



**AUDIT**

**OF**

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

**Report No. 1423**

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

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

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

Specifically, this report reviewed whether:

*(For National Programmes in selected countries [Cambodia and Ecuador] and the UN-REDD Viet Nam Programme Phase II<sup>1</sup>)*

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

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

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

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

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

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

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

### Overall audit rating

OAI assessed UNDP's support to National UN-REDD Programmes in selected countries and UNDP's support to National Action and management at the UNDP corporate level (UN-REDD Global Programme) as **partially satisfactory**, which means, "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." This rating was mainly due to weaknesses in governance arrangements, and inadequate oversight and coordination between Participating UN Organizations which reduces the efficiencies of the UN-REDD Programme.

### Key recommendations: Total = 11, high priority = 3

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

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

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

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

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

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

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

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

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

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

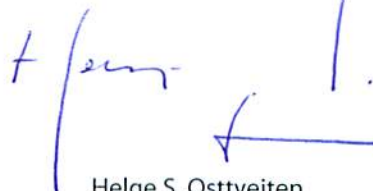
Each Participating UN Organization involved in the UN-REDD Viet Nam Programme Phase II was transferring funds and managing its activities using its own regulations and procedures. Furthermore, financial reporting formats differed for each UN Organization. The lack of a common operational framework for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

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

### Management comments and action plan

The Principal Policy & Technical Advisor for the Sustainable Development Cluster of BPPS, along with the UN Resident Coordinators and UNDP Resident Representatives for Cambodia, Ecuador, and Viet Nam accepted all of the recommendations and are in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

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



Helge S. Osttveiten  
Director  
Office of Audit and Investigations