



PERFORMANCE AUDIT

OF

UNDP'S GLOBAL ENVIRONMENT FACILITY MANAGEMENT

Report No. 2585

Issue Date: 10 July 2023

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

The UNDP Office of Audit and Investigations (OAI) conducted a performance audit of UNDP's Global Environment Facility (GEF) management from 6 February to 14 April 2023. 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 assessed UNDP's effectiveness in implementing the GEF projects, including whether UNDP has established adequate governance and control arrangements to adhere to the GEF minimum fiduciary standards. Specifically, the audit addressed the following performance audit questions:

1. To what extent has UNDP established effective governance, organizational structure, and systems to strengthen the oversight over the GEF projects?
 - 1.1 Is the Bureau for Programme and Policy Support (BPPS) effective in providing guidance and technical support to Regional Bureaux and Country Offices over GEF projects, and in ensuring that GEF requirements are met?
 - 1.2 Are Regional Bureaux effective in providing oversight, in coordination with BPPS, to Country Offices on the implementation of GEF projects?
 - 1.3 Are Country Offices effectively discharging their monitoring and oversight responsibilities over GEF projects?
2. To what extent is the implementation of GEF projects in line with UNDP policies and procedures?
 - 2.1 Has UNDP been successful in establishing effective internal controls?
 - 2.2 Has UNDP been effective in identifying and managing risks that may negatively impact the implementation of the GEF projects?
 - 2.3 Are results relevant and reliable, and in line with the project documents and Results Framework?

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The audit covered the activities from 1 January to 31 December 2022. UNDP recorded \$261 million in expenditures under the GEF portfolio during this period.

The overall conclusion of the audit is as follows:

- UNDP has established adequate governance arrangements over the GEF projects, and the implementation of GEF projects is in line with UNDP policies and procedures.
- Project management could be enhanced to be fully in line with UNDP policies and procedures, to reduce the risks of failing to achieve project targets, and to maintain stakeholder confidence.

The review of Small Grant Projects was outside the scope of this audit as the projects were being implemented by UNOPS.

Overall audit rating

OAI issued an audit rating for UNDP's GEF management as **satisfactory/some improvement needed**, which means, "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." This rating was mainly due to an inadequate corporate mechanism to monitor UNDP capacity to implement GEF projects, weaknesses in streamlining risk management practices, monitoring and oversight on progress and results not adequately documented, and delayed project implementation.



Key recommendations: Total =5, high priority = 2

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	2 and 5	High
	1, 3, and 4	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:

Weaknesses in risk management practices (Issue 2)

The audit team noted weaknesses in GEF project risk management, as follows:

- Absence of a portfolio approach to risk management and corporate risk log: The BPPS/NCE Team did not adopt a portfolio approach to managing the GEF projects, including scanning the horizon for new risks that may negatively impact the GEF projects and UNDP as a whole.
- Missing risk management action plans: The review of the Performance Risk Dashboard disclosed that 46 projects with risks flagged with moderate or substantial ratings did not have second-layer risk management action plans recorded in PIMS+.
- Project risk escalation not documented: Although risks at the Country Office and project levels were escalated to the relevant Regional Bureaux, the processes for escalation, including how the risks were managed or mitigated, were not documented.

Recommendation 2: BPPS should strengthen risk management by: (a) adopting a portfolio risk management approach, including maintaining an overarching risk log for the GEF resources; and (b) putting in place a streamlined process for GEF project risk management, including establishing a system for recording, monitoring, and escalating risks, as well as developing management action plans, for the entire project cycle.

Management of GEF projects can be further improved (Issue 5)

The review of a sample of 39 projects from 10 Country Offices noted areas in the management of GEF projects that could be further improved. Specifically, the audit team noted that 5 out of 10 Country Offices reviewed had not adequately documented the monitoring and oversight of project progress and results. For example, the audit disclosed that annual progress reports were not prepared, oversight meetings were not recorded, and supporting evidence for reported achievements were not kept.

In addition, the audit team noted that 8 of 10 Country Offices had been experiencing project implementation delays. The underlying reasons included fulfilling government requirements or requests, effects of the COVID-19 pandemic, delayed financial project allocations, and project personnel recruitment challenges.

Recommendation 5: The Regional Bureaux should enhance their management of GEF projects by ensuring that Country Offices concerned implement the recommendations in Annex B of this report, and specifically: (a) conduct monitoring activities sufficiently and prepare annual progress reports; (b) strengthen quality assurance of reported results, including validating evidence;



(c) ensure project documents are endorsed within the required timeframe, inform government implementing partners of changes, and conduct budget revisions in a timely manner; and (d) develop and implement an action plan to accelerate the implementation of projects that are experiencing implementation delays.

Implementation status of previous OAI audit recommendations:

In 2020, OAI conducted a performance audit of GEF (Report No. 2210, issued on 1 December 2020). Subsequently, OAI conducted two follow-up audits in 2021 (Report Nos. 2331 and 2404, issued on 4 June 2021 and 11 January 2022, respectively). As of October 2022, OAI assessed that all 12 recommendations from Report No. 2210 were fully implemented.

Management comments and action plan

The Assistant Administrator and Director, BPPS, 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, where appropriate.

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

Moncef Ghrib

Moncef Ghrib
Officer-in-Charge
Office of Audit and Investigations