



AUDIT

OF

UNDP BUREAU FOR DEVELOPMENT POLICY

**GENDER-RESPONSIVE CLIMATE CHANGE POLICIES, STRATEGIES AND PROGRAMMES
PROJECT**

(Directly Implemented Project No. 60536)

Report No. 1179
Issue Date: 10 July 2013

**Report on the audit of Gender-Responsive Climate Change Policies, Strategies and Programmes Project
(Project No. 60536)
Executive Summary**

From 7 to 25 January 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through Moore Stephens LLP (the audit firm), conducted an audit of the project on Gender-Responsive Climate Change Policies, Strategies and Programmes, Project No. 60536. Two other projects (Project Nos. 60534 and 60529) were also audited and the related audit reports had been separately communicated to the respective implementing partner on 25 April 2013. Though these three projects are managed by the Bureau for Development Policy, only one (Project No. 60536) is implemented by the Bureau, while the other two projects (Project No. 60534 and 60529) are directly implemented by the Women's Environment and Development Organization and the International Union for Conservation of Nature, respectively. The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

The three projects reported expenditure totalling \$3.7 million during the period from 1 October 2010 to 30 June 2012. The Projects were funded by Finland and Denmark.

Audit scope and objectives

The audit of Project No. 60536 focused on financial transactions as well as internal controls and systems for the purpose of expressing an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit also aimed to assess compliance with UNDP regulations, rules, policies and procedures and donor agreements. The audit covered the Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 October 2010 to 30 June 2012. It also reviewed the relevant systems, procedures and practices in place as they relate to the project, in the areas of: organization and staffing, project management, human resources management, financial and cash management, procurement, asset management, information systems and general administration.

In addition, the audit also included a review of the programme governance for the three projects and examined the relevant systems, procedures and practices in place in the Bureau for Development Policy. The review included:

1. An assessment of the Programme Board's:
 - a. Composition
 - b. Terms of reference
 - c. Work plans
 - d. Decision-making process
 - e. Frequency of meetings
 - f. Level of guidance provided to the three projects

2. An assessment of the programme management's:
 - a. Consistency of objectives against the objectives spelled out in the donor agreements
 - b. Translation of the programme objectives at the project level
 - c. Approval and revision of project work plans
 - d. Timely disbursement of funds to the three projects
 - e. Monitoring and evaluation process
 - f. Reliability and timeliness of reporting to donors

Audit rating

A. Audit of Project No. 60536

Based on the audit report and corresponding management letter submitted by the audit firm, OAI assessed the management of the project as **satisfactory**, which means “Internal controls, governance and risk management processes as applicable to the project’s financial statements were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.” The details of the audit results are presented in Figures 1 and 2.

Figure 1: Summary results of the financial audit

Project Expenditure		Project Assets		Cash	
Amount (in \$ '000)	Opinion	Amount (in \$'000)	Opinion	Amount (in \$'000)	Opinion
1,045*	Unqualified	-	Not applicable**	-	Not applicable***

*Expenditure relates to Project 60536 only

**No assets in the audit period

***No separate bank account was held for the Project

Figure 2: Internal controls and systems audit ratings summary

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Organization and staffing				
2. Programme and project management				
3. Human resources				
4. Finance				
5. Procurement				
6. Asset management				
7. Cash management				
8. Information systems				
9. General administration				

B. Governance review of the three projects

Based on the audit report and corresponding management letter submitted by the audit firm, OAI assessed the governance of the three projects as **partially satisfactory**, which means “Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.” This rating was mainly due to weaknesses in the Board’s composition and inadequacies in the Project Cooperation Agreement. The details of the audit results are presented in Figures 3 and 4.

Figure 3: Internal controls and systems audit ratings summary - Programme Board

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Composition				
2. Terms of reference				
3. Work plans				
4. Decision-making process				
5. Frequency of meetings				
6. Level of guidance provided to the three projects				

Figure 4: Internal controls and systems audit ratings summary - Programme management

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Consistency of objectives against the objectives spelled out in the donor agreements				
2. Translation of the Programme objectives at the project level				
3. Approval and revision of project work plans				
4. Timely disbursement of funds to the three Projects				
5. Monitoring and evaluation process				
6. Reliability and timeliness of reporting to donors				

Key issues and recommendations

The review of the programme governance of the three projects raised five issues and resulted in five recommendations, of which two (40 percent) were ranked high (critical) priority, meaning “Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP and may affect the organization at the global level.”

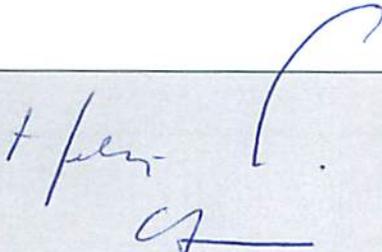
Programme Board:
Composition Lack of independence of Board members. One of the programme partners was represented in the Board meetings by their Senior Gender Advisor and the Project Manager, neither of whom were independent of the Project’s implementation. OAI recommends that the Board make arrangements to ensure that the members representing each partner at each Board meeting comprise of a project staff member and an independent party.

Programme Board: Level of guidance provided to projects

Inadequacy of the guidance provided to the projects. The agreement does not contain clear guidelines regarding the policies and procedures to be used by the partners when reporting project expenditure. OAI recommends that the Project Documents and the Project Cooperation Agreements make explicit, to the fullest extent possible, the necessary requirements for reporting project expenditure. Where necessary, additional guidance should be sought from UNDP or the donors, and decisions reached should be formalized in writing and incorporated into the contracts.

Management's comments

The Officer-in-Charge, Gender and Women's Empowerment of the Bureau for Development Policy, accepted all recommendations and is in the process of implementing them or following up with partners for their implementation.



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