regional Bureaux and other Central Bureaux.

The UNDP portfolio of GEF projects is \$7.08 billion since its start back in 1991, as shown in the below table:

GEF cycle	Value of Resources Mobilized
GEF PILOT (1991–1994)	252,385,638
GEF-1 (1994–1998)	361,375,434
GEF-2 (1998–2002)	705,159,016
GEF-3 (2002–2006)	956,326,120
GEF-4 (2006–2010)	1,114,208,378
GEF-5 (2010–2014)	1,720,408,354
GEF-6 (2014–2018)	1,406,137,152
GEF-7 (2018–2022)	569,235,727
Grand Total	7,085,235,819

Source: GEF-BPPS

Over time, UNDP was able to report various results, as follows:

- 74 million people are directly benefiting in 137 countries worldwide from this portfolio.
- Over the past 15 years, UNDP has supported 4,636 Protected Areas around the world in 86 countries, covering 137 million hectares of land.
- 413 million tons of CO₂-eq emissions were being avoided or reduced as a result of UNDP's active portfolio of projects.
- 583 million hectares across land and sea are directly impacted by the active portfolio.
- On oceans, over a 20 years period, six UNDP ocean management and governance programmes mobilized \$141 million in GEF grant resources.

The policies applicable to GEF-financed projects are mainstreamed within UNDP and follow the 'UNDP Programme and Operations Policies and Procedures' (POPP) with the addition of some GEF-specific requirements.

II. Audit objective, criteria, scope, and approach

A. Audit Objective

A performance audit was conducted to assess the effectiveness of UNDP's management and implementation of the GEF portfolio, including whether the organization at the corporate, regional, and local levels has put in place adequate governance and controls in the form of an organizational structure, operational support, quality assurance, and oversight to mitigate potential risks in managing resources under the GEF, including adherence to GEF requirements. The audit also included a review GEF-funded projects to assess the extent to which the projects have achieved the expected results.

B. Audit Criteria

To form an opinion and conclude on the audit objective, the audit team used the following audit criteria:

Corporate Accountability Framework:

- Per the UNDP Accountability Framework, responsibilities and accountabilities should be consistent, clearly defined, and formally delegated. The Regional Bureaux terms of reference following the structural review provide for an enhanced oversight role across all aspects of Country Offices programmatic and operational activities. Regional Bureaux are expected to:
 - support Country Offices to implement corporate financial policies;
 - act as the first point of contact to provide Country Office financial advisory services; and
 - provide coordination for more complex Bureau for Management Services financial advisory to Country Offices as needed.
- The Operational Guide of the Internal Control Framework for UNDP sets out requirements for ownership of controls and segregation of duties.

The Programme and Project Management section of the POPP:

- According to the Programme and Project Management section of the POPP (defining a project), the Regional Bureaux should review Country Office capacity to implement the proposed programme (Country Programme). The Regional Bureaux should consult with the Bureau for Management Services and other HQ units as necessary.
- Initiating a project sets out risk management requirements: 'Risk is a major factor to be considered in designing and managing any project. Risks must be identified, assessed and prioritized.
- Implementing a project: monitoring is one of the most important responsibilities of the project manager. Regular progress reporting to the project board should take place. Also, as a minimum and on annual basis, UNDP must perform the following monitoring activities: field visits, annual review report and annual project review.
- Design - Select Implementation Partner provides definition and accountabilities of implementing partners.

UNDP Programme and Operations Policies and Procedures (POPP): Various sections on finance, procurement, and HR and PPM which includes GEF-specific requirements.

UNDP Enterprise Risk Management Policy: The Enterprise Risk Management Policy applies an integrated approach to risk management, with horizontal integration across all types of risks, and vertical integration from projects up to corporate level.

UNDP quality standards for programming: Quality standards for programming strengthen and enable the achievement of results. They improve development effectiveness and efficiency. This policy outlines UNDP standards and mechanisms to assure programming quality. All country, regional and global programmes and projects are required to adhere to the quality standards for programming. Managers are accountable for upholding them.

UNDP Regional Bureaux are responsible for 'spot checks' of project QA reports to assess their quality and accuracy and inform organizational learning

UNDP-BPPS Business Plan for FY2014–2018 focusing on engagement with the vertical funds: The Operational Performance Group (UNDP) reviewed and approved the UNDP-BPPS Business Plan FY2014–FY2018 Catalyzing Environmental Finance for Sustainable Development in May 2015. The business plan includes various KPIs and actions to be completed by the BPPS ECE Team.

GEF policy requirements and key deadlines, and UNDP guidance on these, including:

- GEF Guidelines on the Project and Programme Cycle Policy.
- Agency Minimum Standards on Environmental and Social Safeguards Policy on Environmental and Social Safeguards.
- Policy Measures to Enhance Operational Efficiency, Accountability and Transparency.
- Guidelines on Core Indicators and Sub-Indicators.

C. Audit Scope and approach

This audit covered the period from 1 January to 31 December 2019. The audit tests, however, were extended when deemed necessary.

OAI conducted interviews to obtain a better understanding of the progress made to date, key achievements and key challenges.

The audit fieldwork consisted of audit tests, surveys, document reviews, interviews and written inquiries. In addition to conversations with HQ bureaux, the audit team also had conversations with colleagues in the Regional Bureaux and Country Offices that have approved projects funded by the GEF.

The audit included visits to selected Country Offices to assess whether the projects have been implemented as per project documents, test transactions, and review results achieved.

Finally, the audit team also reached out to national counterparts, implementing partners, and the GEF Secretariat for inputs on UNDP's performance and efficiency.

The audit did not audit the GEF Small Grants Programme, which was implemented by UNOPS.

III. Audit results

OAI made 5 recommendations ranked high (critical) and 7 recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report. This included the issue of ensuring adequate visibility and advocacy of successful GEF contributions and monitoring of external evaluations. Further, OAI was pleased with UNDP's proactive measures to reallocate a greater portion of the GEF fee to Country Offices, which will help boost Country Office capacities to implement GEF projects.

High priority recommendations, arranged according to significance:

- (a) Strengthen the oversight over GEF funded projects at the local, regional and corporate levels, strengthen the governance around GEF-funded projects, amend the project document management arrangements to clearly assign oversight roles to UNDP (Recommendation 1).
- (b) Update the capacity assessment tool for implementing partners and ensure that it is regularly updated and strengthen the monitoring and implementation of audit recommendations resulting from the HACT audits of implementing partners (Recommendation 3).
- (c) Hold the Country Offices accountable for establishing strong Internal Control Frameworks and maintaining and securely filing each delegation of authority (Recommendation 7).
- (d) Improve project design, implementation, and monitoring (Recommendation 9).
- (e) Ensure that Country Offices financial transactions charged to GEF projects are valid, and adequate supporting documentation is maintained (Recommendation 11).

Medium priority recommendations, arranged according to significance:

- (a) Develop a stand-alone capacity assessment tool to reflect Country Office key performance indicators, capacity issues, and risks impeding the implementation of GEF-funded projects (Recommendation 2).
- (b) Ensure timely action is taken to support Country Offices facing challenges in meeting UNDP/GEF deadlines (Recommendation 4).
- (c) Centralize and upload all GEF-related guidance, policies, and procedures into the UNDP POPP and develop and implement a stand-alone Anti-Money Laundering and a Combatting Financing Terrorism policy (Recommendation 5).
- (d) Develop and implement a plan to ensure that Country Offices and Regional Technical Advisors include the review of risk management when conducting oversight of GEF projects (Recommendation 8).
- (e) Adequately monitor co-financing and ensure that partners are honouring their co-funding commitments (Recommendation 6).
- (f) Strengthen the reporting of results, including accuracy and completeness (Recommendation 10).
- (g) Strengthen the procurement management of GEF projects (Recommendation 12).

The detailed assessment is presented below, per audit area:

Question 1: Has UNDP established adequate governance arrangements to successfully discharge its role as a GEF agency, including providing adequate oversight and support to GEF-funded projects?

The audit team noted the following audit issues:

Issue 1 Insufficient oversight over GEF projects

Appropriate management arrangements and oversight mechanisms need to be established at programme and project levels to ensure UNDP's accountability for activities, results and the use of resources, while at the same time fostering national ownership and alignment to national processes. All GEF implementing partners are required to establish efficient governance structures that would allow the achievement of the project objectives and outputs, while at the same ensuring accountability and oversight.

(a) Insufficient oversight by BPPS' Regional Technical Advisors

The BPPS GEF Team was composed by technical teams led by a Principal or Senior Technical Advisor (PTA/STA) as a team leader. Each team leader supports and guides a regional team. The regional teams are based in Regional Hubs from where they support UNDP's Country Offices and partners in their region. The Regional Technical Advisors (RTAs) were primarily responsible for providing technical, policy, and

programming implementation support and oversight, resources mobilization, knowledge and capacity development; for all of them, the time allocated to oversight activities was 25 percent.

All 15 Country Offices that responded to an OAI survey confirmed that the regional advisory teams had been efficient in supporting GEF programme implementation and design. The support provided by RTAs responded to their different roles, from acting as drafters for the formulation of projects, to supervisory missions and technical reviews.

The audit team noted, however, that RTAs were not providing adequate oversight due to the large number of projects under their portfolio: 6 RTAs overseeing more than 30 projects each, 21 RTAs supervised more than 20 projects each, and 1 RTA was supervising 65 projects (as validated in GEF projects database (PIMS+). Furthermore, 14 out of 18 RTAs that responded to the OAI survey as to whether they were unable to adequately discharge their oversight roles in the implementation of GEF projects indicated that because of their workload, they could not adequately deliver their oversight activities. All 18 RTAs who responded to the survey explained that they were expected to mobilize resources (by preparing project documents) and therefore, they could not balance the push to develop/design new projects and provide oversight, including by visiting projects on a regular basis.

In addition, the role of the RTAs was not conducive for adequate and independent oversight since it created a situation of conflict of interest with their other functions. RTA roles involved the drafting of project documents, assisting Country Offices in clearing all submissions (e.g., Project Identification Forms, project documents), and mobilizing resources. Further, RTAs were required to review the project implementation reports (PIR), maintain rosters of consultants, and recommend consultants for mid-term reviews and final evaluations of projects they were overseeing, thus creating a situation of conflict of interest.

(b) Limited oversight by the Regional Bureaux

Regional Bureaux did not exercise direct oversight over GEF projects since they were not involved in providing project level oversight but to the whole programme – operations of Country Offices in their respective regions. The oversight role over GEF projects was directly exercised by the RTAs who reported to BPPS' Principal Technical Advisors. The RTAs did not report to the Regional Bureaux.

Further, the Regional Bureau that oversaw all UNDP Country Offices in their respective region were not involved in providing project-specific oversight but provided monitoring of the entire office programmes and operations. For example, in a Country Office under the Regional Bureau for Arab States, the oversight of GEF projects were conducted by three RTAs based in Regional Hubs in Istanbul, Amman, and Addis Ababa.

After the audit, UNDP management indicated that the POPP defines that GEF project level oversight is to be exercised by BPPS. However, this arrangement needs to be harmonized with the rest of the UNDP POPP, whereby delegation of authority on all business processes is delegated from the Regional Bureaux down to the Resident Representatives. Further guidance in the POPP, such as the Country Office financial monitoring & financial oversight, suggests that it is the role of both the Regional Bureaux and the Regional Hubs to ensure oversight over programme and project financial management.

The audit team also noted the lack of guidelines in conducting oversight of other global and regional projects (e.g., Nagoya Protocol Project or International Waters Project).

(c) Inadequate management arrangements; blurred lines between oversight and implementation

GEF agencies (like UNDP) are, according to the GEF Guidelines on the Project and Programme Cycle policy (GEF/C.52/April 2017), responsible for the implementation of the project, which “entails oversight of project execution to ensure that the project is being carried out in accordance with agreed standards and

requirements.” The implementing partner receives project specific GEF funding from a GEF agency to implement a GEF project, or parts thereof, under the supervision of the same GEF agency. Implementation generally includes the management and administration of project activities, in addition to managing the delivery of project outputs.

In addition to oversight services, UNDP also provided implementation services to implementing partners. However, as per the agreement with GEF, both types of services can only be provided by the same GEF agency prior to the approval of the GEF Secretariat and on the condition that there is a separation of duties to avoid a conflict of interest. In November 2019, GEF stopped endorsing projects where any GEF agency was providing both oversight services and execution support.

All 15 Country Offices that responded to the OAI survey indicated that they were providing Country Office support to nationally implemented projects, as approved by the GEF Secretariat, meaning that UNDP was both supporting the project implementation and providing at the same time project oversight.

These roles were incompatible as they did not ensure adequate segregation of duties and were not aligned with GEF expectations.

The audit compared the management arrangements in place in UNDP to those in place for other GEF agencies. The review showed that UNDP’s role extended beyond the role of a GEF agency and moved into implementation, blurring the lines of oversight, and implementation. Further, UNDP offices were exercising three roles at the same time, including: project assurance, project supplier, and project oversight. These roles are incompatible as they don’t help ensure adequate segregation of duties.

In other UN agencies acting as GEF agencies, there were some instances where the agencies were required to support project implementation; however, these agencies had identified other units within their respective organizations to conduct the oversight. For example, in one agency, project execution is primarily done by national authorities, while the agency representative is the budget owner; however, oversight is done by the Lead Technical Officer (LTO) who oversees and carries out technical backstopping to project implementation, and an HQ Technical Officer is designated to guide to the project cycle.

If management and oversight arrangements are not clearly defined, this may lead to insufficient oversight and lack of accountability over the use of GEF resources and achievement of projects results.

Priority	High (Critical)
Recommendation 1:	
To improve UNDP’s management and oversight over GEF projects, the Bureau for Policy and Programme Support and the Regional Bureaux should:	
<ul style="list-style-type: none"> (a) strengthen the oversight over GEF funded projects at the local, regional and corporate level; (b) strengthen the governance around GEF-funded projects to clarify and delineate the oversight and implementation roles and responsibilities of the Bureau for Policy and Programme Support and the Regional Bureaux, and update the POPP accordingly; and (c) amend the project document management arrangements to clearly assign oversight roles to UNDP. 	
Management action plan:	
In response to the recommendations, UNDP will undertake the following actions:	

1. BPPS will finalize the update to the GEF project delegation of authority letter from the BPPS NCE/VF Executive Coordinator to the Country Office Resident Representative (RR). The updated delegation of authority format will change from a letter to an agreement clarifying the requirement to segregate duties and clarifying the various oversight tasks to be undertaken by the Country Office and overseen by the Regional Bureau and BPPS, and the conditions under which the delegation of authority will be revoked. The updated delegation of authority format will require the signature of the NCE/VF Executive Coordinator, the RR and the Deputy Director of the Regional Bureau. The updated delegation of authority template will be uploaded to the POPP. Expected completion date: 15 December 2020
2. BPPS, in consultation with the Regional Bureaux, will finalize the draft Roles/Accountability/Consult/inform (RACI) matrix covering the entire GEF project cycle from origination to project financial closure, including oversight and upload the final RACI to the POPP. Expected completion date: 15 January 2021.
3. BPPS, in consultation with the Regional Bureau, will update the July 2020 UNDP GEF project document template regarding the roles and responsibilities of UNDP Country Offices and implementing partners to further clarify UNDP oversight roles and responsibilities and upload this to the POPP. This will include oversight of regional and global projects. Expected completion date: end June 2021
4. Regional Bureaux and BPPS will convene joint meetings three times a year (January, June, October) and review the performance of the GEF portfolio by region and by country. Delays, risks, and implementation and oversight challenges in Country Offices will be discussed, and action plans developed with clear roles and responsibilities and timelines for follow up. Expected completion date: 31 January 2021 (first meeting end January 2021; second meeting end May 2021 and third meeting end September 2021).
5. Regional Bureaux have already implemented some strengthened oversight measures over GEF projects. Regional Bureau monitoring and oversight frameworks have been revised to strengthen quantitative and qualitative data on GEF projects; oversight of high-risk Country office-level projects have been revised and additional checks and balances have been put in place. Expected completion date: completed.

Expected completion date: 30 September 2021

Issue 2 Country Offices lacking capacity to implement GEF projects

Country Offices require sufficient capacity to implement GEF projects. The capacity must be thoroughly determined covering all requirements to implement GEF projects.

No capacity assessments were conducted in UNDP Country Offices implementing or executing GEF projects. In many instances, the GEF projects were the largest programmes implemented by the Country Offices and yet there was no review done to assess whether the Country Offices had the adequate capacity to implement the programme. There were 30 Country Offices heavily dependent on delivery of GEF resources. For instance, for Country Offices in Mauritius, Namibia, Bhutan, South Africa and Thailand, the GEF programme delivery represented from 70 to 80 percent of office total programme delivery.

The audit team conducted an analysis of GEF project extensions and noted that:

- Out of a total of 765 ongoing GEF projects, 271 projects (35 percent) have/had extended project durations.
- Out of these 271 projects, 129 projects (48 percent) were extended between 12 and 18 months.
- 30 (or 11 percent) out of the 271 projects were extended for more than 18 months, the longest project extension being 79 months (6.5 years) noted in two projects.

In addition, the lack of capacity assessments led to various control lapses, poor risk management practices, weak procurement practices, insufficient monitoring of project activities, and mismanagement of resources (see audit observations 4, 9, 10, 11, 12, 13). In the review of 22 projects sampled, the audit team noted the following weaknesses:

- No evidence of regular monitoring in at least 10 projects.
- Indications of irregularities (i.e., indications that fraudulent activities might have occurred) in two Country Offices. In a third office, there were suspicions of collusion among the various project managers in charge of implementing the GEF projects. As a result, OAI initiated forensic audit reviews of the financial transactions in three Country Offices. The indications of irregularities are being assessed by OAI.
- Payments not related to GEF projects from at least four out of nine Country Offices, including those with indications of fraudulent transactions, were processed and incorrectly charged to GEF resources.
- A Country Office could not confirm the legitimacy of all requests for payments or for services from the government.
- Inconsistencies noted between supporting documents in Country Offices and information in Atlas (enterprise resource planning system of UNDP), including approved annual work programme, approved procurement plans, itemized cost estimates, evidence of receipt of goods, or clearance from the project manager and programme unit responsible for the management and oversight of the project. Further, six out of nine Country Offices reviewed fell short in monitoring and updating project risk logs in Atlas.
- In at least four Country Offices, the audit team noted substantive overrides of internal controls.
- There was insufficient supervision of the Country Office senior management over the GEF project activities.

Many RTAs indicated that the lack or limited technical and management capacity at the project and Country Office levels were key constraints in the successful implementation of projects.

The audit team noted the lack of involvement of the Country Office senior management in GEF project implementation led to insufficient support and oversight. Due to lack of expertise and knowledge on GEF project management and policies at the Country Office level, the level of monitoring and oversight over GEF projects was found to be insufficient when compared to other projects funded from other resources.

BPPS was aware of the capacity issues and was developing a capacity assessment tool for Country Offices submitting proposals to implement GEF projects. Though the tool was a good starting point, it was not comprehensive. Capacity in Country Offices needed to be looked at holistically, including the role of the Regional Bureaux and other supporting mechanisms that exist in UNDP. Some of the indicators used in the tool/questionnaire had inherent limitations (e.g., the PIR rating, which was assessed by users to be subjective oftentimes). The tool was mainly a snapshot of the office at certain points in time. There was no requirement to develop an action plan to address the issues noted. Further, the tool did not address other factors impeding the implementation of the GEF projects.

UNDP's shortcomings in project implementation negatively impact GEF's reputation, which may impact UNDP's ability to mobilize resources.

Priority	Medium (Important)
Recommendation 2: The Bureau for Policy and Programme Support, in coordination with the Regional Bureaux and the Bureau for Management Services should develop a stand-alone capacity assessment tool to reflect Country Office key performance indicators, capacity issues, and risks impeding the implementation of GEF-funded projects. This should be complemented by an annual assertion by Country Office leadership confirming the internal capacity to implement GEF projects is sufficient and capable.	
Management action plan: UNDP management believes that Country Office capacities need to be assessed and monitored within the context of the entire portfolio and significant changes to it, with GEF and other vertical fund projects as one aspect impacting capacities to implement. In addition, the suggested capacity assessment tool should be comprehensive and integrated to address the need for capacity adjustments responding to portfolio change. UNDP will undertake the following actions: <ol style="list-style-type: none"> 1. BPPS will finalize the draft Standard Operating Procedures (SOPs) related to project origination outlining the procedures and criteria on the basis of which requests for GEF programming by governments to UNDP may or may not be accepted. The SOPs are expected to be completed by 15 December 2020. 2. BPPS will finalize the online tool to trace time spent delivering GEF oversight services and it will be subsequently implemented. The timeline is as follows: (i) Tracking system final development in PIMS+ by 31 January 2021, and full implementation by 31 March 2021. 3. BPPS, in coordination with the Regional Bureau and Bureau for Management Services, will finalize the already advanced draft Country Office Capacity Diagnostic/Assessment tool for use within the context of the overall capacity assessment for significantly changing portfolios. The timeline is as follows: 31 March 2021 (Country Office Assessment tool to be finalized; 31 April 2021 (included in the POPP; 31 May 2021 (roll out commenced). Expected Completion Date: 31 May 2021	

Issue 3 Limited monitoring of audit recommendations of implementing partners

The implementing partner for a project must be accountable for delivering on the expected outputs in the time required, as well as managing risks, and sustaining results after the project ends. Based on the approved work plan, UNDP provides the required financial resources to the implementing partner to carry out project activities. Under the Harmonized Approach to Cash Transfers (HACT), cash transfers can be considered based on the partner's risk rating derived from the HACT micro-assessment.

The audits of UNDP implementing partners conducted as part of the HACT annual audits had highlighted systematic weaknesses.

Over the last three years, 1,223 recommendations were issued during the annual HACT audits as shown in Table 1. The Regional Bureau for Africa and the Regional Bureau for Asia and the Pacific had the highest number of recommendations by region.

Table 1: Number of audit recommendations contained in HACT audits 2017-2019

Regional Bureau/No. of Recommendations by audit opinion	Unmodified	Qualified	Disclaimer	No opinion	Total
RBA	444	45	4		493
RBAS	42	37			79
RBAP	263	200		1	460
RBEC	42				42
RBLAC	123	22			145
Total	914	304	4	1	1,223

Source: Comprehensive Audit and Recommendation Database System (CARDS)

Recommendations mainly related to ensuring that expenditures were incurred in line with the work plan, safeguarding of project assets, recording of expenditures, weaknesses in procurement, and weak delivery.

The audit firms issued qualified opinions on the combined delivery reports of implementing partners of 36 audited projects. In many instances, the qualification was due to expenditures either not supported by adequate supporting documentation or without any supporting documentation, resulting in the misstatement of the project financial statements.

Table 2 provides a summary of the Net Financial Misstatements (NFM) over the last three years, totalling \$3.07 million.

Table 2: Net Financial Misstatements (NFM) FYs 2017-2019*

Regional Bureau	2017 (\$)	2018 (\$)	2019** (\$)	Total
RBA	6,240	368,467	414,414	\$789,121
RBAP	446,056	1,317,653	426,096	\$2,189,805
RBAS	36,327	37,914	-	\$74,241
RBLAC	17,777	-	-	\$17,777
Total	\$506,400	\$1,724,034	\$840,510*	\$3,070,944

Source: CARDS³ – August 2020

* In absolute values

** As of end October 2020, the NFM for FY 2019 increased to \$1.3 million due to an additional \$495,196 of unsupported expenditures

OAI also reviewed the status of implementation of audit recommendations in the audit reports for fiscal years (FYs) 2017–2018. As shown in Table 3 below, a total of 96 recommendations were still pending implementation. All of them at the time of the audit reached or exceeded the 18-month mark for being considered long-outstanding recommendations.

³ Comprehensive Audit and Recommendation Database System

Table 3: Number of outstanding audit recommendations covering FYs 2017–2018

Region	Fiscal Year		Total
	2017	2018	
RBEC	7		7
RBAS	4	3	7
RBA	15	12	27
RBAP	19	10	29
RBLAC	17	9	26
Grand Total	62	34	96

Source: CARDS – August 2020

The Bureau for Management Services indicated that the net financial misstatement for FYs 2017–2019 totalling \$3 million represented only 0.8 percent of the total audited GEF expenses. Of which, the amount of \$0.3 million, out of the \$1.3 million net financial misstatement from 2019 audit, remained to be resolved. For the 96 outstanding recommendations, the Bureau indicated that only 28 recommendations (or 3 percent) had exceeded the target implementation date for more than 18 months, as of 31 October 2020. The recent actions undertaken by Country Offices to close outstanding recommendations had not yet been independently assessed by audit firms or Supreme Audit Institutions, as part of the annual HACT financial audit exercise.

Additionally, information received from Country Offices and the results of the survey from RTAs, identified the capacity of implementing partners and its impact on projects implementation as challenging. Country Offices and RTAs reported challenges dealing with implementing partners as follows:

- The complex nature of administrative procedures and decision-making/clearance processes at the national level.
- The regular changes in government, the high turnover, and the lack of buy-in, all result in delays in the appointments of new national counterparts, and in delays in following up on previous decisions for ongoing GEF projects. Consequently, it causes the delays in the approval of the project documents, the annual work plans and therefore affect the early start of the project activities.
- Challenges in the institutional memory of government institutions, which means that efforts must be made to encourage and advocate when technical personnel or focal points change.

Government counterparts did not use results-based management tools, resulting in weaknesses in planning and therefore in prioritization.

OAI issued a memorandum to BPPS regarding the review of HACT financial audit reports of GEF-funded projects for FY 2019. The memorandum indicated that auditors issued a modified opinion for nine projects in five countries, which resulted in an overstatement of \$1.34 million for FY 2019. The Director of BPPS in his response indicated that it was disconcerting to observe such a significant number of OAI observations being raised in relation to the financial management of resources entrusted to and managed by the Country Offices and overseen by the Regional Bureaux.

Subsequent to the audit, all Regional Bureaux and BPPS worked with all Country Offices to address the audit recommendations.

Priority	High (Critical)
Recommendation 3: The Bureau for Policy and Programme Support, in coordination with the Bureau for Management Services should: <ul style="list-style-type: none"> (a) update the capacity assessment tool for implementing partners and ensure that these assessments are regularly updated in line with all capacity issues and risks noted throughout the lifecycle of the projects; and (b) strengthen the monitoring and implementation of audit recommendations resulting from the HACT audits of implementing partners, including closer oversight of financial transactions of implementing partners with “modified audit /adverse audit opinions” on their financial statements. 	
Management action plan: UNDP will undertake the following actions: <ol style="list-style-type: none"> 1. BPPS and the Bureau for Management Services, in close coordination with the Regional Bureaux, will upgrade and improve the capacity assessment tools for implementing partners, including a strengthening of the focus within the capacity assessment tools of procurement capabilities. Guidance and procedures will be further enhanced to ensure that the experience of working with the implementing partners, as identified through the monitoring, spot check and other assurance activities (including audits) are acted upon through adjustments to the assurance plans and disbursement modalities during the lifecycle of the project. 2. The system of monitoring, oversight and strengthened management will be applied to implementing partner audit performance: <ul style="list-style-type: none"> ▪ Bureau for Management Services shall include NIM audit performance in its corporate monitoring of audit performance, including regular reporting to the OPG. ▪ Regional Bureaux will strengthen their oversight on Country Offices on the management of implementing partner risks and audit observations. ▪ Country Offices will strengthen their risk management activities to ensure that risks identified via implementing partner audits are adequately addressed (which may require GEF Secretariat approval to provide Country Office support to national implementation) and assurance plans and disbursement modalities adjusted accordingly. 	
Estimated completion date: 30 September 2021	

Issue 4 Weak monitoring of key UNDP/GEF deadlines

The UNDP Chief Finance Officer and UNDP-GEF Executive Coordinator shared with Country Offices the importance of meeting internal and external GEF key deadlines to prevent cancellation of projects or non-disbursement of fees, among others. Delays in financially closing projects may result in the de-prioritizing of countries for new projects. Factors contributing to portfolio efficiency include: (a) speed of project preparation, timely implementation, mid-term review, and project closure; (b) strict project timelines and delivery; (c) on-time disbursement of funds; and (d) reduced gap between terminal evaluation and financial closure.

UNDP’s performance on the three key GEF/UNDP deadlines were, as follows:

(a) GEF 2019 Monitoring Report

The 2019 GEF Monitoring Report showed UNDP at 29 percent for 14 full-sized/stand-alone projects endorsed in 2019 within 18 months from approval of the project identification forms to GEF-Council approval.

UNDP took 14 months on average from the GEF Chief Executive Officer endorsement to the first disbursement and 3.9 years from the Chief Executive Officer endorsement to mid-term review. It took on average 6.1 years for UNDP-GEF projects to reach completion as compared with 6.8 years for other GEF agencies.

The UNDP-GEF Team shared that no projects were cancelled, although some did not meet the 18-month deadline.

(b) Financial closure of projects

According to UNDP's POPP, projects are required to be financially closed within 12 months after operational closure. Table 4 shows that 10 operationally closed projects had not been financially closed for more than 12 months, as of August 2020. Financial closure for three projects had been pending for at least 30 months. In addition, UNDP had the highest number of projects (101) that were pending financial closure.

Table 4: Number of operationally closed projects awaiting financial closure for more than 12 months

No. of months pending	Year of operational closure			
	2017	2018	2019	Total
36	2			2
30	1			1
27		2		2
19		2		2
18		2	1	3
Total	3	6	1	10

Source: PIMS+

BPPS explained that two projects were reopened and omitted to close them again; five projects were cost-sharing projects and not funded by GEF; and the three remaining projects had pending actions from the concerned Country Offices.

(c) Chief Executive Officer endorsement of the first disbursement

UNDP established internal deadlines for the Chief Executive Officer endorsement of the first disbursement in Atlas, which are 40 working days for full-size projects and 20 working days for medium-size projects. BPPS explained that the 40 working day target (effective since March 2019) is a self-imposed deadline to ensure timely release of the agency fee.

Although the 40 working day deadline was only set in March 2019, the audit team reviewed the number of working days it took from the Chief Executive Officer endorsement to the first disbursement in Atlas in the last four years (2016–2019). For full-size/stand-alone projects, more than 95 percent of projects, it took more than 40 working days. In 2019, none of the 20 projects were able to meet the 40 working day target for first disbursements in Atlas; it took between 78 and 555 working days for 19 projects, while for 1 project, it took 1,054 working days.

For medium size/stand-alone projects, a review of historical data disclosed that first disbursements in Atlas also took more than 40 working days in the last four years (2016–2019) for at least 93 percent of projects. In 2019, 14 projects had first disbursements in Atlas processed more than 40 working days (between 69 and 370 working days).

The audit team reviewed the 2020 GEF Annual Monitoring Report. The report indicates positive performance by UNDP. For example, out of the 18 GEF agencies UNDP ranked fifth, with 67 percent of projects reaching the mid-term review within four years of implementation. UNDP ranked sixth in terms of disbursement ratio of ongoing portfolios. There were areas that needed improvement, such as the time elapsed from the Chief Executive Officer endorsement or approval for the first disbursement.

BPPS indicated that due to the established monitoring systems, none of the UNDP projects had been automatically cancelled by the GEF. It added that PIMS⁴ has a risk management dashboard used as an early warning system to identify projects that may be at risk of delays and leading to cancellations or the GEF not disbursing to UNDP. BPPS took measures to improve the management actions in the risk dashboard during the audit period.

Project cancellations may occur if established deadlines are not being met, which may result in loss of confidence in UNDP's ability to implement GEF projects.

Priority	Medium (Important)
Recommendation 4:	
The Bureau for Policy and Programme Support, in coordination with the Regional Bureaux, should ensure that timely action is taken to support Country Offices facing challenges in meeting UNDP/GEF deadlines.	
Management action plan:	
BPPS, Regional Bureau, and Country Offices will use the risk dashboard in PIMS+ to monitor GEF risks and will discuss risks and corresponding action plans during the joint GEF portfolio performance meetings held three times a year.	
Estimated completion date: 31 October 2021	

Issue 5 GEF/UNDP policy and guidance not easily accessible and lack of a stand-alone Anti-Money Laundering policy (AML)

(a) Scattered policies and procedures:

Country Offices (13 out of 15) and RTAs (5 out of 18) who responded to OAI surveys indicated that the policies and procedures were fragmented and not available in one central document or platform. All GEF RTAs further emphasized the need for refreshers/knowledge sessions on all GEF policies and procedures to staff in Country Offices. OAI's review confirmed these statements and identified cases where the policies were in multiple locations.

The GEF guidance was expected to be centralized in the POPP; however, BPPS was also maintaining various document policies, guidance and templates under its own page. The Bureau for External Relations and Advocacy was also providing guidance on various items. The multiplicity of guidance sources created the risk of not using the correct document/policy.

⁴ The Project Information Management System+ (PIMS+) was designed to support the oversight of GEF-funded projects managed by UNDP. The projects include all projects funded by the GEF (Global Environmental Facility), GCF (Green Climate Fund), AF (Adaptation Fund), and other cost-sharing resources mobilized by the UNDP.

(b) Absence of comprehensive policies on Anti-Money Laundering (AML) and Combatting Financing Terrorism (CFT)

The GEF approved, in June 2007, a set of Minimum Fiduciary Standards (GMFS) to ensure accountability, integrity, transparency, efficiency, and effectiveness in the use of GEF funds. At its 55th meeting in December 2018, the GEF Council approved the Anti-Money Laundering and Combating the Financing of Terrorism (AML-CFT).

On 1 April 2019, UNDP certified compliance with the GEF minimum requirements on AML and CFT. The UNDP-GEF Executive Coordinator indicated that after reviewing UNDP rules, it was confirmed that UNDP has in place the necessary policies, procedures, systems, and capabilities to: systematically screen individuals and/or entities to whom/which GEF funds are transferred for risks related to money laundering and financing of terrorisms, (b) effectively address risks when identified, based on standard decision-making procedures, and (c) prevent GEF funds from being used for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import is prohibited by a decision by the United Nations Security Council.

The audit team noted, however, that UNDP did not have a written stand-alone consolidated policy on AML or on CFT, though the organization practice most of those requirements through various other policies, and that UNDP legal instruments, templates, including procurement did not include any reference to AML or to CFT.

Subsequent to the audit fieldwork, BPPS indicated that in light of recent updates of the policies of the GEF and other funding partners, it was recognized by UNDP that a consolidation/aggregation of its existing policies into a stand-alone AML/CFT policy would be beneficial and would further strengthen UNDP's policy framework. BPPS/NCE/VF has therefore initiated and led an internal task force with other representatives from the Legal Office, OAI, Bureau for Management Services and the Office of Financial Resources Management to re-assess UNDP's the requirements and provide a draft stand-alone Policy for UNDP. This draft policy is currently under review.

Subsequent to the audit mission, BPPS indicated that it did not consider the organization to be at high risk for money laundering or financing terrorism in GEF projects. However, to ensure that any risk is mitigated, it started to develop a consolidated policy to address risks in these areas.

The absence of a centralized repository for policies hinders the adherence to GEF policies and guidance. In addition, absence of a stand-alone AML/CFT policy hinders UNDP from ensuring compliance.

Priority	Medium (Important)
Recommendation 5: The Bureau for Policy and Programme Support, in consultation with the Bureau for Management Services should: <ul style="list-style-type: none"> (a) centralize and upload all GEF-related guidance, policies, and procedures into the UNDP POPP and update them regularly; and (b) develop and implement a stand-alone Anti-Money Laundering and a Combatting Financing Terrorism policy. 	

Management action plan:

UNDP management agrees with the audit recommendation and will undertake the following actions:

1. BPPS will continue to upload GEF specific guidance and templates to the UNDP POPP with regular updating throughout the year as and when needed. BPPS is expected to start uploading the first set of GEF guidance notes by 31 January 2021.
2. UNDP has already developed a stand-alone AML/CFT policy with a view to consolidating/aggregating the various existing policies relating to AML/CFT and to upload this policy to the POPP. The draft policy is currently undergoing an inter-bureau review. BPPS, together with the Bureau for Management Services, in consultation with the Regional Bureaux will work towards the approval of the stand-alone policy as soon as the review process is completed.

Estimated completion date: 30 June 2021

Issue 6 Weaknesses in the management of co-financing from government counterparts

The GEF Co-Financing Policy requires that GEF agencies identify, document, monitor and report on sources and types of available co-financing for GEF-funded projects and programmes. Information on co-financing needs to be monitored and reported in a continuous and regular manner throughout the GEF project cycle, from concept stage to project completion.

The analysis of the co-financing estimated at the project concept stage compared to the reported co-financing in the mid-term reviews and terminal evaluations of ongoing GEF projects in 2018 and 2019 indicated the following:

Table 5: Details of co-financing contributions of government counterparts

Status of co-financing	At Mid-term review (estimated vs reported)	At terminal evaluation (estimated vs reported)
No information available	37-44%	12-20%
Co-financing achieved less than 50% target	33-37%	16-27%
Co-financing exceeding targets	6-8%	39-44%

Furthermore, the audit team could not confirm that the implementing partners or government counterparts were effectively contributing to the projects. Although there were co-financing letters attached to the project documents of 22 projects reviewed, there was no evidence of the actual transfer of funds.

In all GEF projects, co-financing is mandatory, whether in kind or cash (e.g. grant). In all the sampled projects, where there were commitments in cash (17 projects), UNDP was not signing cost-sharing agreements with implementing partners for the cash contributions or considering any cost-recovery options.

BPPS indicated that UNDP is not required to go beyond what is required by the GEF co-financing policy. For example, it is not required to have co-financing channeled through UNDP accounts. Nor is it a requirement to monitor the annual realization of co-financing, except at the stage of the mid-term reviews and terminal evaluations.

OAI acknowledged that UNDP's reporting of co-financing has improved since 2018, and in 2019 less than 7 percent of the terminal evaluations had not reported actual co-financing figures. However, the co-financing-related fee is not traceable as there is no dedicated fund code linked to it. As a result, UNDP

cannot verify that it is being used for its intended purpose and is not able to charge a GMS rate. That might affect accurate financial resources management and monitoring.

Priority	Medium (Important)
Recommendation 6:	
The Bureau for Policy and Programme Support should adequately monitor co-financing and ensure that partners are honouring their co-funding commitments.	
Management action plan:	
BPPS will include compliance with monitoring of GEF co-financing to the project objectives at mid-point and project closure in the updated delegation of authority agreement. This will clarify that accurate monitoring and reporting of co-financing will be a key performance and will clarify the implications of non-compliance. The delegation of authority agreement template will be uploaded to the POPP.	
Estimated completion date: 15 December 2020	

Question 2: Have Country Offices established effective and efficient mechanisms to ensure successful implementation of the GEF-funded projects?

The UNDP Administrator has delegated specific authorities to Country Office Resident Representatives. Delegated authority includes the approval of country programmes and related documents, approval authority in procurement and contract matters, assets, finance and budget management matters as well as human resources management. In line with this, the BPPS/NCE/VF Executive Coordinator issues written delegation of authority letters to Resident Representatives for the implementation of GEF-funded projects, which includes the authority to sign UNDP-GEF project documents and the accountability for the oversight of GEF-specific requirements, such as preparation of annual work plans, use of fees, and project management requirements.

OAI reviewed a total of 22 projects in 8 Country Offices and 2 Regional Hubs as stated below:

Table 6: List of Country Offices, Regional Hubs and projects sampled

Country	Award ID	Output ID	Project Title
ARGENTINA	85129	92877	Mainstreaming sustainable use of biodiversity in production practices of small producers to protect the biodiversity of high value conservation forests in the Atlantic Forest, Yungas and Chaco
	80382	90091	Sustainable land use management in the drylands of North-west of Argentina
CHILE	77514	88249	Supporting civil society and community initiatives to generate global environmental benefits using grants and micro loans in the Mediterranean eco-region of Chile
	97780	101364	Third Biennial Update Report and Fourth National Communication under the UNFCCC
	94969		KURA II Advancing IWRM across the Kura river Basin (Regional project)
	95244		Strengthening human resources, legal frameworks, and institutional capacities to implement the Nagoya Protocol (Global project)

Country	Award ID	Output ID	Project Title
Istanbul Regional Hub	106015		Technical Support to Eligible Parties to Produce the Sixth National Report to the Convention on Biological Diversity in Asia Region (Global project)
KAZAKHSTAN	88403	9582	Supporting sustainable land management in steppe zone through integrated territorial planning and agro-environmental incentives
	97249	101058	De-risking Renewable Energy Investment
	82364	91328	Nationally Appropriate Mitigation Actions for Low-carbon Urban Development
KENYA	83343	91871	Enhancing Wildlife Conservation
	95750	99820	Sound Chemical Management Mainstreaming
PANAMA	98209	101611	Reducing Deforestation from Commodity Production (Implemented by Regional Hub in Panama)
	99240	102547	Conservation and sustainable use of biodiversity in coastal marine production landscapes (Implemented by CO in Panama)
PHILIPPINES	76994	88065	Strengthening the Marine Protected Area System to Conserve Marine Key Biodiversity Areas
	86135	93480	Promotion of Low Carbon Urban Transport Systems in the Philippines
UKRAINE	74537	86891	Development and Commercialization of Bioenergy Technologies
	88958	95405	Removing Barriers to increase investment in Energy Efficiency in Public Buildings in Ukraine through the ESCO modality in Small and Medium Sized Cities
SAMOA	73781	86437	Strengthening multi-sectoral management of critical land
	79044	89160	Economy-wide integration of CC adaptation
	95244	99240	Strengthening human resources, legal frameworks, and institutional capacities to implement the Nagoya Protocol (Global project)
	100814	103585	IMPRESS Renewable energy

*Projects in Samoa were added subsequently to the initial selection.

OAI's review of the governance, project management, and operations related to the implementation of GEF-funded projects in sampled Country Offices disclosed control weaknesses that affected the effective and efficient implementation of projects.

Issue 7 Indications of irregularities due to weak Internal Control Frameworks and poor accountability

UNDP's corporate Internal Control Framework highlights that each head of office has overall responsibility for establishing and maintaining adequate internal controls in his or her office, and for ensuring documentation of the office's internal control procedures. Further, UNDP's policy on delegation of authority outlines that all delegations of authority must be made formally in writing. According to UNDP financial regulations, there must be a segregation of duties to implement an appropriate level of checks and balances upon the activities of individuals, thereby minimizing the risk of error or fraud and helping to detect errors or fraud.

Based on the review of all 10 Country Offices and 22 GEF projects, OAI noted indications (red flags) that fraudulent activities might have occurred or could occur in two Country Offices:

- In one Country Office, the audit team identified 17 payment vouchers amounting to \$250,136 that had red flags. For example, seven payment vouchers were for payments to a consultant, but no evidence existed to support that services were provided. Another payment voucher was

processed to pay a vendor allegedly for the supply of materials relating to a tree-planting campaign; however, the Country Office indicated that the consultant and the vendor were not legitimate. Further, four payment vouchers were for payments to a vendor, which were not in the project procurement plan. Supporting documents had the signature/initial of the Programme Officer, who indicated that she was on leave and thus, did not sign the payment documents. Further, the Programme Manager stated that the signature/initial on the same documents were not hers. Lastly, three payment vouchers were for payments to two vendors allegedly for the construction, or repair and maintenance works done, and purchase of IT equipment and software. The audit team noted that some supporting documents from the two vendors were identical. The Country Office also indicated that one vendor was not contracted for the project where the payment was charged.

After the audit fieldwork, the Country Office found more red flags when retrieving documentation requested by OAI. OAI communicated the initial audit observations to the Director of the corresponding Regional Bureau. The Country Office changed its management several times (six Resident Representatives, and four Deputy Resident Representatives) during the three-year period under review, which resulted in a weak governance and control environment in the Country Office. The current management of the Country Office, the Regional Bureau, and BPPS/NCE/VF had taken several measures to address the audit observations, including cancelling the delegations of authority granted to the Country Office. Further, the Regional Bureau established additional controls to review of the Country Office's financial transactions and procurement activities.

- In another Country Office, there were suspicions of collusion among the various project managers in charge of implementing the GEF projects. The audit team noted that the procurement evaluation team was composed of service contract holders who were either directly involved in the project activities or closely related. All technical and financial evaluations were conducted by the project managers. The audit team was concerned that for most technical evaluations reviewed, the evaluation team members were giving identical scores, meaning that there were no dissenting voices, which may impair an objective and independent evaluation by the members. Discussions with management indicated that the evaluation teams were in some instances conducting the evaluation as a group exercise.
- During the audit of a project in May 2020, the external audit firm identified several concerns surrounding the selection and contracting for one of the project activities. The principal concern was that the consultant selected and contracted for the activity was the spouse of the UNDP Programme Manager who was formally responsible for monitoring the project. This raised an issue of whether there was a potential conflict of interest. In addition, there were concerns surrounding the selection and contracting of the consultant, who was directly contracted without following a competitive selection process.

There were additional issues related to weak internal controls and segregation of duties, as follows:

- In another Country Office, different from those mentioned earlier, the audit team noted poor market research. This led to the selection of a company without any experience to be awarded two successive contracts totalling \$274,000. The Country Office was also charging the project for activities outside the scope of the project.
- In a fourth Country Office, also different from those mentioned earlier, the audit team noted: (i) two cases where expenses were incorrectly charged; (ii) insufficient documentation of expenses charged to the GEF projects; (iii) no evidence to support the processing of the 292 land parcel restrictions; (iv) a grant agreement had no adequate information on the activities to be implemented by the responsible party; (v) discrepancies in the mileage recorded in the motor vehicle work tickets. In the same transaction it was noted that one of the implementing partner

staff used his personal bank account to pay per diem to other government staff members. OAI was not provided documentation to support the processing of the per diem.

- In one of the Country Offices, the Internal Control Framework was issued in December 2018. Despite changes in the Country Office's senior management positions and staff turnover, and in the operation of the organization, the Internal Control Framework had not been updated or revised. For example, it referred and provided authority to the 'Deputy Country Director Programme' and 'Deputy Country Director Operations' posts, which were both abolished in 2019. The Operations Manager and Deputy Resident Representative joined the Country Office in February, and September 2019, respectively. However, the Internal Control Framework was not updated to reflect their roles, responsibilities, and accountabilities.
- In one Regional Hub, the audit team noted that the delegations of authority were not updated as follows: (i) the former Deputy Regional Director resigned on 25 March 2019, and the Internal Control Framework was updated seven months after, on 22 October 2019; (ii) the Regional Hub Director as the Principal Project Representative did not have delegation of authority (it was issued to the previous Regional Hub Director); (iii) delegations of authority to the project manager issued on 7 March 2017 and 11 December 2017 were outdated; and (iv) the delegation of authority to one regional project manager was not issued.
- OAI noted that in another Country Office, the Deputy Resident Representative and 13 Country Office personnel undertook procurement activities and/or approved transactions relating to GEF-funded projects in 2019, although their delegation of authorities were not updated or were no longer valid. Specifically, the Office provided written delegation of authorities for the Portfolio Manager and Programme Analyst. Nevertheless, these were no longer valid because they were referring to the outdated Internal Control Framework of the Office.
- The delegation of authorities issued by the Resident Representative in another Country Office only granted the Operations Manager approving manager level 2 rights (up to \$50,000). However, the Operations Manager approved four purchase orders that each had a value above \$50,000. Furthermore, the Office's Internal Control Framework assigned the Programme Analyst a 'project manager' role only to approve e-requisitions for travel of project personnel. However, the Programme Analyst approved 29 e-requisitions relating to GEF-funded projects in 2019 (with Purchase Orders values totalling \$2.25 million); all of which not related to travel of project personnel.
- The POPP requires that each delegation of authority issued to a staff member must have his/her signature confirming understanding and acceptance of it. The audit team noted that the documentation was not always maintained and securely filed in the Country Offices.

OAI opened cases for investigations and decided to conduct forensic reviews of financial transactions of the two Country Offices where red flags were identified and breakdown in the internal controls were noted. One investigation as well as one project evaluation were completed during the preparation of the audit report, confirming suspicions indicated above; other forensic reviews/investigations were still ongoing.

BPPS took immediate action to halt project implementation until OAI's investigations were completed. Further, one Regional Bureau commissioned various assessments of the Internal Control Framework in most Country Offices within that region. In another region, BPPS, in consultation with the Regional Bureau, revoked the delegation of authority to the Resident Representative and implemented additional controls over all transactions pertaining to GEF projects.

Priority	High (Critical)
Recommendation 7: The Regional Bureaux should hold the Country Offices accountable for: <ul style="list-style-type: none"> (a) establishing and implementing Internal Control Frameworks, including maintaining adequate segregation of duties; and (b) maintaining and securely filing each delegation of authority issued to a staff member including his/her signature confirming understanding and acceptance. 	
Management action plan: UNDP will undertake the following actions: <ol style="list-style-type: none"> 1. The Bureau for Management Services, with the support of Regional and Central Bureau, will implement to the extent possible, preventive auto controls in Atlas that reduce the incidence of breaches in segregation of duties when assigning Atlas Argus profiles. This action was expected to be completed by 31 December 2021. 2. Regional Bureaux will continue to include Internal Control Framework implementation as a performance indicator of Country Office senior managers. This action was expected to be completed by 31 January 2021. 3. Regional Bureaux and Country Offices, with the support of the Bureau for Management Services/Office of Financial Resources Management, will complete a review of the Internal Control Frameworks and ensure their implementation and findings are addressed. This action was expected to be completed by 31 January 2021. 4. The introduction of clustering of services across Bureaux is envisioned to enhance oversight as well as management accountability of Country Office transactions processed, with robust SOPs in place to support the transaction workflows. 	
Estimated completion date: 31 December 2021	

Issue 8 Weaknesses in risk management practices

The Enterprise Risk Management Policy and Procedures requires the Country Offices to update the project risk register in Atlas as often as needed but no less than once a year. Further, the annual Project Implementation Review report of GEF-funded projects also includes a section on critical risk management.

Although initial risks identified and assessed for all 22 projects had been recorded in Atlas, the audit team noted that 15 out of 22 projects reviewed fell short in monitoring and updating risks in Atlas in 2019.

Risk management is a critical aspect of project management. Failing to do it regularly and not documenting the results may expose projects to risks without mitigating measures, leading to non-attainment of key objectives.

In response to the draft audit report, the Regional Bureaux indicated that actions had already been taken during the audit period to enhance risk management.

Priority	Medium (Important)
Recommendation 8:	
The Regional Bureaux should develop and implement a plan to ensure that Country Offices and Regional Technical Advisors include the review of risk management when conducting oversight of GEF projects.	
Management action plan:	
UNDP management agrees with the audit recommendation and will undertake the following actions:	
<ol style="list-style-type: none"> 1. BPPS will continue to provide oversight of GEF portfolio level risks using the PIMS+ risk dashboard. GEF risks will continue to be escalated from RTAs to the BPPS Executive Coordinator for appropriate actions. 2. BPPS will include compliance with UNDP's Enterprise Risk Management Policy and the requirement for up-to-date project risk registers in the updated delegation of authority agreement. This will clarify that accurate project risk registers will be a key performance indicator and will clarify the implications of non-compliance. The delegation of authority agreement template will be uploaded to the POPP. 3. Regional Bureaux will oversee Country Office compliance with project-level risk management and treatment as required by the UNDP Enterprise Risk Management Policy and will provide training activities for Country Offices on the timely completion of risk registers. 	
Estimated completion date: 31 April 2021	

Issue 9 Weaknesses within project management

The 2019 PIRs of 22 projects from 8 sampled Country Offices included the following ratings: “satisfactory” for 5 projects, “moderately satisfactory” for 10 projects, and “moderately unsatisfactory” rating for 4 projects. The 2019 Project Implementation Reviews for three projects were not completed.

The audit team identified the following weaknesses within project management:

(a) Poor project design and planning

- One project intended to purchase biomass boilers for more than six sites. However, due to the high cost of boilers, the activity could not be completed in all sites as planned. The PIR concluded that, under the current market conditions, these projects might not be financially feasible due to shortcomings in estimating the cost of equipment during the project design.
- One project design included 50 training sessions; the project board increased the number of trainings to 338 following the suggestion of the national counterpart. An independent review concluded that the first 100 trainings were ineffective, so additional trainings were cancelled. Besides the cost of trainings performed, the Country Office had to pay an early contract termination fine.
- A two-year delay in starting a project (91871) resulted in the following: (i) the implementing partner assessment becoming invalid due to institutional changes; (ii) challenges with incorporating the projects' budget within the national government's estimates resulting in an off-budget spending authorization; (iii) delays in recruitment of project staff; and (iv) following delays in opening the

project bank account, payments were delayed. Similar issues were observed following delays in starting another project – these included challenges with incorporating the project budget in national governments' estimates, opening of the project bank accounts, and recruitment of project staff.

(b) Weaknesses within the Board/Project Steering Committee

According to the POPP, the role of the project board or Project Steering Committee is to: (a) provide guidance to the project; (b) address significant project issues; (c) provide guidance on project risks; (d) review project progress; and (e) appraise the project annual review report, and work plan.

The audit team observed that UNDP did not have a consistent approach regarding the project board membership, role and frequency of meetings.

- In one case, the project board consisted of UNDP staff members, while national partners were excluded. One UNDP Office reported that the Project Management Arrangements established by GEF did not include UNDP staff members in the project board.
- The project board meeting minutes of one project confirmed that UNDP was underrepresented despite the project being directly implemented by UNDP.
- In one project, the project board decisions included the approval of the Project's Results Framework log-frame and project extension. The changes included an increase in the project budget of 84 percent following and a corresponding increase in trainings from 50 to 338. These substantial changes should have been cleared by GEF.
- In one project, challenges in the financial management of the project were repeatedly discussed by the project board over two consecutive years. However, no decision was taken to address these.
- The audit team observed that there was a lack of guidance governing the functioning of a project board for global projects, to prevent delays in implementation.
- For three projects, the project boards did not convene in 2019 despite the project documents having included the requirement to meet annually.

(c) Unauthorized deviations from the approved project documents, project annual work plans and project budgets

Substantive project revisions should be reviewed through a project appraisal committee meeting prior to approval. In addition, the Office requires approval from the BPPS Vertical Funds team when: (a) budget re-allocations among components in the project exceed 10 percent of the total project grant; and (b) there is an introduction of new budget items/or components that exceed 5 percent of original GEF allocation.

In one project (74537), the full cost of 12 biomass boilers was expensed, contrary to the project budget, which permitted a maximum 25 percent of the cost of biomass boilers to be expensed. As a result, the expenditure was \$1.5 million, exceeding the budgeted amount of \$375,000. The Office did not request GEF authorization for the change in the project budget.

The project board of the same project, during its meeting on 31 March 2017, approved the use of funds from one project component to cover activities planned under another project component despite the RTA's disagreement. This resulted in an increase of \$633,649 (84 percent) from the amount included in the

project budget. The project board meeting minutes did not provide justification for the increase. Subsequently, the activity was assessed as ineffective and discontinued.

(d) Ineffective management and monitoring of annual work plans and budgets

Country Offices must establish a monitoring system to ensure that the project is being implemented in accordance with its work plan and that the intended results are being achieved.

- For two projects, the 2018, 2019 and 2020 annual work plans excluded results-based information such as baselines, indicators, and targets.
- The 2019 work plan of one project did not include a budget for the procurement of machinery/equipment, which were identified in the list of purchase orders. The audit team was unable to confirm whether this procurement was planned and appropriate.
- The audit team noted that in the case of four projects, the yearly spot checks were not completed in 2018 or 2019.
- One project included a pilot activity relating to urban carbon emission reduction. The previous project (implemented in 2010–2015) included a similar pilot activity aimed at developing and energy-efficient buildings. It was not clear why similar activities were repeated, particularly since the final evaluation of the initial project identified various concerns including maintenance costs.

(e) Insufficient documentation for the selection of private sector companies

- The project board minutes for one project dated 28 January 2018 disclosed the collaboration between a private company and UNDP. The Office completed the “Risk Assessment Tool for engaging a private company.” However, there was no supporting documentation relating to the identification, eligibility, and engagement of this entity. The Risk Assessment Tool indicated that the company approached the GEF project manager directly in 2018 to collaborate with the project.
- In another Office, a Memorandum of Understanding was signed with a private sector company to implement a component relating to a project totalling \$547,169. However, no additional supporting documents were available to support the selection of this entity.

(f) Missing asset inventory reports

In six projects, the audit team was not provided with asset inventory reports as of 31 December 2019. The Country Offices’ management explained that they had not received them from the implementing partners. Incomplete asset registers were also noted for two other projects.

Ineffective project management may prevent the achievement of project results.

Priority	High (Critical)
Recommendation 9:	
The Bureau for Policy and Programme Support, in collaboration with Regional Bureaux, should improve project design, implementation, and monitoring by:	
(a) providing clarification on the role, composition, and functioning of the project steering committees (project boards), including special guidance for global and regional projects;	

- (b) ensuring project design and budget deviations are duly authorized per UNDP and GEF rules and regulations; and
- (c) comprehensively documenting the selection of private sector companies and maintaining asset inventory reports.

Management action plan:

UNDP management agrees with the audit recommendation and will undertake the following actions:

1. BPPS will prepare detailed guidance and clear procedures on the internal and external approvals required when making GEF project amendments during project implementation. This guidance will be uploaded to the POPP. Estimated completion date: 31 January 2021
2. BPPS will continue the internal consultation process already started to develop additional guidance on the roles and responsibilities of project boards. This guidance will make relevant distinctions between the different implementation modalities (NIM, NIM with Country Office Support or DIM). The guidance will be incorporated into the UNDP-GEF project document template and uploaded to the POPP. Estimated completion date: 30 June 2021
3. The Regional Bureaux will provide refresher training to Country Offices on all aspects of programme and project management (PPM/POPP) including UNDP's private sector policy and screening procedure. Estimated completion date: 30 April 2021

Estimated completion date: 30 June 2021

Issue 10 Project reporting needs improvement both in substance and accuracy

As specified in the monitoring and evaluation framework section of the GEF project document, projects should comply with UNDP and GEF reporting requirements. Project managers are required to ensure that Atlas is updated with data on the following: financial delivery; mobilized resources; results achieved against pre-defined milestones/targets in the results framework; lessons learned; action taken to respond to evaluation; quality assurance and risks.

The audit team noted:

- In five projects, back-to-office reports did not provide minimum required information on project progress.

Comprehensive data regarding 2019 project site visits was not available: OAI requested the Project Coordinator of one project to provide a roster of site visits performed during 2019 and the corresponding site visit reports; however, this information was not available. The Project Coordinator indicated that each professional in the project team handles the planning and information on site visits independently in his/her files.
- Results reported in the 2019 Annual Project Report for four projects were not fully supported. For example, a project reported the achievement of results for the number of hectares covered by the project as 400,000, while the supporting documentation indicated 308,700 hectares (25 percent less than reported). While a total of 105 management plans were reported as implemented, supporting documentation confirmed only a total of 73 management plans as implemented. While a total of 105 management plans were reported as implemented, supporting documentation confirmed 73 management plans as implemented.

- Project achievements were not reported in Atlas. Out of 22 projects reviewed, the last project progress was uploaded in 2018 for 4 projects (19 percent); in 2017 for 8 projects (36 percent); and in 2016 for 2 projects (9 percent). A total of eight (36 percent) projects did not have any progress report updated in the Atlas/Corporate Planning System.

Weaknesses in project reporting may prevent management from taking corrective action in a timely manner, and can negatively impact the reputation of the organization.

Priority	Medium (Important)
Recommendation 10:	
The Bureau for Policy and Programme Support, in coordination with the Regional Bureaux should strengthen the reporting of results, including accuracy and completeness.	
Management action plan:	
The 2021 GEF PIR will be revised to require reported results be substantiated by evidence to be uploaded to the on-line reporting platform in PIMS+.	
Estimated completion date: 31 May 2021	

Finance management at the Country Office level

The 22 GEF projects from the selected 10 Offices had a total of 2,837 payment vouchers processed during the review period, amounting to \$25.6 million. The audit team sampled 205 payment vouchers amounting to \$7.4 million (29 percent) to determine whether finance was managed effectively so that payments processed were valid, verifiable, and fully supported.

The Offices followed the UNDP POPP for the financial management of GEF-projects. Furthermore, as most of these projects were nationally implemented, Offices also followed the HACT Framework.

In addition, the UNDP-GEF Team in Headquarters managed the Project Implementation Management System+ (PIMS+) designed to provide oversight services, including financial management of GEF projects.

Issue 11 Weaknesses in financial resources management

(a) Unsupported or ineligible financial transactions

- For one project, a payment of \$124,051 was processed for the procurement of heating boilers, silo fuel hoppers, and storage. The supporting documentation indicated that the equipment was already installed at the delivery address. However, during the project site visit, the audit team found that the equipment was still at the supplier's warehouse. Further, the procurement activities were not included in the annual project work plan and payments were charged to the wrong expense account (Construction Cost).

In addition, all 20 payment vouchers reviewed for two projects showed that the Country Office did not maintain evidence of satisfactory receipt of good or services. For individual contracts, the certifications of payment were signed by the Programme Analyst who had not been delegated to do so.

- In another Country Office, six payment vouchers totalling \$111,145 charged to three projects had incomplete or missing supporting documents. The payments pertained to the procurement of (a) office computers and supplies that did not match with the implementing partner's request, (b) banners which had not been approved by the implementing partner, and (c) a business-class ticket for a government official's travel, for which approval had not been obtained. Further, one payment voucher charged to one of the projects totalling \$22,500 did not match signed contractual obligations.

In addition, all General Ledger Journal Entries should be supported by appropriate documentation and these supporting documents should be maintained and securely filed as part of UNDP office records. One Country Office provided limited or no supporting documentation for all 12 selected General Ledger Journal Entries processed for four projects.

- In another Country Office, two payment vouchers charged to two projects amounting to \$89,611 excluded information on the Funding Authorization and Certificate of Expenditures (FACE) forms relating to signatures of the programme officer to evidence the review of the payment prior to processing.

(b) Expenses not related to the project

- In one Country Office, the supporting documents for three payment vouchers amounting to \$72,967 charged to one project indicated that they had been charged to the incorrect project. The Office acknowledged the error and indicated that the entry in Atlas would be reversed. However, this was no longer possible because accounting records had already been finalized.
- In another Country Office, one project was charged expenses totalling \$10,872 but the corresponding activities were not related to this project.

(c) Payments of value added tax (VAT) not reimbursed

The audit of one Country Office (Audit Report No. 1987, issued on 16 August 2018) raised the issue of the reimbursement of VAT payments. The review of Office records disclosed that VAT amounts were still included in payment vouchers reviewed and charged to two projects. There was no indication that the Office would receive reimbursements for the VAT payments. The VAT refund was not consistently applied and there was an ongoing dialogue with the Government and the UN Country Team for resolution reimbursement of VAT payments.

(d) Weak controls over project cash advances

Project cash advances must be closed and fully accounted for within 30 days from the date the advance is issued. Further, liquidation of cash advances should be supported with adequate documentation.

The review of three project cash advances totalling \$32,175 issued to staff members by a Country Office and charged to one project disclosed delays in liquidating advances of more than three months. Further, the amounts in the supporting documents did not reconcile to the liquidation report.

The weaknesses noted in the financial management may result in financial losses or improper use of funds leading to loss of confidence in UNDP to execute GEF-funded projects.

In response to the draft report, Regional Bureaux indicated that strengthened transaction-level oversight in high-risk offices were put in place.

Priority	High (Critical)
Recommendation 11:	
The Regional Bureaux should ensure that Country Office financial transactions charged to GEF projects are valid, and adequate supporting documentation is maintained.	
Management action plan:	
UNDP will undertake the following actions:	
<ol style="list-style-type: none"> 1. The Bureau for Management Services will strengthen the existing guidance on Country Office's responses to qualified expenses arising from audits of implementing partners, addressing documentation requirements and remedial actions to strengthen assurance activities. UNDP is expected to complete this action by 31 March 2021. 2. Country Offices, under the oversight of Regional Bureaux, shall strengthen their assurance activities to ensure that financial transactions charged to GEF projects are valid, and adequate supporting documentation is maintained. 3. Regional Bureaux have put in place strengthened transaction-level oversight in high-risk offices. 	
Estimated completion date: 30 September 2021	

Procurement activities at the Country Office level

The 22 GEF projects from the selected 10 Offices had a total of 1,062 purchase orders processed during the review period, valued at \$18.9 million. The purchase orders pertained to the procurement of goods and services, including the hiring of consultants and companies to support project activities. The audit team sampled 100 purchase orders valued at \$3.8 million (20 percent).

Issue 12 Weaknesses in procurement management

(a) Incomplete procurement plans and requisitions

Preparing a comprehensive procurement plan provides opportunities for economies of scale, contributes to budget planning, and facilitates the timely procurement of goods. However, two Country Offices did not provide procurement plans for the selected projects.

A requisition should include, at a minimum, a detailed description of the goods procured. However, supporting documents for the 38 purchase orders reviewed relating to three Country Offices did not include requisitions containing the required information.

(b) Segregation of duties not ensured

The audit team identified internal control lapses in three Country Offices relating to segregation of duties and avoiding conflict of interest, as follows:

- The spouse of a Programme Associate was contracted to work on a project, which resulted in both the staff member and spouse working in the same unit. Further, the Programme Associate's

responsibilities included recording the receipt for services rendered by the spouse. In addition, the sourcing of suppliers and evaluation of offers for five procurement cases reviewed were carried out by one procurement staff only.

- In another Country Office, the supporting documents for five purchase orders reviewed confirmed the project manager performed the "buyer" role, without the required delegation of authority. In addition, the project manager both approved e-requisitions and completed the receipt of goods. Further, the Office's Programme Analyst responsibilities included oversight of the GEF projects under her portfolio. However, the staff member was assigned a 'project manager' role and approved 29 e-requisitions in 2019 with purchase orders valued at \$2.25 million.

(c) Evaluation team not properly established

The supporting documentation provided by three Country Offices did not include evidence that the background and expertise of the members of the evaluation team had been reviewed and that they were appointed by Operations Manager or Head of the Procurement Team.

Furthermore, evaluation teams for eight procurement cases in one Country Office was composed entirely of non-UNDP staff (implementing partner personnel). Their participation was not reviewed and cleared by the Assistant Resident Representative as required.

(d) Lack of controls in evaluation of offers

In one Country Office, supporting documents for three procurement cases relating to the hiring of individual contractors did not include justification for rejecting at least 80 percent of offers received. Further, the justification for the direct contracting of three consultants was not provided.

(e) Procurement not cost-effective

In one Country Office, based on the cost analysis performed, an independent evaluator indicated that the biomass boiler procured for \$129,000 could be purchased in the country for \$65,000 only. Since there were 12 boilers procured, the Office paid a total of \$1.55 million instead of potentially \$0.78 million if the lower cost boiler had been identified.

Further, the contract (\$0.7 million) with a media company to provide 338 trainings was cancelled due to concerns about the quality of services delivered. An independent review was performed and concluded that trainings provided were not effective as they did not achieve planned outputs. The media company was paid \$234,876 for 100 trainings conducted and an early contract cancellation fee.

(f) Poor contract management

In another Country Office, a Memorandum of Understanding was signed between a government and a private company where the latter served as the responsible party to implement a component of a project. The total budget to implement activities under that component was \$547,169. However, a Memorandum of Understanding is used when UNDP and a partner wish to express interest in exploring collaboration and does not extend to the transfer of resources.

(g) Procurement records not properly maintained

In one Country Office, the supporting documents for two projects were incomplete as they did not include quotations, contracts, and handover documents.

In another Country Office, for four projects the evaluation of offers excluded documentation on the longlisting of candidates.

The audit team noted inadequate oversight from the Operations Unit head in two Offices for the procurement of good and services.

Weaknesses in the procurement management of GEF projects may result in reputational risks to UNDP in terms of its ability to conduct effective and efficient procurement that will support achieving project targets or outputs.

Priority	Medium (Important)
Recommendation 12:	
The Regional Bureaux should strengthen the procurement management of GEF projects by requiring Country Offices to complete adequate oversight of GEF projects for the procurement of goods and services.	
Management action plan:	
UNDP will undertake the following actions:	
<ol style="list-style-type: none"> 1. BPPS will include the proper procurement management in the updated delegation of authority agreement. This will clarify that procurement management will be a key performance indicator and the implications of poor performance. The delegation of authority agreement template will be uploaded to the POPP. UNDP is expected to complete this task by 15 December 2020. 2. Under Regional Bureau oversight, GEF project procurement will be assessed to ensure alignment with mandatory procedures that apply to all projects. These assessments will be discussed with BPPS during joint meetings three times a year. 3. For procurement processes undertaken by UNDP, the Bureau for Management Services will further improve procurement process management with the roll-out of the new Oracle Cloud ERP application, which will be part of an end-to-end digital tool for procurement. This is expected to improve the weaknesses identified in procurement planning, evaluation team establishment and evaluation of offers as it is envisaged that all actions will occur within and documents maintained in the tool. 	
Expected completion date: 30 September 2021	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

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

B. PRIORITIES OF AUDIT RECOMMENDATIONS

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