# Update on Progress made in Implementing the GEF Audit Recommendations and Related Management Commitments

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<th>TASK</th>
<th>ACTIONS TAKEN/PROGRESS REPORT</th>
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<td>OAI Audit of GEF Portfolio</td>
<td>UNDP has completed all 31 management actions ahead of schedule in response to the 2020 GEF Audit, focusing on the following main areas: the Internal Control Framework (ICF); updating risk management systems and processes for engagement with partners; clarifying staff oversight roles and responsibilities; managing staff workloads to ensure adequate monitoring; strengthening financial oversight systems; and strengthening procurement, among others. Detailed updates can be found at the following link: <a href="https://www.undp.org/gef-audit-transparency">https://www.undp.org/gef-audit-transparency</a>. However, it is important to make a distinction between the implementation date for the various MAP actions and the practices that UNDP Country Offices (COs) must then adopt which will necessarily take more time. Country Office, Regional and Central Bureau staff are continuously briefed on, and now applying policy and procedural changes introduced as a result of the MAP. While this is encouraging, management is aware that it will take time for the actions to have a real impact on our work on the ground. Various approaches are being employed to check the pulse of how the introduced changes are impacting staff. For example, UNDP is proactively engaging with Country Offices via regular webinars and open Q&amp;A sessions, as well as through staff surveys, to gauge uptake, and application, of updated policies and risk management practices. Over time, we expect that these changes will be seamless in the day-to-day practices of UNDP. So far, we are starting to see the following operational results and changes on the ground:</td>
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<td>- Application of clearly defined firewalls between oversight and execution functions. For example, in a number of recent partner capacity assessments of GEF projects, UNDP Country Offices are actively considering NGO execution and UN-execution, as opposed to providing direct execution support to national partners where we have identified capacity constraints. This demonstrates a shift in approach where previously we may still have moved ahead with the national partner and tried to compensate for the capacity gaps identified through the provision of Country Office-led execution support. That support is now no longer possible for GEF projects without prior approval by the GEF. The full implication of this changed practice is not yet evident but future audits should provide insights.</td>
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<td>- Country Offices are now routinely conducting pre-investment steering committee reviews of new requests for programming assistance. These have helped to identify key risks earlier on in the process and have also brought forward conversations about strategic relevance and overall alignment of results and impacts of particular projects with the ambitious targets set out in UNDP’s Strategic Plan.</td>
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<td>- Some country offices have reported that the heightened due diligence requirements now required following the MAP have been overwhelming given staff constraints and data requirements. In these cases, programming may be slowed to take into account the additional</td>
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burden of due-diligence. Getting it right is more important than getting it done quickly. Most important, the lines of communication with our Country Offices are open and we can work with them to help them deliver

- Some Country Offices seeking support on Nature, Climate and Energy programmes are finding that providing the support required to address new Government requests for assistance is challenging as technical staff are focused on oversight of ongoing projects and programmes. This has sometimes resulted in delays in the provision of support as staff capacity limits are reached. However, we will continue to prioritize oversight issues rather than new pipeline development while the new systems and processes bed down.
- Overall, while Country Offices recognize the significant efforts needed to prepare for early identification of risks the general perception is that the effort is worthwhile. Country Office Senior Management and Operations have been fully on board with the programming discussion from the beginning.

This helpful feedback from our Country Offices as well as the changes in practices that we are now seeing are indicative of how previously reported management actions are translating into actions on the ground over and above what has already been reported on including:

- providing additional oversight reviews and controls when concerns are raised about the technical performance of projects including the quality of project deliverables;
- temporarily suspending projects when allegations are raised about the potential misappropriation of resources and/or when OAI confirms that investigations are underway;
- limiting the number of projects overseen by our staff at the regional hubs so that sufficient oversight is provided for each project;
- providing assistance to countries to access GEF resources once capacities are assessed and in place at the country level;
- strengthening corporate guidance and prescriptive content on project boards for all UNDP projects, in response to learnings from the UNDP-GEF audit;
- the review of our internal control framework has confirmed that the right systems are in place – and in future this will be reviewed twice a year. Staff oversight roles and responsibilities at different levels of the organization have been clarified which is critical to ensure there is clarity on accountability - a clear lesson from the S&L project;
- the risk management systems and processes for our engagement have now been updated. A thorough capacity assessment of our partners is critical to ensure donor funds are safeguarded but also to identify areas that need to be strengthened, for example strengthening the financial and procurement systems used by our partners.

Some additional pieces of analysis and work are still to come:

- UNDP conducted an organization wide survey to test and gauge the level of awareness and application of the implemented actions on the ground across all UNDP business units. The survey was designed to enable management to identify the gaps and bottlenecks that need to be addressed to ensure that oversight systems and processes are in working order. The data will provide insight as to the additional support that UNDP personnel need to ensure that the
changes in policies and processes related to the management of vertical fund resources are fully understood and applied. The survey has been completed – with responses from more than 60 Country Offices - and the responses are now being analysed. The findings will feed into an Executive Group discussion in November on strengthening oversight systems across the organization.

- **A second OAI audit** will commence on 1st November and will provide a further review of UNDP’s actions and their impact, which will be available to the Board in February 2022.

- **Two conditions** were associated with UNDP’s recent re-accreditation to the Green Climate Fund, which UNDP is required to meet by the mid-term review of its accreditation (2023/24). The GCF requested:

  1. an independent assessment report demonstrating, through an analysis of a sample set of GCF-supported projects, that UNDP’s Programme and Operations Policies and Procedures (POPP) are adequately implemented, and
  2. an independent assessment report evidencing that UNDP has completed the implementation of its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Policy Implementation Plan, which was approved by UNDP’s Organizational Performance Group (OPG) on 2 September 2021.

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<th>GEF and GCF re-accreditation processes and related BDO/UK and EY reports</th>
<th>UNDP engaged two external audit firms to review the alignment of UNDP’s policy framework with the fiduciary standards of the vertical funds, as well as how – and how effectively - UNDP’s polices and oversight systems are being implemented at the country, regional and HQ levels in line with UNDP’s and GEF/GCF policies, including in response to the findings and associated management action plans of the 2020 UNDP-GEF audit. Both reports are now final and are based on a review of 20 GEF projects and 18 GCF projects across around 30 countries. Neither of the reviews have found significant issues that go beyond those identified by OAI, and both report that the risk of reoccurrence of the issues reported by OAI will have been adequately mitigated with the full implementation of the MAP (now complete) and allowing for time and the additional investments required for the changes to take effect.</th>
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<td>1) <strong>The EY review</strong> (<a href="https://www.undp.org/gef-audit-transparency">EY independent assessment final report</a>) focused on the application of policies that align with the GEF’s Fiduciary Standards Policy:</td>
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<td>• Key actions taken in response to the findings of EY are reflected in the MAP in response to the 2020 GEF audit - see link <a href="https://www.undp.org/gef-audit-transparency">https://www.undp.org/gef-audit-transparency</a>. EY’s conclusions, after reviewing a sample of 20 GEF projects and interviews with Country Office, Regional Bureau and HQ staff, confirm that re-occurrence of the issues reported by OAI will have been adequately mitigated with the full implementation of the MAP. <em>(NB a more detailed table of key actions taken in response to the main findings of the EY report will be available shortly)</em></td>
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<td>2) <strong>The BDO/UK review</strong> (<a href="https://www.undp.org/gef-audit-transparency">BDO independent assessment final report</a>) focused on UNDP’s policies and procedures that align with those required for re-accreditation to the GCF.</td>
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• For key actions taken in response to the main findings of the BDO/UK report in relation to capacity issues at the Country Office level concerning NIM projects in oversight, M&E, fraud risk awareness, financial management, procurement and asset management, gender and safeguards please see Annex A.

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<th>Independent review of the S&amp;L project (Systems and Silos, by Amitav Rath)</th>
<th>All ten recommendations of the independent review are being implemented. Please see Annex B.</th>
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| Management Accountability Review Panel (MARP) | The Management Accountability Review Panel (MARP), comprising internal senior staff and external experts, was established in January 2020 to advise and recommend a course of action in response to the independent review’s findings related to individual accountabilities for management and oversight issues, as well as broader institutional issues:

a) Individual accountabilities: following the MARP and further independent verifications, UNDP managed to establish roles, responsibilities and functions of key individuals throughout the ten years of the lifespan of this project. It was on this basis that further action has been taken by management that resulted in a series of precautionary measures for some staff pending decisions on further verifications and/or investigations as appropriate.

b) The MARP also made a number of recommendations for further institutional improvements which resulted in a series of reviews:

• Review of decentralized evaluation function: the MARP recommended to review the decentralized evaluation function within UNDP in order to strengthen its dual accountability and learning objectives while ensuring independence and strengthening the capacity of UNDP to provide oversight and ensure segregation of duties in the implementation of GEF and vertical funds projects. A joint Executive Office – Independent Evaluation Office (IEO) working group was set up in April 2021 to identify short- and medium-term changes to strengthen decentralised evaluation. The group presented its draft recommendations in May 2021 and these were endorsed by the Organisational Performance Group (OPG) in June. Implementation of the identified actions has started, in coordination with relevant Bureaus. For example, UNDP has now introduced a decentralised evaluation dispute resolution mechanism, which allows evaluators to raise any concerns they may have about the integrity and adequacy of the process, including anonymously, to the Deputy Regional Director and to the Independent Evaluation Office. In addition, all Regional Bureaus, with guidance from Bureau for Policy and Programme Support (BPPS) and IEO, are now revising and strengthening their evaluation strategies and will soon submit them for review by the OPG.

• Review of Protection against Retaliation (PaR) Policies in the United Nations System: The importance of whistleblowers in enabling an international organization to effectively uncover
and combat fraud and other corrupt practices cannot be overstated. Following the institutional findings of the MARP, and relevant points raised in other documents (see Annex B on the independent review), UNDP decided to assess its Policy for Protection Against Retaliation (PaR) with a view to providing recommendations as to how it can be strengthened to further protect whistleblowers and ensure a work environment that is conducive to the reporting of wrongdoing. The review found that the UNDP PaR Policy contains many key features that are conducive to the reporting of wrongdoing. For example, the scope of covered personnel and protected activities are among the broadest in the UN system. The UNDP Policy also contains several measures designed to ensure adequate protection to complainants, which are generally consistent with international best practices. Notwithstanding these strengths, the review also identified six areas in which the UNDP PaR Policy could be improved to further protect whistleblowers and to encourage reporting. Four have been incorporated into a new policy while the following two recommendations are still under discussion:

a) With regards to recommendation 1 which relates to the issue of ‘burden of proof’, the discussion is around whether the recommendation regarding the removal of the wording “more likely than not” would bring any change to the treatment of any case that goes to the Ethics Office. In other words, whether that removal of the wording would substantively strengthen the Protection Against Retaliation policy. This recommendation is still under review.

b) With regards to recommendation 5 which relates to the scope of protected activities, the discussion relates to the option of expanding the definition of protected activity beyond that expressed in the relevant Secretary General’s Bulletin (SGB/2017/2/Rev.1). While in principle the intent of this recommendation is positive, it would be helpful to explore the recommendation further with the Ombudsman for the Funds and Programmes, and to have the Director of the Ethics Office raise the recommendation with the UN Ethics Panel for its discussion with a view to ensuring a harmonized approach on these issues which have UN-wide implications. Again, this recommendation remains under review for now.

- Review of Anti-Fraud Policies and Disciplinary Practices and Processes in UNDP and other United Nations Common System Entities: On the institutional side, questions were raised as to the definition of fraud utilized by UNDP, as well as the organization’s disciplinary processes and practices. As a result, an external review was conducted and a draft report was received in September. The draft report is currently being assessed internally.

| **Corporate Performance Unit (CPU)** | A Corporate Performance Unit (CPU) has been established in UNDP’s Executive Office, as part of UNDP’s leadership’s commitment to continuously improve corporate performance and institutional effectiveness. The CPU works with teams across the house to strengthen the controls and oversight of UNDP’s organizational performance, making connections between Bureau-focused efforts for a whole-of-UNDP perspective. The CPU will do three things:

1. **Respond:** Support UNDP leadership in solving problems, including anticipating and responding to strategic corporate performance challenges and risks that may impact UNDP’s performance, reputation, or accountability to partners.

2. **Anticipate:** Improve the quality and flow of actionable intelligence and risk analysis to UNDP’s executive leadership. |


3. **Support**: Support effective and strategic corporate management arrangements – including UNDP’s Organizational Performance Group and Risk Committee – both chaired by the UNDP Associate Administrator -- to consistently improve the organization’s performance.

The CPU is a dedicated interface in the Executive Office for UNDP’s independent oversight offices and will work with IEO and OAI to further the analytical insights and early warnings across regions, trends and portfolio to help inform executive decision-making. This will draw on ongoing efforts to advance the analytical insights from the independent offices.

Along with the UNDP Executive Coordinator for Vertical Funds (GEF, GCF, Adaptation Fund), the ExO’s CPU chief co-chairs an Inter-Bureau Task Force with senior representation across all Bureaus to support implementation of the UNDP-GEF OAI audit Management Action Plan (MAP). With MAP implemented, and recognizing that behaviour change takes time, the Task Force will pivot its focus to 1) complete the timely implementation of the MAP and related assessments; 2) drive related behavior and cultural enhancements for sustained change 3) apply learning from the GEF OAI audit across the GEF portfolio and beyond for sustained, organization-wide impact.

The CPU is an internal executive management function. Analysis and insights from the CPU will inform existing reporting and accountability channels between UNDP, Member States, and other external partners. The CPU will contribute to UNDP’s corporate performance by triangulating between the different teams and processes in UNDP that are responsible and accountable for corporate performance, with the objective of advancing corporate clarity, coherence and consistency.

### Risk management across UNDP systems, and through its new Strategic Plan

In UNDP’s new **Strategic Plan 2022-2025**, risk management is a clear focus. The Plan commits that by 2025, a more proactive, dynamic approach to risk management will be embedded in the UNDP culture and business model. To monitor progress, specific risk management results and indicators are included in the Plan’s Integrated Results and Resources Framework (IRRF) (Results 4.1, 4.2). A corporate level Strategic Plan implementation plan is under development, which will draw on lessons learned and insights from audits, evaluations, and partnership assessments. This is part of the process of deepening a culture of managing risk, which will increase UNDP’s effectiveness and efficiency while providing more control, visibility and sustainable change across UNDP.

UNDP will drive this enhanced focus on risk management through investing in our policies, procedures and management arrangements, for example advancing the implementation of the enterprise risk management policy and related streams of work; continuously strengthening management arrangements, including the work of the Organisational Performance Group (OPG) and the Risk Committee, and establishing the Budget, Performance and Compliance Office in the Bureau for Management Services (BMS/BPC) for a more systemic view of UNDP’s operations and financing systems.

A number of important systems reviews and up-grades are underway that will strengthen UNDP’s risk management, oversight and controls. These are system-wide and therefore relevant for the UNDP-GEF portfolio. For example:
• Non-compliance against our Internal Control Framework (ICF) is regularly monitored in our corporate financial dashboard and reports, and is incorporated within our corporate monitoring processes with country offices and bureaus.

• In 2022, UNDP will shift to a new Enterprise Resource Planning (ERP) system called ‘Quantum’ replacing ATLAS. Quantum is designed to enhance data-driven decision-making by consolidating data sources, improving data integrity, and enhancing reporting capabilities. For example, once it is in full effect, the system will include an end-to-end procurement solution that will address weaknesses identified during independent reviews and audits in procurement planning, evaluation team establishment and evaluation of offers. A deployment plan with a change management strategy including communication and training is under development to support UNDP’s teams in making the transition.

• UNDP is introducing clustering of services across bureaus, which will enhance compliance and oversight as well as management accountability of country office transactions. Clustering involves fundamentally changing the way we do business and is expected to drive both efficiency and effectiveness once fully implemented across UNDP.

• UNDP is introducing a new Client Relationship Management system – UNDP’s first corporate platform to more effectively manage its partnership network. UNDP’s current ERP system – Atlas – provides only limited information about project funding and expenditure. The new system will help UNDP to gain real-time access to its partnerships across business units, to better identify new opportunities, to digitize and integrate partner capacity assessments (e.g. Harmonized Approach to Cash Transfers (HACT) and Partnership Capacity Assessment Tool (PACT)), leverage and manage existing partnerships, avoid risks, strengthen coordination, and work strategically.