



PERFORMANCE AUDIT

OF

UNDP'S ENGAGEMENT

WITH

THE GREEN CLIMATE FUND

Report No. 1998
Issue Date: 19 October 2018

Report on the Performance Audit of UNDP's Engagement with the Green Climate Fund Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted a performance audit of UNDP's Engagement with the Green Climate Fund (the Engagement) from 18 June to 15 August 2018. The audit aimed to assess the effectiveness of UNDP's management and implementation of the Green Climate Fund (GCF) portfolio, including portfolio performance, organizational structure, support and oversight.

The audit covered the activities of the Engagement's portfolio from 1 January 2015 to 30 June 2018. The Engagement recorded programme and management expenses of approximately \$20.5 million. This was the first audit of the Engagement.

Performance auditing is an independent examination of a programme, function, operation, project, or the management systems and procedures 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*.

Overall audit rating

OAI assessed the Engagement as **satisfactory**, which means "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."

Good practices

- (a) The UNDP Global Environment Finance Unit (UNDP-GEF) developed the Project Information System (PIMS+), to help the Unit in providing oversight, tracking key project milestones, and ensuring compliance with the requirements of the respective Vertical Funds, including the GCF.
- (b) The Bureau for Policy and Programme Support team developed a set of 17 questions, which was used to evaluate the implementing partners' capacity to implement the GCF-funded projects.

Key recommendations: Total = 4, high priority = 1

For the high (critical) priority recommendation, 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 recommendation is presented below:

Slow GCF project implementation (Issue 4)

The pace of the implementation of the fully funded projects had been slower than originally anticipated and as outlined in annual work plans. The audit team noted that while funds had been disbursed by the GCF to UNDP, the implementation of these projects had been minimal, while in some cases, no expenses had been incurred as of late October 2018.

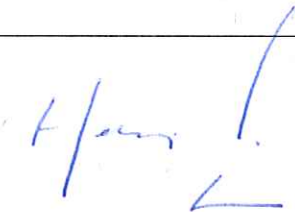
Through discussions with the Bureau for Policy and Programme Support and Country Offices, as well as a review of the 2017 Annual Performance Reports, the following were noted as underlying reasons for the slow implementation: (a) absence of operational assessment of Country Offices; and (b) delays in establishing the Project Management Units.

Recommendation 4: The Bureau for Policy and Programme Support should work with the Regional Bureaux to improve the management of the GCF-funded projects by: (a) reviewing and fast-tracking the Readiness Projects¹; and (b) assessing the Country Offices' operational and technical capacity and tracking the staffing of the Project Management Units.

Management comments and action plan

The Director of the Bureau for Policy and Programme Support accepted all of the recommendations and is 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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¹ The Readiness Project builds countries' capacity to access the GCF, through preparing countries to plan for, manage, disburse and monitor climate financing.