PERFORMANCE AUDIT

OF

UNDP IMPLEMENTING PARTNERS

Report No. 2332
Issue Date: 20 May 2022
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Report on the Performance Audit of UNDP implementing partners

Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted a performance audit of UNDP implementing partners from 1 July to 30 December 2021. 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 was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. Due to the COVID-19 pandemic, the audit was conducted remotely.

The audit assessed whether UNDP has implemented adequate policies and procedures for the selection, management and oversight of its implementing partners for effective programme delivery. The audit also tested the extent to which assurance plans and activities implemented as part of the Harmonized Approach to Cash Transfer Framework, or HACT Framework have been designed and implemented effectively. Finally, the audit reviewed selected implementing partners and projects to assess the accuracy of reporting, maintenance of relevant documentation, as well as the adequacy of data to support the results reported.

The following performance audit questions guided the work of the audit team in responding to the main audit objective: “Has UNDP has implemented adequate policies and procedures for selection, management and oversight of its implementing partners for an effective programme delivery?”

Question 1. Has UNDP established adequate governance arrangements in the form of policies and institutional arrangements to successfully manage its implementing partners?

Question 2. Has UNDP been effective in managing the risks related to its implementing partners?

Question 3. Have UNDP implementing partners successfully delivered on agreed outputs, as per approved project documents?

Overall audit rating

OAI assessed the management of implementing partners within UNDP as partially satisfactory/major improvement needed, which means, “The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.” This rating was mainly due to micro assessments not being completed and inadequate planning and implementation of assurance activities.

Key recommendations: Total = 7, high priority = 2

For the 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. The high (critical) priority recommendations are presented below:

Implementing partner micro assessments not completed (Issue 1) According to the UNDP HACT dashboard there were 1,117 implementing partners in 2020 and 1,022 implementing partners in 2021 that met the corporate threshold (budgeted expenditure of $150,000 per annum), which had not been micro assessed.

The budget for these partners was $451 million. This represented 36 percent of all implementing partners for 2020 and 2021.
Data compiled by the Office of Financial Management (OFM) in December 2021 showed that 63 Country Offices out of 143 (or 44 percent) did not conduct the micro assessment of 210 implementing partners. These partners were allocated a total budget of $230 million. Management did not provide an explanation for the difference in the reported figures.

**Recommendation:** The Regional Bureaux should strengthen the oversight of micro assessments by ensuring that Country Offices: (a) conduct all required micro assessments; (b) implement measures to address and mitigate specific risks arising from the micro assessments.

Inadequate planning and implementation of assurance activities (Issue 3)

An analysis of the HACT dashboard as of November 2021 indicated that 1,089 planned spot checks for 2021 out of a total of 1,254 (or 87 percent) had not been completed. For programmatic visits, a total of 762 visits for 2021 had not been conducted out of a total of 834 (or 91 percent). Data provided by OFM as of December 2021 showed that 55 out of 143 Country Offices (or 35 percent) did not plan spot checks for the 499 partners as required by the policy. In 26 out of the 29 microassessments sampled, internal control-related observations and recommendations were raised; however, there was no evidence indicating these had been addressed.

**Recommendation:** The Regional Bureaux should strengthen the management of the assurance activities by ensuring that the respective Country Offices: (a) develop and implement assurance activity plans for all relevant partners; (b) monitor the findings of programmatic output verification, periodic on-site reviews (spot checks) and scheduled audits, and integrate any issues into the project risk registers; and (c) establish capacity building measures to address partners’ weaknesses identified by micro assessments and/or assurance activities.

**Management comments and action plan**

The Assistant Administrators and Directors of the relevant Regional Bureaux and the Assistant Administrator and Director of the Bureau for Management Services, and the Assistant Administrator and Director of the Bureau for Policy and Programme Support accepted the seven recommendations and are in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

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

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Helge Ostveiten  
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Helge S. Ostveiten  
Director  
Office of Audit and Investigations
I. About UNDP implementing partners

The implementing partner is the entity responsible and accountable for managing a project, including the monitoring and evaluation of project interventions, achieving the project outputs and ensuring the effective use of project resources.

According to article 17 of UNDP’s financial regulations, an implementing partner is “the entity to which the Administrator has entrusted the implementation of UNDP assistance, specified in a signed document, along with the assumption of full responsibility and accountability for the effective use of UNDP resources and the delivery of outputs, as set forth in such document.” An external implementing partner is often selected to support institutional development in a developing country.

The accountability of an implementing partner is to:

- Manage the project to deliver the planned outputs and manage risk in accordance with the agreed project document.
- Report fairly and accurately on project progress and risks against agreed workplans and results frameworks, in accordance with the reporting schedule and formats included in the project agreement.
- Maintain documentation and evidence supporting the appropriate and prudent use of project resources in conformity with the project agreement, and applicable regulations and procedures. This documentation must be available on request for project assurance and designated auditors.

There are five possible categories of implementing partners:

1. Government entities (national implementation/NIM).
2. UNDP (direct implementation/DIM).
4. Civil society, including non-governmental organizations (NGOs), national or international, and academic institutions (private/non-governmental).

In this audit, OAI focused on government entities, NGOs, non-United Nations inter-governmental organizations (item 1, 4 and 5 above). In the UNDP enterprise resource planning system (Atlas), there were 6,334 implementing partner records. However, it should be noted that the number of Implementing partners are not unique since the same implementing partner can be recorded separately when engaged by different business units. For example, UNDP has 154 implementing partner codes, representing one UNDP implementing partner instance per business unit.

Over the last 10 years, the share of programmes implemented by national institutions/programme countries has declined from a total of $2.15 billion out of $4.2 billion (or 51 percent) in 2010 to $1.2 billion out of $4.3 billion (or 27 percent) in 2020. The remaining UNDP programme resources were implemented through UNDP Country Offices (under the direct implementation modality, or DIM, or using UNDP Country Office Support to NIM). UNDP considered that it was still building national capacities, even though there was reduced reliance on the NIM modality.

The Country Office Support to NIM increased from $142.5 million to $475 million as of the end of 2020, with a clear acceleration taking place since 2018. Management was unable to provide an explanation for this trend.

The audit team noted that UNDP’s engagement with NGOs as implementing partners declined between 2018 and 2021, with 97 NGO partners in 2018 compared to 39 in 2021. In the Africa region, the number of NGOs engaged decreased from 54 in 2018 to 13 in 2021, a reduction of 76 percent.
II. Audit methodology

The audit was based on documentation review, interviews, and written inquiries/surveys.

All performance audit questions were addressed through a combination of documentation reviews, system walkthroughs, and interviews with key staff in the Bureau for Management Services and the five Regional Bureaux.

The audit team conducted a series of planning discussions with the Bureau for Policy and Programme Support, Regional Bureaux and select implementing partners, to obtain an understanding of the progress made in achieving project results as well as key challenges. Surveys were used to collect inputs from both Country Offices and implementing partners.

Audit criteria

The audit team used the following audit criteria to assess the performance of the organization at the corporate, regional, and local levels in managing implementing partners.

**UNDP Accountability System – Accountability Framework and Oversight Policy (DP/2008/16):**

The Directors of Regional Bureaux are accountable to the Associate Administrator for monitoring the performance of the respective Country Offices and taking steps to address recurring programmatic and operational issues.

UNDP periodic and quarterly Regional Bureaux management reviews that are used to address key aspects of UNDP performance, including audit, evaluation, and programmatic, financial and procurement management.

The Programme and Project Management section of the ‘UNDP Programme and Operations Policies and Procedures’: Criteria for Selecting an Implementing Partner

The implementing partner for a project is selected based on careful consideration of a set of programmatic criteria. The partner must:

- be accountable for delivering on the expected outputs in the time required, manage risks, and sustain results after the project ends;
- ensure national ownership and broad stakeholder engagement;
- ensure sustainability of project results;
- provide sensitivity and neutrality in project implementation as required;
- carry out the technical, financial, and administrative capacities required for the project; and
- deliver value for money and remain accountable for use of resources.

The Programme and Project Management section of the ‘UNDP Programme and Operations Policies and Procedures’: Assessment of Project Implementation Capacity

Project developers and Country Office personnel must ensure that an adequate review of project implementation capacity has been completed for the selected implementation partner (except for other UN agencies), if more than $150,000 per programme cycle will be transferred to the partner. This review requires completion of a Partner Capacity Assessment Tool (PCAT).

Any implementing partner or responsible party that is expected to receive cash transfers of more than $150,000 per year is presumed to present a material risk to UNDP, and therefore requires a HACT micro
assessment by a qualified third-party service provider. For partners that are expected to receive below the $150,000 per year threshold, a micro assessment is not mandatory.

**HACT Framework**\(^1\): The Resident Representative is accountable to the UNDP Administrator for applying the HACT procedures at the country level with Regional HQ oversight and support.

**The Programme and Project Management section of the ‘UNDP Programme and Operations Policies and Procedures’: Approval of Implementing Partner**

Final approval of an implementing partner is provided through the signature of a project document by UNDP and the local government development coordination authority. Alternatively, a government agreement can be confirmed through the Cooperation Framework, joint results group work plans, or an exchange of letters.

**UNDP ERM Policy**: ERM applies an integrated approach to risk management, with horizontal integration across all types of risks, and vertical integration from projects up to the corporate level.

### III. Audit results

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

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

**High priority recommendations**, arranged according to significance:

(a) The Regional Bureaux should strengthen the oversight of the completion of micro assessments (Recommendation 1).

(b) The Regional Bureaux should strengthen the management of the assurance activities of implementing partners (Recommendation 3).

**Medium priority recommendations**, arranged according to significance:

(a) The Regional Bureaux should monitor the implementation of the recommendations arising from the NGO/NIM audits (Recommendation 4).

(b) The Bureau for Policy and Programme Support should develop a guidance on measuring and tracking implementing partners’ performance (Recommendation 7).

(c) The Regional Bureaux should strengthen the issuing of CDRs (Recommendation 5).

(d) The Bureau for Management Services should improve the oversight over the implementing partner creation and maintenance (Recommendation 6).

(e) The Bureau for Policy and Programme Support should strengthen the PCAT tool (Recommendation 2).

Overall, the audit conclusions are as follows:

- UNDP has put in place adequate policies and procedures; however, adherence to and implementation of these policies and procedures has significant deficiencies
- Risks related to implementing partners are not adequately tracked and monitored.

The detailed assessment is presented below:

Question 1. Has UNDP established adequate governance arrangements in the form of policies and institutional arrangements to successfully manage its implementing partners?

Managing implementing partners is decentralized in UNDP. Business units, including Country Offices, are responsible for identifying, assessing, and selecting the implementing partners for development projects.

The Bureau for Policy and Programme Support and the Bureau for Management Services are responsible for issuing and updating policies and procedures regarding the management of implementing partners.

The audit team noted that all policies were regularly updated and available in the ‘UNDP Programme and Operations Policies and Procedures’.

The Office of Financial Management (OFM) within the Bureau for Management Services is responsible for maintaining and sharing any policy updates regarding implementing partners and HACT requirements. These policy updates are shared on a regular basis via emails, webinars, and Yammer messages. OFM is responsible for the systematic monitoring of Country Office implementation of the HACT Framework and providing guidance, training, and technical support to Country Offices. The UNDP HACT Focal Point also identifies implementation issues that may need to be escalated to the comptroller, UNDP leadership and/or HACT Advisory Committee. OFM is responsible for maintaining the HACT Performance Dashboard, which provides valuable information on the completion of macro assessments, micro assessments, and status of the assurance activities.

OAI did not identify any reportable issues.

Question 2: Has UNDP been effective in managing the risks related to its implementing partners?

Prior to working with implementing partners to deliver projects, their capacity is assessed to evaluate the corresponding risks. UNDP has two partner capacity assessments: HACT (to assess financial and operational capacities) and the PCAT (to assess project management capacities). These assessments include a series of questions against which the partner is reviewed. For areas where capacity weaknesses exist, mitigation measures should be identified and addressed.

The audit team noted the following:

**Issue 1**  Implementing partner micro assessments not completed

The micro assessment is a detailed financial management capacity assessment that is required for implementing partners that receive or are expected to receive cash transfers over or equaling to $150,000 per year from UNDP. For partners that receive less than $150,000, the assessment is optional. The purpose of this assessment is to identify the risk rating of the partner including any capacity gaps or weaknesses in the partner’s financial management system and to determine and implement appropriate mitigation measures. In addition, the results of the assessment provide an overall risk rating for the partner; this is used to determine the appropriate cash transfer modality.

According to the UNDP HACT dashboard there were 1,117 implementing partners in 2020 and 1,022 implementing partners in 2021 that met the corporate threshold (budgeted expenditure of $150,000 per annum), which had not been micro assessed. The corresponding budget for these partners was $451 million. This represented 36 percent of all implementing partners for 2020 and 2021.

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2 Yammer is a social networking tool to allow staff to connect and engage across the organization.
Data compiled by OFM and shared with all Bureaux in December 2021 showed that 63 Country Offices out of 143 (or 44 percent) did not conduct the micro assessment of 210 implementing partners. These partners were allocated a total budget of $230 million. Management did not provide an explanation for the difference in the reported figures.

**Table 1:** Analysis of offices where micro assessments were required but not completed

<table>
<thead>
<tr>
<th></th>
<th>No. of offices with assessed partners</th>
<th>No. of offices with non-assessed partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBA</td>
<td>26</td>
<td>21</td>
</tr>
<tr>
<td>RBAP</td>
<td>18</td>
<td>9</td>
</tr>
<tr>
<td>RBAS</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>RBEC</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>RBLAC</td>
<td>18</td>
<td>14</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>63</strong></td>
</tr>
</tbody>
</table>

*Regional Bureau for Africa (RBA); Regional Bureau for Asia and the Pacific (RBAP); Regional Bureau for Arab States (RBAS); Regional Bureau for Europe and the CIS (RBEC); Regional Bureau for Latin America and the Caribbean (RBLAC)*

**Table 2:** Analysis implementing partners and corresponding budget where micro assessments had not been completed

<table>
<thead>
<tr>
<th></th>
<th>Non-assessed partners who meet the threshold of $150,000</th>
<th>Sum of no. of non-assessed partner 2021 project budget ($)</th>
<th>No. of high-risk partners*</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBA</td>
<td>62</td>
<td>41,314,118</td>
<td>9</td>
</tr>
<tr>
<td>RBAP</td>
<td>15</td>
<td>18,901,187</td>
<td>1</td>
</tr>
<tr>
<td>RBAS</td>
<td>45</td>
<td>71,041,429</td>
<td></td>
</tr>
<tr>
<td>RBEC</td>
<td>9</td>
<td>5,537,643</td>
<td></td>
</tr>
<tr>
<td>RBLAC</td>
<td>79</td>
<td>93,788,849</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>210</strong></td>
<td><strong>230,583,226</strong></td>
<td><strong>10</strong></td>
</tr>
</tbody>
</table>

*Risk level of the partners is determined through the micro assessment*

A review of the HACT dashboard showed that 90 percent of partners were either rated as low risk or medium risk (through the micro assessment) in 2020 and 61 percent were rated low to medium risk in 2021. However, this was in contrast with the data available in the UNDP Projects Risk dashboard, which showed 7,742 risks entries out of 21,378 for all project risks (or 36 percent) were related to weak capacity of national partners, turnover in government, challenges with engaging national partners, political instability, and government commitments. This suggests that significant issues exist with implementing partners that may not be reflected when completing the HACT micro assessments.

In addition, the audit team noted that during 2018–2020, there were 4,304 observations made under the NIM/NGO/HACT audits; 2,104 (50 percent) of these related to financial management weaknesses of implementing partners. Out of 26 projects reviewed in detail through this audit, 8 had recommendations related to weaknesses in implementing partner financial management capacity. These same weaknesses had also been identified in the corresponding micro assessments and had not been addressed.
After the audit fieldwork, UNDP management indicated that the HACT micro assessment was not intended to capture all risks associated with engaging with a specific partner. Furthermore, management stated that risk entries in the project risk dashboard do not necessarily correlate with a deterioration in the financial management capacity of implementing partners. Management further indicated that the digitization of HACT, PCAT and related assurance activities will help offices and Bureaus to pro-actively manage what needs to be done, and to identify where actions need to be taken to comply.

In the event micro assessments are not completed, there is a risk that an inappropriate cash transfer modality will be used, creating both financial and reputational risks for the organization.

<table>
<thead>
<tr>
<th>Priority</th>
<th>High (Critical)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 1:</strong></td>
<td>The Regional Bureaux should strengthen the oversight of micro assessments by ensuring that Country Offices:</td>
</tr>
<tr>
<td></td>
<td>(a) conduct all required micro assessments; and</td>
</tr>
<tr>
<td></td>
<td>(b) implement measures to address and mitigate specific risks arising from the micro assessments.</td>
</tr>
</tbody>
</table>

**Management action plan:**

UNDP was considering ways to identify how risks can be identified more systematically and considered in the management of implementing partners, if gaps exist in current risk identification tools. UNDP management indicated that a review was needed of the HACT micro assessment methodology and framework to comprehensively assess the financial management capacity of a potential implementing partner/responsible party. This task would require a collective action of all agencies that are part of the HACT inter-agency framework.

1. **Regional Bureau for Africa:** The Bureau takes note of the recommendation and will:
(a) continue to review the HACT SharePoint and send updates reminding offices to ensure that partners who meet the micro assessment threshold are assessed; (b) require Country Offices to upload review reports as evidence of UNDP’s response to the micro assessment in the HACT SharePoint; and (c) review the choice of implementation and cash transfer modality to ensure it is consistent with the implementing partner micro assessment rating and request the Country Office to share an action-plan in addressing the risk identified in the micro assessment.

2. **Regional Bureau for Asia and the Pacific:** The Bureau will conduct an annual review of Country Office-managed actions in this area and will provide guidance to the Offices on identified risks and measures required to address and mitigate them.

3. **Regional Bureau for Arab States:** The Bureau takes note of the recommendation and will:
(a) continue to review the HACT SharePoint and send updates reminding offices to ensure that partners who meet the micro assessment threshold are assessed; (b) require Country Offices to upload review reports as evidence of UNDP’s response to the micro assessments in the HACT SharePoint; (c) ensure that the summary templates on significant issues and action plan on micro assessments, are uploaded by the Country Offices in HACT SharePoint. In particular, for implementing partners with annual budget thresholds of $1 million and above, review and sign-off on the templates on significant issues and action plan on micro assessments, prior to their upload onto the HACT SharePoint.

4. **Regional Bureau for Europe and the CIS:** The Bureau will continue the existing practice of oversight and follow-up with Country Offices on HACT micro assessments.
5. Regional Bureau for Latin American and the Caribbean:
(a) To organize a webinar on HACT.
(b) To share regular reminders to Country Offices on the importance of uploading the required documents/information to the HACT platform, including as evidence of UNDP’s risk response to the findings of micro assessments.

**Estimated completion date:** June 2023

**Issue 2**  
**Limitations noted with the Partner Capacity Assessment Tool (PCAT)**

Country Offices are required to assess the capacity of the implementing partners using the PCAT. The assessment covers managerial, technical and administrative capacities, including recruitment, procurement and financial management capacities.

UNDP staff (project developers) are required to prepare a report on the findings of the capacity assessment, highlighting strengths and weaknesses of the partners being assessed.

The audit team reviewed the PCAT and noted that the tool does not allow for an adequate assessment of potential partners. For example:

- The risk rating is determined based on responses provided by the assessor. However, based on the sample reviewed, the audit team observed that for 27 out of 32 questions, a response of “N/A” or “no evidence found” would result in an overall rating of low risk instead of high risk, which may not be accurate.
- There was no requirement for staff to upload evidence to support the PCAT rating provided.

Further, the capacity assessments were completed as a standalone exercise and were not used to assist in monitoring partners’ performance once selected. There was no central repository for completed PCAT forms and the reports detailing the findings of the assessments, and therefore, knowledge gained from these assessments was not consolidated to further strengthen the management of partners.

In the absence of adequate capacity assessments and related tools, UNDP may engage partners that do not possess the required capacities to implement project activities.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
</table>

**Recommendation 2:**

The Bureau for Policy and Programme Support should strengthen the PCAT tool by:

(a) updating the tool to ensure that risks are adequately assessed;
(b) requiring Country Offices to provide evidence for their assessment; and
(c) developing a database for all PCAT reports and assessments.

**Management action plan:**

The Bureau welcomes the recommendation and confirms that plans are already underway to do the following:

(a) Upgrade the PCAT tool to track risks including the requirement to provide evidence.
(b) Digitize the PCAT in 2022, in order to improve the way in which we assess and monitor the risks of working with implementing partners and addressing the need for a searchable database of reports and assessments. The development of the PCAT as a digital risk assessment tool will be part of the wider Integrated Risk Module within the Quantum+ architecture.

**Estimated completion date:** June 2023

**Issue 3**  
**Inadequate planning and implementation of assurance activities**

The ‘UNDP Programme and Operations Policies and Procedures’ relating to HACT require offices to conduct assurance activities to ensure that funds transferred to implementing partners are used for their intended purpose and in accordance with the annual work plan. This includes conducting spot checks for Partners with expenditures exceeding $50,000 per annum. The purpose of the spot checks, is to assess the accuracy of the financial records for cash transfers to partners and the status of programme implementation (through a review of financial information), and to determine whether there have been any significant changes to internal controls.

Programmatic output verifications can be included in the assurance plan; these are completed according to Programme and Project Management guidelines and should be taken into consideration when determining changes to the partner risk ratings.

According to HACT guidelines, Regional Bureaux are required to review the documentation of the significant issues and action plans arising from micro assessments and assurance activities for partners with expected cash transfers of greater than or equal to $1 million per annum. In the case of central Bureaux and independent units implementing developing projects, the review shall be performed by the Head of Office or his/her designate.

(a) Analysis of UNDP HACT dashboard

An analysis of the HACT dashboard as of November 2021 indicated that 1,089 planned spot checks out of a total of 1,254 (or 87 percent) had not been completed. In terms of programmatic visits, a total of 762 visits have not been conducted out of a total of 834 (or 91 percent).

<table>
<thead>
<tr>
<th>Table 3: Status of spot checks and programmatic visit across all Bureaux</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spot checks</strong></td>
</tr>
<tr>
<td>Completed</td>
</tr>
<tr>
<td>2021 (as of November)</td>
</tr>
<tr>
<td>2020</td>
</tr>
</tbody>
</table>

Data provided by OFM as of December 2021 showed that 55 out of 143 Country Offices (or 35 percent) did not plan spot checks for the 499 partners who met UNDP’s spot check threshold of $50,000 expenditure per annum. The details per Bureaux are provided in the table below.

<table>
<thead>
<tr>
<th>Table 4: Regional breakdown of implementing partners with no scheduled spot checks as of December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No. of partners with no scheduled spot checks meeting eligibility criteria</strong></td>
</tr>
<tr>
<td>RBA</td>
</tr>
<tr>
<td>RBAP</td>
</tr>
</tbody>
</table>
Further, Country Offices are required to document significant issues and remedial action plans following completion of assurance activities (micro assessments/spot checks/audits) and submit these to the Regional Bureaux for review. This applies to partners receiving resources of $1 million or greater per annum. The table below provides the details per bureau for non-documented actions.

**Table 5:** Regional breakdown of non-documented micro assessment issues, spot checks and audit issues as of December 2021

<table>
<thead>
<tr>
<th>Regional Bureau</th>
<th>No. of non-documented micro assessment issues for partners &gt;$1m</th>
<th>No. of non-documented spot check issues for partners &gt;$1m</th>
<th>No. of Non-documented audit issues for partners &gt;$1m</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBA</td>
<td>55</td>
<td>60</td>
<td>48</td>
</tr>
<tr>
<td>RBAP</td>
<td>23</td>
<td>16</td>
<td>34</td>
</tr>
<tr>
<td>RBAS</td>
<td>32</td>
<td>31</td>
<td>39</td>
</tr>
<tr>
<td>RBEC</td>
<td>3</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>RBLAC</td>
<td>44</td>
<td>42</td>
<td>59</td>
</tr>
<tr>
<td>OTHER</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>160</strong></td>
<td><strong>157</strong></td>
<td><strong>184</strong></td>
</tr>
</tbody>
</table>

(b) Results of OAI detailed testing

The audit team reviewed a sample of 48 implementing partners and noted the following:

- Supporting documentation was not always available. In 39 cases, representing 81 percent of the sample tested, the audit team was not provided with the supporting documentation for the micro assessment including the implications on annual work plan design; the identification of assurance planning requirement; and the documentation of risks. Out of these cases, 31 micro assessments were performed during the period 2017–2019, 3 assessments in 2020, and 3 assessments in 2021. The breakdown per Regional Bureaux is as follows:

**Table 6:** Regional breakdown of micro assessment with no supporting documents

<table>
<thead>
<tr>
<th>Regional Bureau</th>
<th>No documentation provided</th>
<th>% of the total testing sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBA</td>
<td>9</td>
<td>22%</td>
</tr>
<tr>
<td>RBAS</td>
<td>8</td>
<td>21%</td>
</tr>
<tr>
<td>RBAP</td>
<td>8</td>
<td>21%</td>
</tr>
<tr>
<td>RBEC</td>
<td>7</td>
<td>18%</td>
</tr>
<tr>
<td>RBLAC</td>
<td>7</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

- In 26 out of the 29 micro assessments sampled, internal control observations and recommendations were raised; however, there were no mitigating measures outlined or implemented. While mitigation measures had been outlined for the remaining three micro assessments, there was no evidence that they had been implemented. The breakdown per Regional Bureau is as follows:
Table 7: Status per bureau of implementation of the mitigation measures

<table>
<thead>
<tr>
<th>Regional Bureau</th>
<th>No mitigation measures provided</th>
<th>% of the total testing sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBA</td>
<td>7</td>
<td>24%</td>
</tr>
<tr>
<td>RBAS</td>
<td>8</td>
<td>28%</td>
</tr>
<tr>
<td>RBAP</td>
<td>8</td>
<td>28%</td>
</tr>
<tr>
<td>RBEC</td>
<td>3</td>
<td>10%</td>
</tr>
<tr>
<td>RBLAC</td>
<td>3</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

In 16 cases (33 percent of implementing partners tested), no assurance activities (spot checks and audits) were planned or conducted in 2020. The breakdown per Regional Bureau for the testing sample is as follows:

Table 8: Status per bureau of the planned assurance activities

<table>
<thead>
<tr>
<th>Regional Bureau</th>
<th>No planned assurance activities FY2020</th>
<th>% of the total testing sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBA</td>
<td>7</td>
<td>43%</td>
</tr>
<tr>
<td>RBAS</td>
<td>2</td>
<td>13%</td>
</tr>
<tr>
<td>RBEC</td>
<td>3</td>
<td>19%</td>
</tr>
<tr>
<td>RBLAC</td>
<td>4</td>
<td>25%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

In 16 other instances (33 percent of implementing partners tested) where an assurance plan was established in 2020, the required spot check was not conducted in one case (RBA), and a programmatic visit was not conducted in 15 cases. The breakdown of the programmatic visits per Regional Bureaux is as follows:

Table 9: Status per bureau of programmatic visits not conducted

<table>
<thead>
<tr>
<th>Regional Bureau</th>
<th>Programmatic visits not performed in 2020</th>
<th>% of the total testing sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBA</td>
<td>1</td>
<td>7%</td>
</tr>
<tr>
<td>RBAP</td>
<td>5</td>
<td>33%</td>
</tr>
<tr>
<td>RBAS</td>
<td>2</td>
<td>13%</td>
</tr>
<tr>
<td>RBEC</td>
<td>3</td>
<td>20%</td>
</tr>
<tr>
<td>RBLAC</td>
<td>4</td>
<td>27%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The audit team concluded that adequate planning was not undertaken to ensure HACT guidelines on assurance activities were adhered to.
The Bureau for Policy and Programme Support indicated that the COVID-19 pandemic may have been one of the reasons for these observations. The audit team’s review showed that in 2020 the COVID-19 pandemic did partially impact on the audit of implementing partners but not in 2021. In 2020, 16 Country Offices had indicated that the audits could not start at all due to the pandemic or had been interrupted by the quarantine-imposed measures. As a result of that, there were incomplete submissions of 65 outputs totalling $37.7 million.

In 2021, the coverage improved, with 528 reports (92 percent) submitted covering $896 million of audited expenditures from 85 Country Offices (98 percent).

Failure to implement planned assurance activities increases the risk of misuse of donors’ resources or projects not achieving planned outputs.

<table>
<thead>
<tr>
<th>Priority</th>
<th>High (Critical)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 3:</strong></td>
<td></td>
</tr>
<tr>
<td>The Regional Bureaux should strengthen the management of the assurance activities by ensuring that the respective Country Offices:</td>
<td></td>
</tr>
<tr>
<td>(a) develop and implement assurance activity plans for all relevant partners;</td>
<td></td>
</tr>
<tr>
<td>(b) monitor the findings of programmatic output verification, periodic on-site reviews (spot checks) and scheduled audits, and integrate any issues into the project risk registers; and</td>
<td></td>
</tr>
<tr>
<td>(c) establish capacity building measures to address partners’ weaknesses identified by micro assessments and/or assurance activities.</td>
<td></td>
</tr>
</tbody>
</table>

**Management action plan**

Following the 2022 year-end close in Quantum, management will begin integration of PCAT and HACT requirements into the new management information system environment with a view to further strengthening the Regional Bureaus management of PCAT an HACT related assurance activities.³

1. **Regional Bureau for Africa:** The Bureau will strengthen the management of assurance activities by establishing a Risk Management Unit to: (a) provide oversight to ensure that Country Offices develop and implement their assurance plans; (b) sample and review reports from assurance activities to ensure that results have been integrated into project risk register; and (c) request Country Offices to define measures put in place to support partners on weakness identified in micro assessments and/or assurance activities.

2. **Regional Bureau for Asia and the Pacific:** The Bureau will conduct an annual review of Country Office-managed actions on the indicated areas.

3. **Regional Bureau for Arab States:** The Bureau will strengthen the management of assurance activities by further strengthening its Country Office oversight capacities to: (a) provide oversight to

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³ This text was included after the issuance of the report following a request from the Bureau for Management Services. OAI accepted the request as the proposed text addressed the identified risk. The original text was: “The digitization of HACT, PCAT and related assurance activities will help offices and Bureaux to pro-actively manage what needs to be done, and to identify where actions need to be taken to comply. UNDP hopes this will address many of the issues raised in the audit report. This will also help to report assurance activities done outside of the HACT environment, which are now kept on individual computers.”
ensure that Country Offices develop and implement their assurance plans; (b) require Country Offices to upload review reports as evidence of UNDP’s response to the assurance activities in the HACT SharePoint, and provide sample reviews of assurance activities to ensure their incorporation into project risk treatment activities; (c) ensure that the summary templates on significant issues and action plan on assurance activities, are uploaded by the Country Offices in HACT SharePoint, and that these include capacity-building measures to address partners’ weaknesses, as identified via micro assessments and/or assurance activities; in addition, for implementing partners with annual expense thresholds of $1 million and above, review and sign-off on the templates on significant issues and action plan on assurance activities, prior to their uploads onto the HACT SharePoint.

4. Regional Bureau for Europe and the CIS: Country Offices will be reminded regularly of the assurance requirements stated in this recommendation.

5. Regional Bureau for Latin American and the Caribbean: To organize a webinar on HACT. To share regular reminders with Country Offices on the need to comply with HACT requirements regarding assurance activities and to upload the required documents/information to the HACT platform, including as evidence of UNDP’s risk response to the findings of assurance activities.

**Estimated completion date:** June 2023

### Issue 4 Weaknesses in the implementation of NIM/NGO audit recommendations

The ‘UNDP Programme and Operations Policies and Procedures’ indicate that the objective of an audit is to provide UNDP with assurance that resources are being properly used. UNDP Financial Regulations include the requirement that each UNDP project is audited “at least once in its lifetime.” The audit of projects provides UNDP with assurance that resources are used to achieve the results described in the project document and these are adequately safeguarded.

Depending on audit risk assessment and the project expenditures, Country Offices are required to organize annual audits of projects implemented by national counterparts and NGOs. The selected auditors are required to certify, express an opinion, and report instances of any financial misstatement and provide an audit opinion on the following:

(i) UNDP Statement of Expenses – the Combined Delivery Report (CDR) – for the financial year.
(ii) Statement of Cash Position.
(iii) Statement of Assets and Equipment.

Auditors are required to indicate the risks including severity associated with their findings.

For financial year (FY) 2020, the auditors performing the audits, issued modified audit opinions (qualified, adverse, or disclaimer) for 43 projects in 21 Country Offices (out of 528 projects in 85 Country offices). The modified audit opinions were mainly due to (a) unsupported expenditures (15 projects); (b) unexplained differences between the CDR and the project financial records (9 projects); (c) expenditure recorded incorrectly (7 projects); and expenditures not eligible (5 projects).

The modified audit opinions resulted in an overstatement of CDR expenses by $7.5 million in 39 projects and an understatement of CDR expenses by $6.2 million in four projects.

For FY 2020, the most significant overstatement of expenses related to one project in Zambia (Project No. 95469, $1.26 million) and was due to the recording of payments in FY 2020 instead of FY 2021, when the goods and services were provided. The most significant understatement of expenses for FY 2020 related to a project in Yemen (Project No. 106771, $5.1 million) this was due to recording expenses in the incorrect year.
OFM indicated that the ‘UNDP Programme and Operations Policies and Procedures’ were recently updated and require the Country Offices to pursue remedial actions with the implementing partners including rejecting unsupported expenditures.

Furthermore, for the audits of implementing partners covering FY 2020, there were a total of 177 recommendations that were either in progress or not implemented at the time of the FY 2021 audit. These represented 17 percent of the 1,060 observations issued for the FY 2020.

Table 10: Status of NIM/NGO/HACT audits and observations

<table>
<thead>
<tr>
<th>Status of implementation of high and medium risk observations</th>
<th>Number of observations FY 2018</th>
<th>Number of observations FY 2019</th>
<th>Number of observations FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implemented</td>
<td>1,318</td>
<td>1,639</td>
<td>783</td>
</tr>
<tr>
<td>In Progress</td>
<td>18</td>
<td>51</td>
<td>171</td>
</tr>
<tr>
<td>N/A</td>
<td>26</td>
<td>20</td>
<td>13</td>
</tr>
<tr>
<td>Not Implemented</td>
<td>4</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td>Project Closed</td>
<td>101</td>
<td>45</td>
<td>53</td>
</tr>
<tr>
<td>Withdrawn</td>
<td>7</td>
<td>11</td>
<td>21</td>
</tr>
<tr>
<td>Not provided</td>
<td>0</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>1,474</strong></td>
<td><strong>1,787</strong></td>
<td><strong>1,060</strong></td>
</tr>
</tbody>
</table>

Source: OAI, CARDS

Ineffective oversight over implementing partners may prevent the achievement of project results and may result in reputational risks for UNDP in terms of its ability to implement projects.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendation 4</td>
<td></td>
</tr>
</tbody>
</table>

The Regional Bureaux should monitor the implementation of the recommendations arising from the NGO/NIM audits by:

(a) improving Country Offices’ oversight over the audit of implementing partners and ensuring that all audit recommendations are addressed
(b) requiring Country Offices to update all outstanding recommendations twice a year;
(c) sampling implemented recommendations to ensure that adequate corrective actions are taken; and
(d) ensuring that valid justification exists for withdrawn or discontinued recommendations and that outstanding issues have been adequately addressed.

Management action plan:

1. Regional Bureau for Africa: The Bureau takes note of the recommendation indicates that all NIM/NGO audit recommendations for FY 2020 including prior years have been implemented. The Bureau will: (a) continue to follow-up with Country Offices to ensure that NGO/NIM audit recommendations are timely implemented and engage with offices to address audits with modified, adverse and disclaimer opinions; (b) send a memo to Country Offices indicating that at minimum updates for all outstanding audit recommendations should be done twice a year and that offices must work closely with implementing partners and responsible parties to ensure full implementation and institutionalization of audit recommendations; (c) conduct spot checks to determine that adequate supporting documentation for implementation of audit recommendations is available and uploaded in
CARDS; and (d) follow up with Country Offices on justifications for recommendations that were withdrawn or discontinued due to project closure.

2. **Regional Bureau for Asia and the Pacific**: The Bureau will conduct a review of Country Office-managed actions on the indicated areas.

3. **Regional Bureau for Arab States**: The Bureau takes note of the recommendation and indicates that the majority of NIM/NGO audit recommendations for FY 2020 and prior years have been implemented. The Bureau will: (a) continue to follow up with Country Offices to ensure that NGO/NIM audits recommendations are implemented on a timely basis, and engage with offices to address audits with modified, adverse and disclaimer opinions; (b) send reminders to Country Offices reinforcing the need for, at a minimum bi-annual updates of audit recommendations in the CARDS and full implementation of audit recommendations in close collaboration with the implementing partners; (c) conduct spot checks to determine that adequate supporting documentation for implementation of audit recommendations is available and uploaded in CARDS; and (d) conduct spot checks on adequate justification and/or supporting documentation for audit recommendations that were withdrawn or discontinued due to project closure.

4. **Regional Bureau for Europe and the CIS**: The Bureau does not appear to have not implemented HACT audit recommendations. Current monitoring practices will continue.

5. **Regional Bureau for Latin American and the Caribbean**: The bureau will prepare bi-monthly oversight reports for senior management on the implementation of the recommendations for HACT/NGO/NIM audits. It will sample some recommendations assessed as implemented by the Country Offices and analyse the corrective actions undertaken by implementing agents.

**Estimated completion date**: June 2023

| Issue 5 | Insufficient oversight over Combined Delivery Report reviews and certification by implementing partners |

The CDR is a mandatory report that reflects project expenditures. When a CDR is generated, the responsible office should verify that all financial information is complete and accurate, and the information is consistent with the approved work plan and Atlas project budget. Any required adjustments should be made in Atlas where necessary before the CDR is issued.

Offices are required to use the ‘CDR Bridge platform’, which allows offices to share the CDRs electronically via email (or manually where warranted) to implementing partners. The platform automatically tracks the delivery, acceptance and rejection of dispatched CDRs.

While CDRs are generated quarterly, only the Q2, Q3 and Q4 CDRs require certification by the implementing partner within 15 days following their generation, with a follow-up request sent once this time has elapsed. This follow-up request indicates that the CDR will be deemed to have been accepted if a response is not received within 15 business days from the date of the second request. This auto-acceptance feature will not apply to Q4 CDRs, which need to be certified by partners. The platform tracks, via a color-coded scheme, the status of CDR certification requests including where no response has been received and the CDR is deemed automatically accepted.

Furthermore, in communication with national partners, the implementing partners are required to verify and sign the CDRs electronically within 15 working days. If not, the CDR will be approved automatically, within a further 15 days after an email reminder has been sent.
The audit team reviewed the status of the Q2, Q3, and Q4 CDRs available on the ‘CDR Bridge platform’ and noted the following:

- For 2020, a total of 7,368 CDRs out of 11,301 were pending release to implementing partners, while 173 were yet to be approved by the implementing partners. A total of 2,002 CDRs were approved manually.
- In 2020, 1,750 CDRs out of a total of 11,301 were deemed approved by UNDP since no feedback was received from the implementing partners. A total of 8 CDRs were rejected and 173 were still with the implementing partners awaiting acceptance.
- In 2021, 1,434 CDRs out of a total of 9,986 were deemed approved by UNDP since no feedback was received from the implementing partners.
- There were 7,368 (2020) and 7,224 (2021) CDRs that were not shared with the implementing partners.
- The Country Offices did not indicate to the implementing partners that the CDRs would be considered approved automatically, if the partner does not certify the CDR within 30 days, following an email reminder being sent after 15 days.

Table 11: Analysis of status of CDRs in 2020 and 2021

<table>
<thead>
<tr>
<th>Status</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accepted</td>
<td>956</td>
<td>864</td>
</tr>
<tr>
<td>Approved</td>
<td>794</td>
<td>570</td>
</tr>
<tr>
<td>Manually approved/Accepted</td>
<td>2,002</td>
<td>1,307</td>
</tr>
<tr>
<td>Pending release</td>
<td>7,368</td>
<td>7,224</td>
</tr>
<tr>
<td>Rejected</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>With Implementing partner</td>
<td>173</td>
<td>21</td>
</tr>
<tr>
<td>Grand Total</td>
<td>11,301</td>
<td>9,986</td>
</tr>
</tbody>
</table>


The audit team checked, for the sampled Country Offices, the names of the implementing partner focal points (National Project Directors) by cross checking against the partner contact details and noted that of the 76 names sampled, 60 were inaccurate.

Table 12: Results of verification of implementing partner contact details

<table>
<thead>
<tr>
<th>Bureau</th>
<th>Total</th>
<th>No. of inaccurate names</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBEC</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>RBA</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>RBAS</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>RBLAC</td>
<td>21</td>
<td>14</td>
</tr>
<tr>
<td>RBAP</td>
<td>19</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>76</td>
<td>60</td>
</tr>
</tbody>
</table>

Source: OAI

The HACT audits raised issues of financial management, including CDR lack of certification/reconciliation and this accounted for 567 of 1,043 observations, and 843 of 1,787 observations, in 2020 and 2019 respectively.

Insufficient oversight over CDR review and certification increases the risks of non-eligible expenditures being charged to development projects.

| Priority | Medium (important) |
Recommendation 5:

The Regional Bureaux should strengthen the issuing of CDRs by:

(a) requiring Country Offices to review and follow up with all implementing partners the certification of all pending CDRs; and
(b) including in the Country Offices regular discussions the status of certification of the CDRs.

Management action plan:

1. **Regional Bureau for Africa**: The Bureau takes note of the recommendation and will:
   (a) continue to review and provide an update to Country Offices at the end of each quarter to ensure that CDRs are certified by implementing partners in a timely manner; and (b) include in Country Office scans and performance reviews the status of CDR certification to ensure close follow-up and timely submission.

2. **Regional Bureau for Asia and the Pacific**: The release of CDR is tracked by the Bureau through the CDR Bridge and quarterly review of the Vital Signs platform and any follow-up required by the Country Office is part of the regular communication and/or planning/reporting discussion with Country Offices.

3. **Regional Bureau for Arab States**: The Bureau takes note of the recommendation and will:
   (a) continue its follow-up with Country Offices to have the quarterly CDRs certified by implementing partners in a timely manner, and at least three times per year; and (b) include in Country Office performance reviews the status of CDR certifications to ensure timely submission.

4. **Regional Bureau for Europe and the CIS**: The Bureau will remind offices to submit CDRs to certification in a timely manner.

5. **Regional Bureau for Latin American and the Caribbean**: To remind Country Offices the need to review the certification of the CDR. To include CDRs in the regular communications on the status of the quarterly CDR certification.

**Estimated completion date**: June 2023

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**Issue 6**  
**Insufficient oversight over implementing partner creation and maintenance in Atlas**

According to the ‘UNDP Programme and Operations Policies and Procedures’, a five digit implementing partner code is required when creating a Project Proposal in the Atlas Grant Module. This code is required in Atlas to record the following:

- Setting up project budgets in the Atlas Projects Module.
- Creating an e-requisition.
- Creating a purchase order in Atlas.
- When making payments (purchase order and non-purchase order vouchers and in payroll chart of accounts).
- When processing expenditure related journals via Accounts Payable Journal Voucher and General Ledger Journal Entry.

The audit team reviewed the process for creating and maintaining implementing partner codes in Atlas and noted the following:
(a) Responsibility for the creation and maintenance of the implementing partner database was not clear. While both Information Technology Management (ITM) and OFM were responsible for creating implementing partner codes, neither of them had an oversight role over this function.

(b) When creating an implementing partner code, Country Offices are required to complete a “Request for New Institution ID/IP” form. The form contains information regarding the agency and requestor’s details, the Institution details, and must be approved by at least a Manager Level 2 or a senior manager in the Office. The audit team was unable to verify that the implementing partner code requests were approved by staff with the required authority as the forms were neither stored in a database nor maintained by the Country Office.

(c) There were at least 281 duplicate implementing partner codes (i.e., similar implementing partners but with different codes).

Lack of oversight over creation and maintenance of implementing partner codes in Atlas may result in inaccurate tracking of cash transfers to partners and analysis of expenditures reports.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (important)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 6:</strong></td>
<td></td>
</tr>
<tr>
<td>The Bureau for Management Services should improve the oversight over implementing partner creation and maintenance by:</td>
<td></td>
</tr>
<tr>
<td>(a) ensuring that all forms are approved by the staff members with the required authority, reviewed and centrally stored; and</td>
<td></td>
</tr>
<tr>
<td>(b) ensuring that all duplicate implementing partner codes are removed, and that the database is periodically cleaned up.</td>
<td></td>
</tr>
</tbody>
</table>

**Management action plan:**

The Bureau for Management Services will:

(a) Ensure that all forms are approved by the staff members with the appropriate delegations of authority and will also make sure that all forms will be adequately reviewed and centrally stored in accordance with UNDP’s updated records management policies.

(b) Continue with the Quantum data preparedness exercise, which requires all offices to validate implementing partner/implementing agent codes that have been used in the Atlas Budget Module for 2022 and onwards. This will identify and correct non-standard UNDP implementing partner/implementing agent codes and description errors. Duplicate and redundant implementing partner codes will be addressed in the exercise and will not be migrated to Quantum. The creation of implementing agent codes in Quantum will follow the vendor due diligence process and the database will be reviewed periodically to determine if any clean-up of implementing agent data is required.

**Estimated completion date:** March 2023
Issue 7  Implementing partners’ performance not adequately assessed

Effective monitoring and evaluation of implementing partner work is essential to provide assurance that the resources allocated to implementing partners are used as intended and the expected programmatic results are achieved.

The audit team observed that there was an insufficient system in place to monitor implementing partner performance. The partners were mainly assessed on financial delivery and implementation of activities. However, the partners performance was not assessed in areas such as, quality of outputs, timeliness of implementation, and quality of reporting.

In addition, the Standard Project Cooperation Agreement between UNDP and an NGO did not include any reference to performance but instead focused on the obligations of the implementing partner.

Furthermore, the project document did not include clauses pertaining to partner performance, including the requirement to address the findings of the micro assessment and assurance activities.

Feedback from Offices surveyed included the following suggestions:

- Establishing key performance indicators (KPIs) relating to timeliness of reporting, quality of outputs and activities, would be beneficial in measuring and strengthening partners performance.
- Developing an online dashboard that monitors operational and programmatic aspects of project implementation by the implementing partner through a generic set of KPIs. Such a dashboard should be accessible by the implementing partner for them to monitor their own performance and take actions accordingly. The dashboard/system should also have an automated reminder via email when KPIs or deadlines require immediate follow-up.

Feedback from implementing partners highlighted the following:

- A total of 24 out of 34 implementing partners surveyed by the audit team stated that there was a system in place for measuring their financial performance.
- 19 implementing partners stated that KPIs were agreed with the Country Office; however, these were mostly financial management-related.
- 11 implementing partners stated that KPIs were not discussed/agreed but could see the benefit of KPIs being established at the beginning of project implementation.

According to the Bureau for Policy and Programme Support, performance of implementing partners is assessed through the tracking of outputs in the Atlas Project Management Module. This is supported by the independent project evaluation, which assesses performance and verifies results achieved. The audit teams agreed that assessing the achievement of the project results is one element used to assess partner performance, but other areas should also be considered including quality of results and timeliness of implementation.

The results of the survey and issues identified within this report concerning the partners’ capacity and audit related findings, support the need for enhancing the monitoring of partners performance.

Insufficient monitoring of implementing partner performance may result in UNDP continuing to work with partners that may not offer value for money.
<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (important)</th>
</tr>
</thead>
</table>

**Recommendation 7:**

The Bureau for Policy and Programme Support should develop a guidance on measuring and tracking implementing partner performance. This can include:

(a) developing and adopting a set of key performance indicators that would include both programmatic, strategic, and operational indicators;
(b) introducing performance indicators in all agreements/templates to be used to rate the implementing partners’ performance during and at the end of the project; and
(c) developing a central repository to record implementing partners’ performance.

**Management action plan:**

The Bureau for Policy and Programme Support welcomes the recommendation to track the performance of implementing partners.

(a) The Bureau for Policy and Programme Support and the Bureau for Management Services will research and review the body of existing indicators that measure implementing partners’ performance as a preferred way forward than developing new KPIs and to embed them into existing dashboards or review processes.

   i. This is to limit potential duplication efforts, work burden generated for Country Offices and Regional Bureaux and ‘dashboard fatigue’. UNDP has seen a proliferation of these kinds of instruments (e.g., Integrated Finance Dashboard, Comptrollers Performance Index, Project Quality Assurance, Evaluation Dashboard to name a few, which offices are required to comply with).

(b) This recommendation can be taken in the context of the interagency HACT micro assessment review and revision, in addition to updates to tools such as the PCAT (see recommendation 2).

(c) Refer to management response 3b above. The PCAT, once digitized, will serve as a central repository with a searchable data base on implementing partner capacities and associated risks to help inform programming.

**Estimated completion date:** December 2022
Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

▪ Fully 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.

▪ 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.