



GEF/C.39/Inf.4
November 19, 2010

GEF Council Meeting
November 16 - 18, 2010
Washington, D.C

AGENCY PROGRESS ON MEETING GEF MINIMUM FIDUCIARY STANDARDS

BACKGROUND

1. At the June 2010, Council meeting, Council reviewed document GEF/C.38/10, *Agency Progress on Meeting GEF's Minimum Fiduciary Standards*. After reviewing the document, Council requested:

- a. The Asian Development Bank (ADB) to report to Council by November 2010 on steps taken by the ADB to introduce an annual certification to be signed by staff indicating that their actions are in compliance with ADB's code of conduct and ADB's Anticorruption Policy by November 2010
- b. The Food and Agriculture Organization (FAO) to report to Council on steps taken to establish an Ethics Committee and to issue Investigation Guidelines by November 2010.
- c. FAO to report to Council by November 2010 on what actions it will take with a clear timeline for meeting GEF fiduciary standards on Financial Management and Control Frameworks, including the implementation of a formal internal control framework
- d. FAO to meet GEF standards, including the revision of its investigation guidelines and harmonization with the Uniform Guidelines for International Investigations, by its updated timeline of July 2010.
- e. IFAD to meet GEF standards on financial disclosure by its updated timeline of December 2010.
- f. UNEP Division of Global Environment Facility (DGEF) Coordination to implement GEF standards on external audit, and to meet the intent of IPSAS accounting standards by 2012. UNEP to provide additional documentation on the outstanding standards:
 - i. financial statements prepared in accordance with recognized international accounting standards;
 - ii. management assertion to agency governing body that the internal controls over financial reporting are adequate; and
 - iii. annual audit opinion on the financial statements issued by the external auditor and made public.

The Council approved:

FAO's approach to meet the GEF's procurement process standard by disclosing procurement awards for GEF projects. The Council requested that the GEF Secretariat work with FAO to reach an agreement on the contents and methods of publication by November 2010.

2. The Secretariat has consolidated the implementation tracker including the updates received by these Agencies (Annex A), ADB, FAO, IFAD, UNEP and UNIDO. Supporting documentation provided by the Agencies is referenced within the implementation tracker and is attached as (Annex B). The following paragraphs summarize the information provided by the Agencies.

AGENCY STATUS

Asian Development Bank (ADB)

3. *Financial Disclosure*: the ADB has confirmed that it introduced new requirements establishing a mandatory Annual Declaration of Compliance signed by staff annually indicating that their actions are in compliance with ADB's Code of Conduct, Anticorruption Policy, Integrity Principles and Guidelines, and other administrative orders and regulations. Completed: July 31,2010

Food and Agriculture Organization (FAO)

4. The FAO has included a detailed timeline for meeting the GEF standards on *Financial Management and Control Frameworks*, including the implementation of including the implementation of an enterprise risk management system.

5. FAO's *Investigations Guidelines* have now been revised and finalized, and the *Whistleblower Policy* has been drafted. Both the Investigation Guidelines and the Whistleblower Policy will be submitted for the Director-General's approval in early October 2010 and are expected to be issued in October-November 2010.

6. The establishment of the *Ethics Committee* is still under review by the Governing Bodies and is difficult to establish definitively. FAO has given a tentative deadline for December 2010.

7. *Procurement Processes*: Staff within the FAO Procurement Services team is compiling data for presentation to senior management. Staff has reviewed the value of tenders and the amount of publicly accessible information provided by the other GEF Agencies and further work will be carried out to ensure consistency with the procurement disclosure practices of the other UN agencies. Permission to release data from current suppliers will be sought, if required, to ensure that data protection and disclosure issues are identified and resolved. FAO and the GEF Secretariat have initiated consultations and an agreement will be reached by January 2011.

8. According to the detailed timeline, FAO should be in full compliance with all GEF fiduciary standards by December 2012.

International Fund for Agricultural Development (IFAD)

9. Under the *Financial Disclosure* core area, a financial disclosure policy has been incorporated in the "Certification of Compliance with IFAD Code of Conduct" issued in on July 27, 2010. By issuing a financial disclosure policy, IFAD has now come into compliance with the GEF's fiduciary standards.

United Nations Environment Programme (UNEP)

10. UNEP has provided additional documentation on the outstanding standards and now complies in meeting three out of the remaining four standards. The exception is one of the GEF standards on *external audit*, but as agreed has put in place a plan for meeting the intent of IPSAS accounting standards by 2012 for UNEP DGEF.

United Nations Industrial Development Organization (UNIDO)

11. UNIDO has provided additional documentation to support its progress toward meeting all GEF's fiduciary standards. UNIDO has complied with all GEF standards and is in the process of further refining the implementation of its *financial management and control frameworks*.

Agency	Core Area	#	Standard	Outstanding Items	Management Response - 2008 Comments	Implementation steps undertaken as 30 September 2010	Timeline
ADB	Financial Disclosure	A.3e.	Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative function within the agency.	The Code of Conduct appears to require disclosure of restricted financial interests as well as indication of preferred method of disclosure. However, the Code of Conduct does not appear to indicate that required parties must disclose personal financial interests annually and does not provide an administrative function within the agency for monitoring of disclosure.	With respect to the issue of financial disclosure and consequent monitoring of financial disclosure of defined parties, we acknowledge the partial compliance. We will discuss the overall report and the issues identified internally. At this stage however, as discussed in earlier communication with the Evaluation Team, ADB is confident that our overall control framework, administrative procedures and processes, are sufficient and appropriately designed given the nature of our operations	ADB introduced new requirements establishing a mandatory <i>Annual Declaration of Compliance</i> signed by staff indicating that their actions are in compliance with ADB's Code of Conduct, Anticorruption Policy, Integrity Principles and Guidelines, and other administrative orders and regulations. Following these requirements, all staff members, regardless of type of appointment, were required to submit the said declaration by 31 July 2010 for the current year, and by February for each year thereafter. Document included in Annex B.	Jul-10
ADB	Financial Disclosure	A.3f.	The policy establishes processes for the administration and review of financial disclosure interests of the defined parties, as well as resolution of identified conflicts of interests, under an independent monitoring/administration function.	The ADB does not have a function in place to monitor financial disclosure compliance on a periodic basis. However, the ADB does maintain a function which will investigate situations brought to their attention in which employees failed to disclose prohibited financial interests.	With respect to the issue of financial disclosure and consequent monitoring of financial disclosure of defined parties, we acknowledge the partial compliance. We will discuss the overall report and the issues identified internally. At this stage however, as discussed in earlier communication with the Evaluation Team, ADB is confident that our overall control framework, administrative procedures and processes, are sufficient and appropriately designed given the nature of our operations	ADB introduced new requirements establishing a mandatory <i>Annual Declaration of Compliance</i> signed by staff indicating that their actions are in compliance with ADB's Code of Conduct, Anticorruption Policy, Integrity Principles and Guidelines, and other administrative orders and regulations. Following these requirements, all staff members, regardless of type of appointment, were required to submit the said declaration by 31 July 2010 for the current year, and by February for each year thereafter. Document included in Annex B.	Jul-10
FAO	External Financial Audit	A.1c.	Financial statements are prepared in accordance with recognized accounting standards such as International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies.	The Agency has adopted the United Nations System Accounting Standards which are partially based on International Accounting Standards (IAS), however, these accounting standards are not accepted in major capital markets for listed companies. In an effort to adopt recognized accounting standards, the United Nations which includes FAO will transition to the IPSAS effective 1 January 2010 and will fully implement the IPSAS accounting standards by January 2012. Therefore, it appears that the agency has a monitorable action plan in place to become fully compliant with the standard.	With respect to the requirement for annual, audited financial statements prepared in accordance with internationally recognised accounting standards, as noted in the analysis, FAO is planning for full implementation of IPSAS by January 2012. This will fully satisfy these two standards.	FAO's IPSAS implementation project is progressing well. The user requirements phase has now been largely completed and the design phase is underway. In addition to meeting specific IPSAS related requirements, the project will deliver a series of business benefits and efficiencies and the scope of the project has been significantly extended to include the replacement of systems and upgrade of processes currently in place at FAO's decentralised offices. FAO is now required to replace its current version of enterprise resource planning (ERP) system applications as the provider has announced the end date for support of the version in place at FAO. The next release of applications (Oracle Release 12) will deliver real benefits to the Organization and will contribute materially to the IPSAS project. For this reason, FAO will now adopt a synergistic approach which foresees implementation of IPSAS compliant systems on an Oracle Release 12 platform by the end of 2012 with the first IPSAS compliant official accounts being prepared for the calendar year 2013.	Dec-2012

FAO	External Financial Audit	A.1d.	The internal controls over financial reporting cover the use of GEF funds, and Management asserts to the agency governing body that these internal controls are adequate.	FAO's Basic Texts and Self Assessment indicate that the Director General is responsible for maintaining internal financial controls and current standard processes. As such, it appears that internal controls over financial reporting are in place and cover GEF funds. However, management assertions over financial controls are not conducted.	<p>A.1.d, A.2.b and A.2.c. The review has concluded that FAO is partially compliant with the standards related to an all-encompassing formal internal control framework, such as COSO, including annual risk assessment and management assertion on adequacy of internal controls.</p> <p>The assessment notes that while FAO has procedures in place which indicate the existence of a control environment, internal control activities and monitoring procedures, and has processes in place for risk assessment, there is no consolidated internal control framework. In this regard, it should be noted that the implementation of a formal internal control framework such as COSO is a costly exercise, which would require additional funding and approval from the Governing Bodies.</p>	<p>With respect to an internal control framework, the Organization has begun to implement an internally-led organization-wide approach to enterprise risk management embedded in its new results-based management strategic framework. This process is included in the Immediate Plan of Action for FAO Renewal approved by the FAO Conference. The plan includes the design of an ERM model, a pilot in selected units, the development of a comprehensive plan and then full implementation of ERM within the biennial workplanning process as provided in the timeline below. As reflected in the previous management response, FAO does have procedures in place which demonstrate the existence of a control environment, internal control activities and monitoring procedures and this will be strengthened with the implementation of IPSAS. FAO trusts that the implementation of the ERM, together with the comprehensive system of internal controls already present in the Organization, will go a long way to satisfy the requirement for a comprehensive internal control framework. Once the ERM implementation referred to above has been completed, FAO will consider the most appropriate action to take to formalize its formal internal control framework.</p> <p>The ERM framework implementation project has seven main phases:</p> <ul style="list-style-type: none"> a) Build the generic ERM risk assessment process (Q4/2010); b) Pilot "Fast problem response" service and then implement (Q4/2010); c) Pilot the ERM element for Organizational Results refinement or formulation (on one Strategic Objective and one Functional Objective) and then implement (Q4/2010); d) Pilot ERM for selected field projects/programmes, one Country Programme, and one Emergency project, and then implement (Q1/2011); e) Build risk assessment capacity across the whole Organization (Q1/2011 and continuing); f) Pilot ERM for business improvement projects (on one project) and then implement (Q2/2011); g) Pilot and establish the ERM element for Work Planning (Q3/2011). 	Jan-2012
FAO	External Financial Audit	A.1e.	An annual audit opinion on the financial statements is issued by the external auditor and made public.	<p>It appears that there is an audit opinion on the financial statements issued by the Board of Auditors (external auditor) and made public.</p> <p>However, the audit opinion is done on an biennium basis rather than on an annual basis as prescribed in the standard. Based on information provided, it does appear that with the adoption of the International Public Sector Accounting Standards (IPSAS) effective 1 January 2010 and fully implemented by January 2012 that the Agency's external auditor would issue an annual audit opinion. Therefore, it appears that the agency has a monitorable action plan in place to meet the standard.</p>	<p>With respect to the requirement for annual, audited financial statements prepared in accordance with internationally recognised accounting standards, as noted in the analysis, FAO is planning for full implementation of IPSAS by January 2012. This will fully satisfy these two standards.</p>	<p>FAO's IPSAS implementation project is progressing well. The user requirements phase has now been largely completed and the design phase is underway. In addition to meeting specific IPSAS related requirements, the project will deliver a series of business benefits and efficiencies and the scope of the project has been significantly extended to include the replacement of systems and upgrade of processes currently in place at FAO's decentralised offices.</p> <p>FAO is now required to replace its current version of enterprise resource planning (ERP) system applications as the provider has announced the end date for support of the version in place at FAO. The next release of applications (Oracle Release 12) will deliver real benefits to the Organization and will contribute materially to the IPSAS project. For this reason, FAO will now adopt a synergistic approach which foresees implementation of IPSAS compliant systems on an Oracle Release 12 platform by the end of 2012 with the first IPSAS compliant official accounts being prepared for the calendar year 2013.</p>	Dec-2012

FAO	Financial Management & Control Frameworks	A.2b.	The control framework covers the control environment (“tone at the top”), risk assessment, internal control activities, monitoring, and procedures for information sharing.	<p>It appears that the Agency has procedures in place indicating that a control environment and monitoring procedures exist. Additionally, policies and systems exist which facilitate information sharing and other discreet internal control activities. Further, a process is in place for strengthening their risk assessment approach.</p> <p>However, the Self Assessment notes that the Agency does not currently have a consolidated control framework which addresses all required elements.</p>	<p>A.1.d, A.2.b and A.2.c. The review has concluded that FAO is partially compliant with the standards related to an all-encompassing formal internal control framework, such as COSO, including annual risk assessment and management assertion on adequacy of internal controls.</p> <p>The assessment notes that while FAO has procedures in place which indicate the existence of a control environment, internal control activities and monitoring procedures, and has processes in place for risk assessment, there is no consolidated internal control framework. In this regard, it should be noted that the implementation of a formal internal control framework such as COSO is a costly exercise, which would require additional funding and approval from the Governing Bodies.</p>	<p>With respect to an internal control framework, the Organization has begun to implement an internally-led organization-wide approach to enterprise risk management embedded in its new results-based management strategic framework. This process is included in the Immediate Plan of Action for FAO Renewal approved by the FAO Conference. The plan includes the design of an ERM model, a pilot in selected units, the development of a comprehensive plan and then full implementation of ERM within the biennial workplanning process as provided in the timeline below. As reflected in the previous management response, FAO does have procedures in place which demonstrate the existence of a control environment, internal control activities and monitoring procedures and this will be strengthened with the implementation of IPSAS. FAO trusts that the implementation of the ERM, together with the comprehensive system of internal controls already present in the Organization, will go a long way to satisfy the requirement for a comprehensive internal control framework. Once the ERM implementation referred to above has been completed, FAO will consider the most appropriate action to take to formalize its formal internal control framework. The ERM framework implementation project has seven main phases:</p> <ul style="list-style-type: none"> a) Build the generic ERM risk assessment process (Q4/2010); b) Pilot “Fast problem response” service and then implement (Q4/2010); c) Pilot the ERM element for Organizational Results refinement or formulation (on one Strategic Objective and one Functional Objective) and then implement (Q4/2010); d) Pilot ERM for selected field projects/programmes, one Country Programme, and one Emergency project, and then implement (Q1/2011); e) Build risk assessment capacity across the whole Organization (Q1/2011 and continuing); f) Pilot ERM for business improvement projects (on one project) and then implement (Q2/2011); g) Pilot and establish the ERM element for Work Planning (Q3/2011). 	Jan-2012
FAO	Financial Management & Control Frameworks	A.2d.	At the institutional level, risk-assessment processes are in place to identify, assess, analyze and provide a basis for proactive risk responses in each of the financial management areas. Risks are assessed at multiple levels, and plans of action are in place for addressing risks that are deemed significant or frequent.	<p>While ad hoc processes exist, it appears that the Agency does not have a formal risk assessment process. However, the Agency is in the process of developing and conducting a risk assessment with the assistance of a third party. It appears that the Agency is currently not in compliance with the standard but has an action plan in place to achieve compliance.</p>	<p>A.1.d, A.2.b and A.2.c. The review has concluded that FAO is partially compliant with the standards related to an all-encompassing formal internal control framework, such as COSO, including annual risk assessment and management assertion on adequacy of internal controls.</p> <p>The assessment notes that while FAO has procedures in place which indicate the existence of a control environment, internal control activities and monitoring procedures, and has processes in place for risk assessment, there is no consolidated internal control framework. In this regard, it should be noted that the implementation of a formal internal control framework such as COSO is a costly exercise, which would require additional funding and approval from the Governing Bodies.</p>	<p>With respect to an internal control framework, the Organization has begun to implement an internally-led organization-wide approach to enterprise risk management embedded in its new results-based management strategic framework. This process is included in the Immediate Plan of Action for FAO Renewal approved by the FAO Conference. The plan includes the design of an ERM model, a pilot in selected units, the development of a comprehensive plan and then full implementation of ERM within the biennial workplanning process as provided in the timeline below. As reflected in the previous management response, FAO does have procedures in place which demonstrate the existence of a control environment, internal control activities and monitoring procedures and this will be strengthened with the implementation of IPSAS. FAO trusts that the implementation of the ERM, together with the comprehensive system of internal controls already present in the Organization, will go a long way to satisfy the requirement for a comprehensive internal control framework. Once the ERM implementation referred to above has been completed, FAO will consider the most appropriate action to take to formalize its formal internal control framework.</p> <p>The ERM framework implementation project has seven main phases:</p> <ul style="list-style-type: none"> a) Build the generic ERM risk assessment process (Q4/2010); b) Pilot “Fast problem response” service and then implement (Q4/2010); c) Pilot the ERM element for Organizational Results refinement or formulation (on one Strategic Objective and one Functional Objective) and then implement (Q4/2010); d) Pilot ERM for selected field projects/programmes, one Country Programme, and one Emergency project, and then implement (Q1/2011); e) Build risk assessment capacity across the whole Organization (Q1/2011 and continuing); f) Pilot ERM for business improvement projects (on one project) and then implement (Q2/2011); g) Pilot and establish the ERM element for Work Planning (Q3/2011). 	Jan-2012

FAO	Financial Disclosure	A.3a.	A documented financial disclosure policy covering identified parties defines conflicts of interest arising from personal financial interests that require disclosure, including actual, perceived and potential conflicts.	The FAO Council approved an amendment to the FAO Staff Regulations regarding the disclosure of financial interests. However, the approved updates to the Staff Regulations do not contain specific definitions of conflicts of interest arising from personal financial interests that require disclosure, including actual, perceived and potential conflicts as outlined within the standard.	The assessment flags the absence of specific definitions of conflicts of interest. FAO notes that the implementation of Staff Regulations 301.1.10 and 11 will be among the primary tasks of the Ethics Officer who is expected to be appointed by July 2009. This would include the refinement of definitions that may be required for the full implementation of the staff regulations in reference, as well as measures and requirements to resolve conflicts of interests that have been established. In addition, the Ethics Officer may consider applying existing definitions contained in the Standards of Conduct for the International Civil Service (paras 21 and 22).	With regards to financial disclosure (A.3a, A.3e, A3f), an Ethics Officer was appointed in December 2009, and a proposal for a system of Financial Disclosure was developed to give effect to the already adopted Staff Regulation 301.1.11 dealing with financial interests and conflicts of interest of staff. Consultations with Ernst and Young are ongoing regarding implementation aspects of the proposal. In addition, FAO has developed with WHO a Disclosure Statement for Panel of Experts (currently used in the meetings of the Codex Alimentarius), which will be used by other divisions that also have panel of experts discussing various policies in the Organization. FAO intends to also implement a Disclosure of Interest form to be used by consultants working in an advisory role and for staff who sit on Tender Evaluation panels. Relevant proposals are currently under consideration by senior management, and expected to be ready for Governing Body approval in 2011.	Dec-2011
FAO	Financial Disclosure	A.3b.	The policy specifies who is required to adhere to the standards, including employees, employee family members, consultants, or independent experts at a management decision making level with the following responsibilities: • Contracting or procurement; • Developing, administering, managing, or monitoring loans, grants, programs, projects, subsidies, or other financial or operational benefits provided by the bank; and • Evaluating or auditing any project, program or entity.	The FAO Council approved an amendment to the FAO Staff Rules regarding the disclosure of financial interests. However, the approved updates to the Staff Regulations do not contain specific information concerning consultants or independent experts at a management decision making level with the responsibilities listed in the standard. Additionally, it appears that disclosure of financial interest is not extended to all employees.	As noted, disclosure requirements are not limited to staff members of D-1 and above. Staff Regulation 301.1.11 is specific in stating that: "The Director-General may require other staff to file financial disclosure statements as he deems necessary in the interest of the Organization." Indeed, it is fully intended that the financial disclosure requirement be applied to any staff member or consultant who operate in sensitive positions, including procurement and the investment of assets of the Organization. It is true that not all staff members will be required to disclose financial interest; this is what the FAO Council referred to as "a pragmatic approach", and is, in fact, not necessary as not all staff members are in a position to unduly influence decisions of the Organization. FAO further notes that the disclosure requirement can be applied at any time to consultants if deemed necessary and in accordance with applicable policies. This may include a disclosure requirement for consultants in potentially sensitive positions.	A proposal for a system of Financial Disclosure was developed to give effect to the already adopted Staff Regulation 301.1.11. Consultations with Ernst and Young are ongoing regarding the outline and definitions of critical positions within the Organization to which the policy would apply, along the lines of the standard. In addition, FAO has developed with WHO a Disclosure Statement for Panel of Experts (currently used in the meetings of the Codex Alimentarius), which will be used by other divisions that also have panel of experts discussing various policies in the Organization. FAO intends to also implement a Disclosure of Interest form to be used by consultants working in an advisory role and for staff who sit on Tender Evaluation panels. Relevant proposals are currently under consideration by senior management, and expected to be ready for Governing Body approval in 2011.	Dec-2011
FAO	Financial Disclosure	A.3e.	Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative function within the agency.	The FAO Council approved an amendment to the FAO Staff Rules regarding the disclosure of financial interests. The amendment indicates that staff members above D-1 may be required to file financial disclosure statements on appointment and at intervals thereafter. However, the Staff Regulations do not indicate the methods by which employees will be able to file financial disclosure statements.	Please see under A.3 a; the methods to disclose financial interests will be addressed on a priority basis in the context of the implementation of the relevant Staff Regulations by the Ethics Officer. The Ethics Officer is expected to commence duties in July 2009.	A proposal for a system of Financial Disclosure was developed to give effect to the already adopted Staff Regulation 301.1.11. Consultations with Ernst and Young are ongoing regarding the Policy, including implementation aspects such as a framework for the submission of declarations of interests. In addition, FAO has developed with WHO a Disclosure Statement for Panel of Experts (currently used in the meetings of the Codex Alimentarius), which will be used by other divisions that also have panel of experts discussing various policies in the Organization. FAO intends to also implement a Disclosure of Interest form to be used by consultants working in an advisory role and for staff who sit on Tender Evaluation panels. Relevant proposals are currently under consideration by senior management and will be considered at the Finance Committee in October 2010. It is expected that a system for financial disclosure will be ready for Governing Body approval in 2011.	Dec-2011

FAO	Financial Disclosure	A.3f.	The policy establishes processes for the administration and review of financial disclosure interests of the defined parties, as well as resolution of identified conflicts of interests, under an independent monitoring/administration function.	The FAO Council approved an amendment to the FAO Staff Regulations regarding the disclosure of financial interests. However, the Staff Regulations do not establish processes for the administration and review of financial disclosure interests of the defined parties, as well as resolution of identified conflicts of interests, under an independent monitoring/administration function as outlined in the standard.	The administration and review of financial disclosures, as well as the resolution of established conflicts of interests will be addressed in the context of the implementation of the relevant Staff Regulations by the Ethics Officer. In addition to the appointment of an Ethics Officer, the Immediate Plan of Action for FAO Renewal (IPA) approved by the 35th (special) Session of the FAO Conference in November of 2008 foresees the establishment of an Ethics Committee during 2009, which will report directly to the Director-General and the Governing Bodies from 2010 onwards. As such, the ethics framework of the Organization enjoys the autonomy that is required by the standard.	A proposal for a system of Financial Disclosure was developed to give effect to the already adopted Staff Regulation 301.1.11. Consultations with Ernst and Young are ongoing regarding the Policy, including implementation aspects such as the processing and review of declarations. Relevant proposals are currently under consideration by senior management and will be discussed at the Finance Committee meeting in October 2010. It is expected that a system for financial disclosure will be ready for Governing Body approval in 2011.	Dec-2011
FAO	Code of Ethics	A.4b.	An ethics or related function provides administrative support for the code, including distributing the code, monitoring compliance, and authority to refer to the agency's investigation function for alleged violations.	The Agency's Self Assessment notes that "Currently, FAO does not have a specific Code of Ethics framework nor has the Organization dedicated Ethics Officer post or institutional entity to which staff could turn for advice on ethical standards. This situation will be partly rectified by the appointment of an Ethics Officer, and by the appointment and start-up of an Ethics Committee, scheduled in 2009 pursuant to the Immediate Plan of Action (IPA) which resulted from the IEE and from the ensuing process."		The Ethics Officer was appointed on 1 December 2009. The establishment of the Ethics Committee is still under review by the Governing Bodies and will be discussed at the next meeting of the Finance Committee at the end of October 2010. The timeframe for the actual creation of the Committee is therefore difficult to establish at this time. FAO will use the Standard of Conduct for the International Civil Service as its basis for the Ethics Code. It will be disseminated by ethics training, workshops and seminars provided by the Ethics Officer. Workshops and presentations have already been initiated.	Dec-2010
FAO	Procurement Processes	B.2e.	Procurement records are easily accessible to procurement staff, and procurement policies and awards are publicly disclosed.	The Agency's Self Assessment notes that procurement policies and awards are not publicly disclosed, as the standard prescribes, because procurement of specialized and regulated goods, works and services (i.e. vaccines, seeds, pesticides, fishing equipment which is greater than 75% of FAO procurement) is done using the restricted tendering method with pre-selection of registered and pre-qualified vendors.	FAO uses a restricted tendering method with pre-selection of registered and pre-qualified vendors and is partially compliant with this standard. While FAO does not publicly disclose awards, FAO would be willing to disclose procurement awards for GEF projects if it were deemed necessary by the GEF Council. If this approach is acceptable, publication could be initiated in the short term, as soon as agreement is reached on content and methods of publication.	Staff within the FAO Procurement Services team are compiling data for presentation to senior management. It would be appropriate for the level of information publicly available to be in line with the other UN agencies within the GEF partnership. Staff have reviewed the value of tenders and the amount of publicly accessible information provided by the other GEF partner, and further work will be carried out to ensure consistency with the procurement disclosure practices of the other UN agencies. Permission to release data from current suppliers will be sought, if required, to ensure that data protection and disclosure issues are identified and resolved. FAO and the GEF Secretariat have initiated consultations.	Jan-2011

FAO	Investigations Function	C.1c.	<p>The investigations function has published guidelines for processing cases, including standardized procedures for handling complaints received by the function and managing cases before, during and after the investigation process.</p>	<p>The Agency's Self Assessment notes that "the investigations function has not yet published guidelines for processing cases, including standardized procedures for handling complaints received by the function and managing cases before, during and after the investigation process."</p> <p>The Agency noted that "The Investigations Guidelines can't be shared as they still have not been endorsed by the Director General and as such are not an official document."</p> <p>The Agency indicated that the Investigations Guidelines are expected to be endorsed by the Director General as of August, 2009. It appears that the Agency is currently not in compliance with the standard but has a monitorable action plan in place to achieve compliance.</p>	C.1.c. The issuance of the Investigations Guidelines are pending final endorsement by the Director-General and are expected to be issued by August 2009.	<p>The FAO Investigations Guidelines were sent to the Audit Committee in July 2010. FAO revised the Investigations Guidelines to take into account the comments and feedback from the Audit Committee. It was subsequently decided to separate the investigations guidelines and the whistleblower policy into two separate documents to ensure the latter had broad coverage for all types of whistleblowing. This entailed further internal discussions on the documents to ensure legal, human resources and operational aspects were fully addressed. The Investigations Guidelines have now been revised and finalized, and the Whistleblower Policy has been drafted. Both the Investigation Guidelines and the Whistleblower Policy will be submitted for the Director-General's approval in early October 2010 and are expected to be issued in October-November 2010.</p>	Nov-2010
FAO	Hotline & Whistleblower Protection	C.2d.	<p>Policies are in place to ensure confidentiality and/or anonymity, as requested, of whistleblowers or others making reports (such as by using appropriate hotline technology, and preserving anonymity in reporting processes).</p>	<p>It appears that the Agency is committed to ensuring the confidentiality of whistleblowers. However, the Agency does not have published guidelines with regards to standard policies and procedures for handling hotline complaints, etc.</p> <p>The Agency does have draft Investigations Guidelines, which will satisfy the standard. Those guidelines are expected to be finalized by August, 2009 (as they are currently in review by the Director General). The Agency is not in compliance with the standard but has a monitorable action plan in place to achieve compliance.</p>	<p>Procedures in place expected by December 2009. FAO is committed to ensure confidentiality to those who disclose information about something they have reasons to believe is in breach of its regulations and rules, including its policies. This is clearly set out in the Organization's Policy on Fraud and Policy on Prevention of Harassment. Any person who would contravene the principle of confidentiality would be considered liable and subject to an administrative action, including a disciplinary measure. The Office of the Inspector General accepts anonymous allegations, and anonymity of those who disclose instances of misconduct can be maintained during the investigative process. However, it cannot be guaranteed throughout the disciplinary proceedings. It should be noted that the Organization applies the general legal principle that anonymity can be preserved, however, only to the extent that the allegations made can be fully substantiated by other independent evidence. This is particularly relevant at the moment the "accused" is given the opportunity to test the evidence and when charges are made against the "accused". The foregoing approach to anonymity is also</p>	<p>The FAO Investigations Guidelines were sent to the Audit Committee in July 2010. FAO revised the Investigations Guidelines to take into account the comments and feedback from the Audit Committee. It was subsequently decided to separate the investigations guidelines and the whistleblower policy into two separate documents to ensure the latter had broad coverage for all types of whistleblowing. This entailed further internal discussions on the documents to ensure legal, human resources and operational aspects were fully addressed. The Investigations Guidelines have now been revised and finalized, and the Whistleblower Policy has been drafted. Both the Investigation Guidelines and the Whistleblower Policy will be submitted for the Director-General's approval in early October 2010 and are expected to be issued in October-November 2010.</p>	Nov-2010

FAO	Hotline & Whistleblower Protection	C.2e.	Procedures are in place for the periodic review of handling of hotline, whistleblower and other reported information to determine whether the process to protect parties is in place and is effective.	<p>The Agency's Self Assessment notes that "procedures are not yet in place for the periodic review of the handling of hotline, whistleblower and other reporting information to determine whether the process to protect these parties is in place and is effective.</p> <p>AUD (Office of the Inspector General) plans to develop a system in the course of 2009, in consultation with the Legal Office, the Human Resources Management Division and the External Auditors, as necessary."</p> <p>The Agency's response to the Exit Conference noted "The Inspector General receives a monthly report on the reception and status of all allegations. In addition, the Office reports to each session of the Audit Committee, which meets at least three times a year, on the status of investigations and allegations received. The report contains sections on investigation reports issued, summary of cases under investigation as well as statistics about disposition of complaints, sources of complaints etc."</p>	The issuance of the Investigations Guidelines are pending final endorsement by the Director General and are expected to be issued by August 2009. Pending the issuance of these Guidelines, the Uniform Guidelines are being implemented in practice.	The Investigation Guidelines are being revised in order to be harmonized with the new set of Uniform Guidelines for International Investigators issued in June 2009. The Investigation Guidelines are expected to be issued by July 2010.	Jul-2010
IFAD	External Financial Audit	A.1d.	The internal controls over financial reporting cover the use of GEF funds, and Management asserts to the agency governing body that these internal controls are adequate.	The agency has internal controls over financial reporting that cover the use of GEF funds and the Board of Auditors (External Auditor) tests internal controls considered necessary to form an opinion on the financial statements. However, it appears that the Agency's management does not assert to the agency's governing body that these internal controls are adequate (as prescribed in the standard). Therefore, it appears that the agency has partially met the standard.	IFAD's Financial Services Division started in 2008 a pilot roll-out of a financial reporting internal control framework. The forward programme includes a management assertion letter to be produced in connection with the audit of the annual financial statements starting with the financial year ending December 2009	IFAD's management shall provide an assertion on the adequacy of internal controls over financial reporting to IFAD's Audit Committee. The Audit Committee comprises by representatives of IFAD's member states and reports to the Executive Board and the Governing Council; IFAD's highest governing bodies	12/1/2009 - Achieved
IFAD	Financial Management & Control Frameworks	A.2b.	The control framework covers the control environment ("tone at the top"), risk assessment, internal control activities, monitoring, and procedures for information sharing.	It appears that has not yet formalized an overall internal control framework which would cover the control environment ("tone at the top"), risk assessment, internal control activities, monitoring, and procedures for information sharing. However, it appears a monitorable action plan is in place to achieve the requirements prescribed by the standard.	Whilst the draft internal control framework will be finalised in 2009, IFAD has a policy on Enterprise Risk Management (ERM), reviewed by the Executive Board of IFAD in 2008, that is underpinned by procedures for implementing risk management across the organisation. These elements contribute significantly to setting the tone at the top with respect to risk management - including risk assessment, and internal controls related to risks identified at divisional, departmental or institutional levels	IFAD's Enterprise Risk Management Framework was published in 2009. The document formalizes risk assessment, internal control activities, monitoring and procedures for information sharing. The document ERM Framework and the guidelines for the ERM implementation is included in Annex B.	12/1/2009 - Achieved
IFAD	Financial Management & Control Frameworks	A.2c.	The control framework has defined roles and responsibilities pertaining to accountability of fiscal agents and fiduciary trustees.	At this time, it does not appear that the draft "IFAD's Internal Control Standards for Effective Management" defines roles and responsibilities pertaining to accountability of fiscal agents and fiduciary trustees. However, the Self Assessment indicates that required elements will be included upon finalization. As such, it appears that the agency is not currently in compliance with the standard but a monitorable action plan is in place to achieve the requirements prescribed by the standard.	The final "Internal Control Standards for Effective Management" shall define roles and responsibilities of fiscal agents and fiduciary trustees.	The Enterprise Risk Management Framework, published in 2009 defines good practices for roles and responsibilities pertaining to accountability of fiscal agents and fiduciary trustees.	12/1/2009 - Achieved

IFAD	Financial Management & Control Frameworks	A.2g.	Duties are segregated where incompatible. Related duties are subject to a regular review by management; response is required when discrepancies and exceptions are noted; and segregation of duties is maintained between: settlement processing; procurement processing; risk management/reconciliations; and accounting.	It appears that the process for regular review by management of related duties is being developed through the New Quality Assurance Function. As such, it appears that the agency is currently not in compliance with the standard but an action plan is in place to achieve compliance.	The final "Internal Control Standards for Effective Management" shall include a process for regular review of segregation of duties by management.	The Enterprise Risk Management Framework, published in 2009, states the requirement for the inclusion of appropriate segregation of duties in the implementation of processes and procedures.	12/1/2009 - Achieved
IFAD	Financial Disclosure	A.3e.	Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative function within the agency.	The agency notes within its policy that protected parties should voluntarily disclose to their supervisor or the President in advance or as soon as they become aware of a possible conflict of interests that arise in the course of carrying out their duties. However, it does not appear that the policy addresses the concept of annual disclosure (ie a mechanism to disclose prohibited financial interests on an annual basis). The Self-Assessment indicates that the procedures will be updated by December, 2009. As such, it appears that the agency is currently not in compliance with the standard, but a monitorable action plan is in place to achieve compliance.	The ERM Committee workplan includes the establishment of a Financial Disclosure Policy. Work on developing the policy started at the end of 2008. The policy will require those staff with key roles in finance, investments, procurement and external resource management to provide, every year, a signed, confidential statement reporting their significant outside activities and interests. The publication of a Financial Disclosure Policy is planned for year 2009.	Annual disclosure requirements are set out in the financial disclosure policy "Certification of Compliance with IFAD Code of Conduct" issued by way of a President's Bulletin on the 27 July 2010. See Annex B.	Achieved
IFAD	Financial Disclosure	A.3f.	The policy establishes processes for the administration and review of financial disclosure interests of the defined parties, as well as resolution of identified conflicts of interests, under an independent monitoring/administration function.	It does not appear that the policy establishes processes for the administration and review of financial disclosure interests of the defined parties as well as resolution of identified conflicts of interests under an independent monitoring/administration function. However, it appears a monitorable action plan is in place to achieve the requirements prescribed in the standard.	The Financial Disclosure Policy shall include a mechanism for the administration and review of financial disclosures	A financial disclosure policy has been incorporated in the "Certification of Compliance with IFAD Code of Conduct" issued by way of a President's Bulletin on the 27 July 2010. Included in annex B.	Achieved
IFAD	Hotline & Whistleblower Protection	C.2b.	An intake function coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. The intake function maintains an appropriate level of autonomy from the investigations function.	It appears that the Agency has an intake function which coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. However, it appears that this intake function does not maintain an appropriate level of autonomy from investigations as both functions are performed by the Office of Audit and Oversight. As such, it appears that IFAD is partially compliant with the standard.	At present, there is no independent section handling the intake of allegations as there is not sufficient volume to justify such a division of labour (30 new allegations received in 2008). However, all complaints are acknowledged and logged, including the date of receipt. Additionally, to avoid conflicts of interest, where staff or others wish to make allegations about investigative staff, they have the right under President's Bulletin 2007/02 to go directly to the President, after which there will be an independent investigation	IFAD internal procedures were amended for compliance purposes. Details are included in Annex B.	Achieved

IFAD	Hotline & Whistleblower Protection	C.2c.	A whistleblower protection policy covering who is protected and defining protected disclosures (such as violations of law, rule or regulation, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety). The policy defines the standard of protection from retaliation (such as placing the burden on the agency to provide evidence that the involved official would have taken place absent the protected disclosure).	It appears that IFAD has a policy that identifies protected disclosures and defines the standard of protection from retaliation as the prescribed requirement of the standard. However, it appears that this policy does not contain defined protected disclosures (such as violations of law, rule or regulation, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety).	While the anticorruption policy refers only to protection of whistleblowers in relation to fraud and corruption, President's Bulletin 2007/02 (which specifies the procedures for investigations and sanctions) makes it clear that whistleblower protection is much broader than this. It stipulates that corrective or disciplinary measures shall be imposed on a staff member if it is determined that he/she has retaliated against anyone who submitted suggestions or reports to IFAD or otherwise cooperated with an investigation. Further, it goes on to state that no action shall be taken against anyone who reports, in good faith, information on perceived irregular practices that subsequently proves to be unfounded. The term "irregular practices" extends beyond fraud and corruption to include staff misconduct, under which would fall violations of law, rule or regulation, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety.	IFAD internal procedures were amended for compliance purposes. Details are included in Annex B.	Achieved
UNEP	External Financial Audit	A.1c.	Financial statements are prepared in accordance with recognized accounting standards such as International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies.	The Agency has adopted the United Nations System Accounting Standards which are partially based on International Accounting Standards (IAS), however, these accounting standards are not accepted in major capital markets for listed companies. In an effort to adopt recognized accounting standards, the United Nations, which includes UNEP, will transition to the IPSAS effective 1 January 2010 and will fully implement the IPSAS accounting standards by January 2012. It appears that the agency has a monitorable action plan in place to become fully compliant with the standard.	As noted by the consultants, UNEP's financial statements are presently prepared in accordance with United Nations System Accounting Standards. The United Nations, including UNEP, is in the process of adopting International Public Sector Accounting Standards (IPSAS) with compliance expected by 2012 according to the UN Secretariat timetable	UNEP Division of Global Environment Facility (DGEF) Coordination has taken steps to meet the intent of IPSAS accounting standards by 2012, as agreed in the Joint Summary of the June 2010 Council. Discussions are underway with UNHQ (New York) and UN Office in Nairobi on the nature of the IPSAS standards to be met, given that UNEP activities are of a non-commercial nature, and planning for the procedures and capacities that have to be put into place to do so. UNEP reports that it is on track to meet this target by the timeline of December 2012.	Dec-2012
UNEP	External Financial Audit	A.1d.	The internal controls over financial reporting cover the use of GEF funds, and Management asserts to the agency governing body that these internal controls are adequate.	The agency has internal controls over financial reporting that cover the use of GEF funds and the Board of Auditors (External Auditor) tests internal controls considered necessary to form an opinion on the financial statements. However, the standard requires that the Agency assert to the governing body that their controls are accurate. It is noted that the Agency provides audit recommendations, response to recommendations, and status of implementation to their governing body. However, it appears that the Agency's management does not assert to the agency's governing body that these internal controls are adequate (as prescribed by the standard). Therefore, it appears that the agency has partially met the standard.	UNEP believes that it meets the intent of this standard. Although the UN's audited financial statements are prepared on a biennial basis, UNEP is subject to an annual external audit by the UN Board of Auditors including a specific annual audit of UNEP/GEF. The annual audits, inter alia, cover internal controls over financial reporting. The auditors are required to report annually on any material issues to the UN's Advisory Committee on Administrative and Budgetary Questions (ACABQ) which is a subsidiary organ of the UN General Assembly. The annual management report incorporates UNEP management's response to the auditor's observations and recommendations as well as addressing the status regarding issues raised in previous years.	The United Nations Financial Regulations and Rules are applicable to all UNEP operations at headquarters, regional offices and country offices (UN Financial Rules and Regulations ST/SGB/2003/7). The UN Board of Auditors assesses compliance with the UN financial regulations and rules as part of their audit work and expresses an opinion (Web link to the UN Board of auditors rules and regulations: http://www.unsystem.org/auditors/). The annual audits, inter alia, cover internal controls over financial reporting. The auditors report annually on any material issues to the UN's Advisory Committee on Administrative and Budgetary Questions (ACABQ) which is a subsidiary organ of the UN General Assembly. The annual management report incorporates UNEP management's response to the auditor's observations and recommendations as well as addressing the status regarding issues raised in previous years, including as necessary any issues related to internal controls. The most recent Audit Opinion on UNEP's GEF Operations (2008) was an "unqualified" opinion (i.e. no questions were raised). Further the UNEP Executive Director signs the financial statement as completed and certified by the Chief Financial Officer of UNON (see document attached). Therefore UNEP Division of GEF Operations meets the intent of this standard, as required by the June 2010 Council decision.	September 2010 Standard has been met

UNEP	External Financial Audit	A.1e.	An annual audit opinion on the financial statements is issued by the external auditor and made public.	It appears that there is an audit opinion on the financial statements issued by the Board of Auditors (external auditor) and made public. However, the audit opinion is done on an biennium basis rather than on an annual basis as prescribed by the standard. It does appear that with the adoption of the International Public Sector Accounting Standards (IPSAS) effective 1 January 2010 and fully implemented by January 2012 that the Agency's external auditor would issue an annual audit opinion. Therefore, it appears that the Agency has a monitorable action plan in place to meet the standard.	It is expected that with the introduction of IPSAS, the UN will move to preparing financial statements on an annual rather than biennial basis and that UNEP's external auditors will issue an annual audit opinion on the financial statements which will be made public. For the financial statements of the trust funds that UNEP operate to manage GEF funds, an annual external audit opinion is already issued by the UN Board of Auditors and a copy is sent to the GEF.	UNEP's GEF Operations are subject to annual audit opinions. The annual audit opinion on the financial statements is issued by the external auditor. The UNEP/GEF financial statements and the UN Board of Auditors audit opinion for 2009 are now available on the following weblink: http://www.unep.org/dgef/Portals/43/BOA%20audit%20opinion%202009%20on%20UNEP%20DGEF.pdf	September 2010 Standard has been met
UNEP	Financial Management & Control Frameworks	A.2d.	At the institutional level, risk-assessment processes are in place to identify, assess, analyze and provide a basis for proactive risk responses in each of the financial management areas. Risks are assessed at multiple levels, and plans of action are in place for addressing risks that are deemed significant or frequent.	It appears that the Agency is still in the process of adopting and implementing an enterprise risk management framework as depicted in United Nations General Assembly Reports of the Secretary General (February 19th, 2008 and September 29th, 2008). Therefore, it appears that the agency has a monitorable action plan in place to meet the standard.	A new United Nations 'Accountability Framework, Enterprise Risk Management and Internal Control Framework, and Results-based Management Framework' has been prepared for presentation to the General Assembly in 2009.	The new United Nations report on 'Accountability Framework, Enterprise Risk Management and Internal Control Framework, and Results-based Management Framework' was presented to the General Assembly in March 2010. In addition, additional management reforms have been introduced in the area of financial management and control frameworks, most notably:- <ul style="list-style-type: none"> the establishment of the Independent Audit Advisory Committee of the United Nations, as an independent body of the General Assembly, to advise on: the scope, results and effectiveness of audit and other oversight functions; measures to ensure management's compliance with audit and other oversight recommendations; and on various risk management, internal control, operational and accounting and disclosure issues (http://www.un.org/ga/iaac/) the UN Office of Internal Oversight Services (OIOS) Risk Management Framework contributes to the various other mechanisms in place in the UN system to mitigate and prevent risk (http://www.un.org/Depts/oios/pages/risk_management.html). the paper 'Reform at the United Nations, Reforming Management and Operations Practices' (http://un.org/reform/mgmt_reform.html) provides references to many of the reform activities that are currently taking place. <p>In addition to the above, the GEF Operations of UNEP has piloted a Project-at-Risk system in March 2009, which became fully operational in June 2010 and constitutes the basis to identify, assess, analyze and provide a basis for proactive management and risk mitigation responses in each of the financial management areas at multiple levels (projects, sub-projects, programmes, and divisional financial management). See Document Attached. As a result of using the system and proactiveness in management decisions, already in one year, the number of projects deemed at risk has decreased by 12%. Furthermore, all GEF projects are now subject to assessment against Environmental and Social Safeguards during quality of entry and appraisal stages (including gender considerations). See attached E&S Safeguards checklist currently used. This checklist is now also contributing to a UN-wide effort led by the</p>	June 2010 Standard has been met
UNIDO	External Financial Audit	A.1c.	Financial statements are prepared in accordance with recognized accounting standards such as International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies.	It appears that the Agency has adopted the United Nations System Accounting Standards which are partially based on International Accounting Standards (IAS), however, these accounting standards are not accepted in major capital markets for listed companies. However, in an effort to adopt recognized accounting standards accepted in major capital markets, the United Nations, which includes UNIDO, will transition to the IPSAS effective 1 January 2010 and will fully implement the IPSAS accounting standards by January 2012. Therefore, it appears that the agency has a monitorable action plan in place to meet the standard.	These standards will be brought into compliance in line with the IPSAS implementation beginning 01 January 2010, and as determined by UNIDO's Governing Bodies	As part of the UN system-wide adoption of International Public Sector Accounting Standards (IPSAS), as of 1 January 2010 UNIDO is recording its financial transactions in accordance with the requirements of IPSAS compliance. Decision GC.13/Dec.12 on Financial Regulations of the 13th session of the UNIDO General Conference refers. Details embedded in document GC.13/INF.4 (document submitted to GEFSEC under DG's cover letter of 16 April 2010).	Achieved January 2010

UNIDO	External Financial Audit	A.1e.	An annual audit opinion on the financial statements is issued by the external auditor and made public.	<p>It appears that there is an audit opinion on the financial statements issued by the Board of Auditors (external auditor) and made public.</p> <p>However, the audit opinion is completed on an biennium basis rather than on an annual basis as prescribed in the standard. It does appear that with the adoption of the International Public Sector Accounting Standards (IPSAS) effective 1 January 2010 and fully implemented by January 2012 that the Agency's external auditor would issue an annual audit opinion. Therefore, it appears that the agency has a monitorable action plan in place to meet the standard.</p>	These standards will be brought into compliance in line with the IPSAS implementation beginning 01 January 2010, and as determined by UNIDO's Governing Bodies	With the introduction of IPSAS as of 1 January 2010 UNIDO is in a position to prepare annual financial statements and thereby to carry out annual audits. UNIDO's Governing Bodies have already approved annual audits for 2010 - 2011. Decision IDB.36/Dec.9 of the 36th session of the Industrial Development Board refers. Details embedded in documents IDB.36/11-PBC.25/11 and GC.13/4 (both documents submitted to GEFSEC under DG's cover letter of 16 April 2010). In accordance with IPSAS requirements, annual audits will remain a regular feature.	Achieved January 2010
UNIDO	Financial Management & Control Frameworks	A.2b.	The control framework covers the control environment ("tone at the top"), risk assessment, internal control activities, monitoring, and procedures for information sharing.	<p>It appears that UNIDO has incorporated within its various regulations, rules, procedures and instructions elements of the control framework (control environment, internal control activities, monitoring, risk assessment and procedures for information sharing).</p> <p>However, UNIDO has not adopted a control framework that covers the control environment ("tone at the top"), risk assessment, internal control activities, monitoring, and procedures for information sharing. While the Agency is currently not in compliance with the standard, a monitorable action plan in place to achieve compliance.</p>	These standards requiring process changes are currently being reviewed and discussed under the initiative of Change Management. The UNIDO Director-General is leading this exercise and the progress will be dependent on available resources in the coming biennium for which the Governing Body (Programme and Budget Committee) has been approached	A document on Internal Control Framework has been completed based on the Guidelines for Internal Control Standards for the Public Sector, International Organization of Supreme Audit Institutions (INTOSAI). The document was approved by the UNIDO Executive Board and issued as a Director-General's Bulletin DGB/(M).119, 28 May 2010 (copy attached).	Achieved May 2010
UNIDO	Financial Management & Control Frameworks	A.2d.	At the institutional level, risk-assessment processes are in place to identify, assess, analyze and provide a basis for proactive risk responses in each of the financial management areas. Risks are assessed at multiple levels, and plans of action are in place for addressing risks that are deemed significant or frequent.	It appears that UNIDO does not currently have a formalized institutional level risk assessment process in place to identify, assess, analyze and provide a basis for proactive risk responses in each of the financial management areas. However, a monitorable action plan has been established to achieve compliance.	These standards requiring process changes are currently being reviewed and discussed under the initiative of Change Management. The UNIDO Director-General is leading this exercise and the progress will be dependent on available resources in the coming biennium for which the Governing Body (Programme and Budget Committee) has been approached	Following the work done in 2009, a report has been prepared by a reputable consultancy company on the implementation of an organization-wide Risk and Opportunity Management System at UNIDO (copy of the report attached). The implementation of the report is part of the ongoing comprehensive and organization-wide change management initiative. A detailed feasibility study that considers the impact of the change management initiative was presented at the 13th session of the General Conference in December 2009 (copy of the relevant document GC.13/8/Add.1 attached). The General Conference, having taken note of the Director-General's report that contained the aforementioned feasibility study, approved up to EURO 9.1 million to be utilized for financing the change management initiative augmented by any budgetary savings that might become available during the implementation period (decision GC.13/Dec.15 in document GC.13/INF.4 refers; copy of the document submitted to GEFSEC under DG's cover letter of 16 April 2010).	December 2010 (ongoing)

UNIDO	Financial Disclosure	A.3a.	A documented financial disclosure policy covering identified parties defines conflicts of interest arising from personal financial interests that require disclosure, including actual, perceived and potential conflicts.	It appears that UNIDO's Staff Rules identify prohibited financial interests. However, it appears that the Rules prohibit said interests, rather than requiring disclosure. Per review of the documentation, international civil servants may be required to disclose certain financial interests. However, that is noted in a separate "Standards of Conduct for the International Civil Service" and does not appear to be applicable to all personnel but only to staff members, namely personnel holding regular appointments and who are therefore considered officials of UNIDO for the purposes of the Convention on Privileges and Immunities of the United Nations and Convention on Privileges and Immunities of the Specialised Agencies. It appears that UNIDO is currently reviewing developments in the United Nations Common System on financial disclosure and declaration of interest statements, with a view to adopting a similar policy for the Organization in 2009 as well as creating an ethics function to administer the annual financial disclosures. As such, it appears that UNIDO is partially compliant with the standard and has a monitorable action plan in place to achieve full compliance.	Compliance on these standards is foreseen to be achieved by the end of the year 2009	The related document was approved and issued as Director-General's Bulletin, DGB/(M).118, 4 May 2010 (copy attached).	Achieved May 2010
UNIDO	Financial Disclosure	A.3b.	The policy specifies who is required to adhere to the standards, including employees, employee family members, consultants, or independent experts at a management decision making level with the following responsibilities: • Contracting or procurement; • Developing, administering, managing, or monitoring loans, grants, programs, projects, subsidies, or other financial or operational benefits provided by the bank; and • Evaluating or auditing any project, program or entity.	The Agency's Self Assessment appears to indicate that the Agency does not have a financial disclosure policy. It appears that UNIDO is currently reviewing developments in the United Nations Common System on financial disclosure and declaration of interest statements, with a view to adopting a similar policy for the Organization in 2009 as well as creating an ethics function to administer the annual financial disclosures. As such, it appears that UNIDO is partially compliant with the standard and has a monitorable action plan in place to achieve full compliance.	Compliance on these standards is foreseen to be achieved by the end of the year 2009	Refer to A.3.a. The related document was approved and issued as Director-General's Bulletin, DGB/(M).118, 4 May 2010.	Achieved May 2010

UNIDO	Financial Disclosure	A.3c.	The policy specifies prohibited personal financial interests.	<p>The Agency's Self Assessment appears to indicate that the Agency does not have a financial disclosure policy.</p> <p>It appears that UNIDO is currently reviewing developments in the United Nations Common System on financial disclosure and declaration of interest statements, with a view to adopting a similar policy for the Organization in 2009 as well as creating an ethics function to administer the annual financial disclosures. As such, it appears that UNIDO is partially compliant with the standard and has a monitorable action plan in place to achieve full compliance.</p>	Compliance on these standards is foreseen to be achieved by the end of the year 2009	Refer to A.3.a. The related document was approved and issued as Director-General's Bulletin, DGB/(M).118, 4 May 2010.	Achieved May 2010
UNIDO	Financial Disclosure	A.3d.	The policy describes the principles under which conflicts of interests are reviewed and resolved by the agency. It describes sanction measures for parties that do not self disclose where a conflict of interest is identified. The policy contains references to other related internal policies, such as outside employment policies.	<p>The Agency's Self Assessment appears to indicate that the Agency does not have a financial disclosure policy.</p> <p>It appears that UNIDO is currently reviewing developments in the United Nations Common System on financial disclosure and declaration of interest statements, with a view to adopting a similar policy for the Organization in 2009 as well as creating an ethics function to administer the annual financial disclosures. As such, it appears that UNIDO is partially compliant with the standard and has a monitorable action plan in place to achieve full compliance.</p>	Compliance on these standards is foreseen to be achieved by the end of the year 2009	Refer to A.3.a. The related document was approved and issued as Director-General's Bulletin, DGB/(M).118, 4 May 2010.	Achieved May 2010
UNIDO	Financial Disclosure	A.3e.	Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative function within the agency.	<p>The Agency's Self Assessment appears to indicate that the Agency does not have a financial disclosure policy.</p> <p>It appears that UNIDO is currently reviewing developments in the United Nations Common System on financial disclosure and declaration of interest statements, with a view to adopting a similar policy for the Organization in 2009 as well as creating an ethics function to administer the annual financial disclosures. As such, it appears that UNIDO is partially compliant with the standard and has a monitorable action plan in place to achieve full compliance.</p>	Compliance on these standards is foreseen to be achieved by the end of the year 2009	Refer to A.3.a. The related document was approved and issued as Director-General's Bulletin, DGB/(M).118, 4 May 2010.	Achieved May 2010

UNIDO	Financial Disclosure	A.3f.	The policy establishes processes for the administration and review of financial disclosure interests of the defined parties, as well as resolution of identified conflicts of interests, under an independent monitoring/administration function.	<p>The Agency's Self Assessment appears to indicate that the Agency does not have a financial disclosure policy.</p> <p>It appears that UNIDO is currently reviewing developments in the United Nations Common System on financial disclosure and declaration of interest statements, with a view to adopting a similar policy for the Organization in 2009 as well as creating an ethics function to administer the annual financial disclosures. As such, it appears that UNIDO is partially compliant with the standard and has a monitorable action plan in place to achieve full compliance.</p>	Compliance on these standards is foreseen to be achieved by the end of the year 2009	Refer to A.3.a. The related document was approved and issued as Director-General's Bulletin, DGB/(M).118, 4 May 2010.	Achieved May 2010
UNIDO	Code of Ethics	A.4a.	A documented code of ethics defines ethical standards to be upheld, including protecting agency and trust fund assets. The code lists parties required to adhere to the standards including employees, consultants, and independent experts. It describes disciplinary and enforcement actions for violations, and provides for appropriate flexibility in application and implementation in local environments.	<p>It appears that the Agency has a Standard of Conduct containing examples of guiding principles and professional standards to be upheld and examples of misconduct. However, the Self Assessment notes that "Consultants and independent experts are not yet covered by a code similar to that of staff" as required by the standard. Additionally, the Agency's Self Assessment notes that an updated code of ethics is undergoing staff management consultations which are in the final stages and to be completed in 2009.</p> <p>As such, it appears that the Agency does not have a documented Code of Ethics which includes all required elements of the standard, but has established an action plan for achieving compliance with standard a.</p>	Compliance on these standards is foreseen to be achieved latest by the end of the year 2009	A code of ethical conduct was prepared and issued as a Director-General's Bulletin, UNIDO/DGB/(M).115, dated 1 March 2010 (copy of the document submitted to GEFSEC under DG's cover letter of 16 April 2010).	Achieved March 2010
UNIDO	Code of Ethics	A.4b.	An ethics or related function provides administrative support for the code, including distributing the code, monitoring compliance, and authority to refer to the agency's investigation function for alleged violations.	<p>The Agency's response to documentation request indicates that while some of the standards of conduct from the ICSC Standards of Conduct for the International Civil Service have been incorporated into the Agency's Staff Regulations and Staff Rules (e.g. regulations 1.1 to 1.9 under Article I of the Agency's Staff Regulations), the Agency does not appear to have a separate stand alone policy document called Code of Ethics applicable to all personnel, including consultants and experts.</p> <p>The Agency is however in the process of defining such a policy document. The Human Resources department is in place to provide administrative support for the Rules and Regulations, including those related to the standards of conduct. At the same time, the Agency is in the process of considering options for establishing a separate function to provide support to both Code of Ethics and Financial Disclosure programme."</p>	Compliance on these standards is foreseen to be achieved latest by the end of the year 2009	An independent focal point on ethics and accountability is in place as of 1 March 2010 (refer to A.4.a).	Achieved March 2010

UNIDO	Project Appraisal	B.1a.	An independent project and/or activity appraisal process is in place with the purpose of examining whether proposed projects and/or activities meet appropriate technical, economic, financial, environmental, social, institutional and/or other relevant criteria, including GEF-mandated criteria, and whether they are reasonably likely to meet stated objectives and outcomes. The process ensures an appropriate degree of institutional checks and balances at the stage of project design.	It appears that the Agency does not currently have an appraisal process adhering to GEF mandated criteria (per the Agency's Self Assessment). However, it appears that the Agency has a monitorable RBM Implementation plan to achieve compliance with the standard.	As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being	The Inter-Branch Working Group on TC Quality Assurance continues its work on bringing the current UNIDO programme & project cycle into line with the requirements of the Standards B.1 and B.3. A Revised System for the Screening, Appraisal and Approval of Technical Cooperation Programmes and Projects was issued as Director-General's Bulletin DGB/(P).120, 31 May 2010 with effect 14 June 2010 (copy attached). Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative.	Achieved Achieved May 2010 December 2010 (ongoing)
UNIDO	Project Appraisal	B.1b.	Project and/or activity development objectives and outcomes are clearly stated and key performance indicators with baseline and targets are incorporated into the project/activity design.	It appears that the Agency does not currently have an appraisal process adhering to GEF mandated criteria (per the Agency's Self Assessment). However, it appears that the Agency has a monitorable RBM Implementation plan to achieve compliance with the standard.	As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including	Refer to B.1.a. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative.	December 2010 (ongoing)

UNIDO	Project Appraisal	B.1c.	Risk-assessment procedures are in place specifying the criteria and circumstances under which environmental, social, institutional and/or fiduciary assessments must be conducted.	It appears that the Agency does not currently have an appraisal process adhering to GEF mandated criteria (per the Agency's Self Assessment). However, it appears that the Agency has a monitorable RBM Implementation plan to achieve compliance with the standard.	As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including	Refer to B.1.a. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative.	December 2010 (ongoing)
UNIDO	Project Appraisal	B.1d.	Appropriate oversight procedures are in place to guide the appraisal process and ensure its quality and monitoring of follow-up actions during implementation.	It appears that the Agency does not currently have an appraisal process adhering to GEF mandated criteria (per the Agency's Self Assessment). However, it appears that the Agency has a monitorable RBM Implementation plan to achieve compliance with the standard.	As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including	Refer to B.1.a. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative.	December 2010 (ongoing)

UNIDO	Monitoring and Project-At-Risk-Systems	B.3.a.	Monitoring functions, policies and procedures consistent with the requirements of the GEF monitoring and evaluation policy have been established.	It appears that UNIDO has a planned implementation in 2009 for Rules Based management which should address the requirements of the GED monitoring and evaluation policy. However, currently policies and procedures addressing the requirement the projects include SMART indicators, a requirement of the GEF monitoring and evaluation policy, or that they be fully budgeted at the time of work program entry, are not available. As such, it appears that UNIDO is not currently in compliance with the standard but has a monitorable action plan in place to achieve compliance.	As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including	Refer to B.1.a. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative.	May-10
UNIDO	Monitoring and Project-At-Risk-Systems	B.3.b	The roles and responsibilities of the monitoring function are clearly articulated at both the project/activity and entity/portfolio levels. The monitoring function at the entity/portfolio level is separated from the project and/or activity origination and supervision functions.	It appears that UNIDO has a planned implementation in 2009 for Rules Based management which should address the requirements of the GED monitoring and evaluation policy. However, currently policies and procedures addressing the roles and responsibilities of the monitoring function at both the project/activity and entity/portfolio levels, are not available. As such, it appears that UNIDO is not currently in compliance with the standard but has a monitorable action plan in place to achieve compliance.	As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including	Refer to B.1.a. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative.	December 2010 (ongoing)

UNIDO	Monitoring and Project-At-Risk-Systems	B.3.c	Monitoring reports at the project/activity level are provided to project/activity manager as well as to an appropriately higher level of managerial oversight within the organization so that mid-course corrections can be made, if necessary. Monitoring reports at the entity/portfolio level are provided to both project/activity managers and to an appropriately higher level of oversight within the organization so that broader portfolio trends are identified, and corresponding policy changes can be considered.	While UNIDO has a planned implementation in 2009 for RBM, currently policies and procedures addressing the reporting of the monitoring function at both the project/activity and entity/portfolio levels, are not available. As such, it appears that UNIDO is not currently in compliance with the standard but has a monitorable action plan in place to achieve compliance.	As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including	Refer to B.1.a. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative.	December 2010 (ongoing)
UNIDO	Monitoring and Project-At-Risk-Systems	B.3.d	A process or system, such as a project-at-risk system, is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond accordingly to redress the problems.	While UNIDO has a planned implementation in 2009 for RBM, currently policies and procedures addressing flagging and remedy of projects at risk are not available. As such, it appears that UNIDO is not currently in compliance with the standard but has a monitorable action plan in place to achieve compliance.	As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including	Refer to B.1.a. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative.	December 2010 (ongoing)

UNIDO	Monitoring and Project-At-Risk-Systems	B.3.e	Adequate fiduciary oversight procedures are in place to guide the project risk assessment process and to ensure its quality and monitoring of follow-up actions during implementation. This process or system is subject to independent oversight.	While UNIDO has a planned implementation in 2009 for RBM, currently policies and procedures addressing adequate fiduciary oversight for risk assessment are not available. As such, it appears that UNIDO is not currently in compliance with the standard but has a monitorable action plan in place to achieve compliance.	As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including	Refer to B.1.a. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative.	December 2010 (ongoing)
UNIDO	Hotline & Whistleblower Protection	C.2b.	An intake function coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. The intake function maintains an appropriate level of autonomy from the investigations function.	It appears that the UNIDO has an intake function which coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. However, the IOS receives claims and conducts investigations, which is not in accordance with the prescribed standard (i.e. the Intake function maintains an appropriate level of autonomy from the investigations function). As such, it appears that UNIDO is partially compliant with standard b.	It may be noted that there is segregation between the investigative function and the disciplinary machinery. Compliance on these standards is foreseen to be achieved by the end of the year	The division of labour within IOS has been changed re complaint intake and investigation: those in charge of investigation are not involved in complaint intake (unless coming to them in person) nor in assigning case numbers - following in this practices of sister organizations. Intake of complaints of retaliation against whistleblowers will be taken by the Ethics function, which, in addition to IOS and HRM, will also receive reports of misconduct.	Achieved March 2010
UNIDO	Hotline & Whistleblower Protection	C.2c.	A whistleblower protection policy covering who is protected and defining protected disclosures (such as violations of law, rule or regulation, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety). The policy defines the standard of protection from retaliation (such as placing the burden on the agency to provide evidence that the involved official would have taken place absent the protected disclosure).	It appears that a formal whistleblowing policy defining covered persons, protected disclosures, etc. is not currently in place. However, the UNIDO "Policy on Fraud and Awareness and Prevention" partially satisfies the standard, as the policy indicates that retaliatory action taken against whistleblowers will not be permitted. Both the definition of protected disclosures (ie circumstances) and the standard of protection from retaliation should be defined in the draft policy prior to finalization. As such, it appears that UNIDO is partially compliant with the standard.	It may be noted that there is segregation between the investigative function and the disciplinary machinery. Compliance on these standards is foreseen to be achieved by the end of the year	A policy on the protection against retaliation for reporting misconduct or cooperating with audits or investigations was issued as a Director-General's Bulletin, UNIDO/DGB/(M).116, dated 1 March 2010 (document submitted to GEFSEC under DG's cover letter of 16 April 2010).	Achieved March 2010

IFAD's Enterprise Risk Management (ERM) Framework

Purpose

To operate effectively, IFAD has developed an Enterprise Risk Management framework that will help it to manage risks and seize opportunities related to the achievement of its objectives by integrating the following key **activities**:

- Strategic planning
- Day to day operations
- Internal controls

The framework is a set of principles and good practices which, if adhered to, will add assurance IFAD is being managed and run consistently and that risks to IFAD are being properly identified, assessed, managed and monitored.

IFAD's ERM framework is based on the COSO¹ internationally recognised standard and concurs with good practice. The five key **components** listed below link in with the way IFAD is managed, directed and controlled.

1. The internal environment
2. Risk identification and assessment
3. Control activities and risk mitigation
4. Information and communication
5. Monitoring and assurance

Each of these components are made up of individual **attributes** which should be in place in order to ensure that the components are functional and allow for the achievement of IFAD's objectives through its key activities.

The attributes are detailed in the body of the framework under each component.

How to apply this framework

ERM is a journey because it represents a commitment to continuous improvement. Since IFAD's risks are constantly changing, so must its risk management capabilities constantly improve. The thought process underlying the above framework works in the following manner: *for any given activity, such as operations, management must evaluate the five components of ERM at the appropriate level, such as business unit, divisional, departmental or corporate level.*

All staff within IFAD need to become familiar with this framework and to understand how it impacts on their day to day activities.

This framework is intended for use as a reference tool rather than a publication to be read from cover to cover and provides the context for defining improvements in IFAD's risk management capabilities.

¹ The Committee of Sponsoring Organizations of the Treadway Commission which established an Internal Control model against which companies and organizations may assess their control systems.

Output

Senior Management will be required to provide an annual assertion on risk and control and it is believed that this ERM framework will be a useful tool in enabling them to do so.

Limitations

ERM is dependent on human judgement and therefore susceptible to decision making. Human failures such as simple errors or mistakes can lead to inadequate responses to risk. In addition, controls can be circumvented by collusion of two or more people, and management has the ability to override ERM decisions. This therefore precludes management from having absolute assurance as to achievement of IFAD's objectives.

Responsibility

Responsibility for updating the framework rests with the ERMC

Outline of the Framework

1. The Internal Environment

- 1.1. Mission
- 1.2. Ethical and Organisational Values
- 1.3. Strategy and Planning
- 1.4. Objectives
- 1.5. Operational Structure
- 1.6. Staff Allocation and Mobility
- 1.7. Staff Evaluation and Development
- 1.8. Commitment to Competence
- 1.9. ERM Policy
- 1.10. ERM Committee
- 1.11. Risk Appetite

2. Risk Identification and Assessment

- 2.1. Risk Categories
- 2.2. Risk Identification
- 2.3. Risk Assessment

3. Control Activities and Risk Mitigation

- 3.1. Processes and Procedures
- 3.2. Risk mitigation
- 3.3. Business Continuity
- 3.4. Document and Information Management

4. Information and Communication

- 4.1. Internal Communication
- 4.2. External Communication
- 4.3. Accounting and Financial Reporting
- 4.4. Key Performance Indicators
- 4.5. Risk Reporting

5. Monitoring and Assurance

- 5.1. Management Supervision
- 5.2. Evaluation of Activities
- 5.3. Assessment of ERM and Internal Control Effectiveness
- 5.4. Audit and Oversight
- 5.5. Assurance Provision

IFAD's ERM Framework

Following below is a description of each component and an elaboration of the attributes that contribute towards the achievement of compliance in each component.

The 'Requirements' specified for each attribute, as well as a series of related questions (in the Annex hereto) will facilitate management and staff responsible for the related risk and control to assess the extent to which their contribution to IFAD complies with the specific requirements.

1. THE INTERNAL ENVIRONMENT

Often referred to as "Tone at the Top", encompasses the tone of IFAD as an organization, and sets out the basis for how risk is viewed and addressed by its staff, including risk management philosophy and risk appetite, integrity and ethical values and the environment in which they operate.

1.1. Mission

The Divisions' mission is clearly defined in an up-to-date and concise mission statement. This mission statement is developed from the perspective of the Division's clients i.e. those for whom the division provides services or with whom it interacts.

Good Practices

- The divisions/sections/units have up-to-date mission statements which are linked across all hierarchical levels.
- The mission statements are understood by staff and are readily accessible.

1.2. Ethical and Organisational Values

Management and staff are aware of, share and exhibit appropriate ethical and organisational values and uphold these through their own behaviour and decision-making. Management believe in the importance of ERM and demonstrate this through their behaviours and the example they set to their staff.

Good Practices

- IFAD has procedures in place - including updates and yearly reminders - to ensure that all staff are aware of relevant ethical and organisational values, in particular ethical conduct, avoidance of conflicts of interest, fraud prevention and reporting of irregularities.

- Management have been through appropriate ERM training and ensure that their staff do as well.
- Management demonstrate through their behaviours the importance of ERM.

Main references: IFAD Human Resources Procedural Manual - Chapter 8, Code of Conduct, 8.1.1, 8.2, 8.22.1; President's Bulletin, PB/2007/02, IFAD Investigation and Sanction Processes, Annex I: Investigation Procedures, 1.1. IFAD's core values.

1.3. Strategy and Planning

Strategy setting and planning are carried out at appropriate times and within clearly defined limits. Rigorous risk assessment is carried out on the strategic and business objectives.

Good Practices

- Strategy and planning is carried out at appropriate times.
 - Strategic plans and budgets are approved by the Executive Board and other appropriate bodies.
 - The strategic objectives of IFAD are cascaded to all divisions.
 - Individual divisional plans are prepared on a timely basis and are directly linked in with IFAD's overall strategic objectives.
 - The strategy and plans within IFAD are rigorously risk assessed to ensure realistic and that risks to achievement of the objectives are fully understood and managed.
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1.4. Objectives

The Division's objectives are clearly defined and updated when necessary. These are formulated in a way that makes it possible to monitor their achievement. Each area of the organisation has its own objectives that can be linked in with the organisational objectives. Staff have performance objectives which can be linked in with their divisions objectives.

Good Practices

- The Divisional Management Plan (DMP) is developed in accordance with applicable guidance and on the basis of a dialogue between senior managers, middle managers and staff in order to ensure it is understood and owned.
- The DMP clearly sets out how the planned activities at each management level will contribute to the achievement of objectives set, taking into account the allocated resources and the risk identified.
- To the extent possible, the DMP objectives are established in line with the SMART criteria, i.e. they are Specific, Measurable or verifiable, discussed and Accepted, Realistic and Timed.
- Whenever necessary, the objectives are updated to take account of significant changes in activities and priorities.

- Where appropriate, the Division establishes road-maps of ongoing multi-annual activities, setting out critical milestones for the actions that need to be taken before the budget appropriations can be implemented for the whole period of the activity.

Main references: Divisional Management Plan

1.5. Operational Structure

The Division's operational structure supports effective decision-making by suitable delegation of powers. Risks associated with the Division's sensitive functions are managed through mitigating controls and ultimately staff mobility. Adequate IT governance structures are in place.

Good Practices

- Delegation of authority is clearly defined, assigned and communicated in writing, conforms to legal requirements and is appropriate to the importance of decisions to be taken and risks involved.
- All delegated and sub-delegated authorising officers have received and acknowledged the specific delegation instruments.
- As regards financial transactions, delegation of powers is defined, assigned and communicated in writing.
- The assignment of responsibility, delegation of authority and establishment of related policies provide a basis for accountability and control.
- The Division's sensitive functions are clearly defined, recorded and kept up to date. For each sensitive function:
 - a risk assessment is carried out and relevant mitigating controls are established,
 - once a jobholder has been exercising the same sensitive function(s) for five years, risk is reassessed, following which management decides to move the jobholder, or to transfer the sensitive function(s) or to implement additional mitigating controls which reduce the residual risk to a level it considers acceptable;
 - once a jobholder has been exercising the same sensitive functions for seven years, mobility is as a general rule applied.
- The Division records derogations granted to allow staff to remain in sensitive functions beyond five years along with documentation of the risk analysis and the mitigating controls.
- The standard IT governance is applied, and in particular:
 - an IT Governance Committee exists and is operational.
 - an annual IT master plan, covering all information systems developments (regardless of budget source) has been produced.
 - each information system possesses a clearly identified business owner and is overseen by a steering committee.
 - all new information systems projects are approved on the basis of appropriate supporting documentation.

- all new information systems are developed using the standard FM project management and development methods, and take security into account from the very first stage.

Main references: PB XXX/XX on establishment of IT Governance committee

1.6. Staff Allocation and Mobility

The allocation and recruitment of staff is based on the Division's objectives and priorities. Management promote and plan staff mobility so as to strike the right balance between continuity and renewal

Good Practices

- Whenever necessary - at least once a year - management aligns the organisational structures and staff allocations with priorities and workload.
- Staff job descriptions are consistent with relevant mission statements.
- IFAD has a policy to promote, implement and monitor mobility (e.g. publication of vacant posts, list of specialist posts) in order to ensure that the right person is in the right job at the right time and, where feasible, to create career opportunities.
- Necessary support is defined and delivered to new staff to facilitate their integration in the team.

Main references: IFAD Human Resources Procedural Manual –Chapter 6-

1.7. Staff Evaluation and Development

Staff performance is evaluated against individual annual objectives, which fit with the Division's overall objectives. Adequate measures are taken to develop the skills necessary to achieve the objectives.

Good Practices

- In the context of the PES process discussions are held individually with all staff to establish their annual objectives, which fit with the Division's and service's objectives.
- Staff performance is evaluated according to standards set by IFAD.
- A yearly strategic training framework is developed at Corporate level based on needs deriving from the policy of the Divisions together with recommendations and instructions received from the central services.
- A Training Map is completed annually by each Division discussed with and approved by the Director. The Training Passport, recording all training activities undertaken by the staff member, is kept up to date.
- Management ensure that every staff member attends at least the training courses of a compulsory nature that have been defined in the PES.

Main references: IFAD Human Resources Procedural Manual –Chapter 5 & 6- IFAD Performance management guide (revised 11 January 2008)

1.8. Commitment to Competence

Management have analysed, formally and informally, the tasks involved in each job, considering the extent to which individuals must exercise judgement and the extent of related supervision. Management have adequately determined the extent to which knowledge and skills are needed to perform particular jobs.

Good Practices

- Job descriptions are available for all key positions within the division together with skills and competencies required.
- Authority levels are clearly defined and communicated.
- Staff understand authority levels and the extent to which they are empowered to make decisions.
- Levels of supervision are clearly defined, articulated and communicated.

Main references: Staff TOR, Divisional Organograms

1.9. ERM Policy

The ERM policy has been properly articulated and communicated across the organisation. Staff understand their responsibilities and accountabilities in relation to ERM.

Good Practices

- IFAD has an ERM policy.
- This policy is communicated effectively to all staff within IFAD.
- Staff are familiar with this policy and are fully aware of their roles and responsibilities within ERM.
- Staff undertake appropriate training in ERM.
- ERM focal points are appointed and adequately trained.

Main references: ERM intranet site

1.10. ERM Committee

The ERM Committee has clearly defined terms of reference. They focus on the most important issues and make appropriate decisions.

Good Practices

- IFAD has an ERM committee.
- The ERM committee understand ERM and how it should be developed and rolled out within IFAD.

- The ERM committee is properly constituted and has clearly defined terms of reference.
- The ERM committee meet on a regular basis and focus on critical issues.
- Key issues are escalated to the ERM committee for discussion and approval.
- ERM decisions are escalated for consideration to OMC/EMC for the formulation of operational decisions.

Main references: PB/2008/06 on establishment of the ERM Committee

1.11. Risk Appetite

IFAD's risk appetite has been clearly defined and communicated by the ERM. Managers are aware of the level of acceptable risk for the risks they have responsibility and accountability for. Management comply with the ERM framework and the acceptable level of risk within their responsibilities for their part of the organisation.

Good Practices

- Divisions understand the level of risk they are able to accept and this is regularly reviewed as circumstances change.
- Controls are in place ensuring that risks are, in fact, managed to this acceptable level.
- Management discuss ERM and other risk related issues with their staff.
- Management ensure that sufficient controls are in place to manage risk to the acceptable level i.e. within the agreed risk appetite for that part of the organisation.

Main references: ERM intranet site

2. RISK IDENTIFICATION AND ASSESSMENT

Internal and external events affecting the achievement of IFAD's objectives must be identified, distinguishing between risks and opportunities. Opportunities are channelled back to management's strategy or objective – setting processes whilst risks are analysed/assessed, considering likelihood and impact, individually or by category, as a basis for determining how they should be managed.

2.1. Risk Categories²

The risks faced by IFAD should be categorised in relation to what IFAD does. Risk categories (for the purpose of effective risk identification and assessment) should be defined and used appropriately.

Good Practices

- IFAD has defined appropriate risk categories which are used to define and communicate risk.
- Risk categories are regularly reviewed and updated to respond to changing circumstances.

Main references: ERM intranet site

2.2. Risk Identification

A rigorous process is in place to facilitate the identification of potential events that may positively or negatively affect IFAD's ability to implement its strategy and achieve its objectives and performance goals. Staff are fully aware of the process to undertake when they identify a new or emerging risk.

Good Practices

- There is a clear and rigorous process in place within the IFAD/divisions to enable risks to be identified on an ongoing and regular basis.
- New risks are escalated and reported as appropriate.
- Identified risks include an analysis of root cause and consequence.

Main references: ERM intranet site

² IFAD has defined two types of risk categories; **Context Risks** (External Environment, Customers, Strategy & Culture) and **Operational Risks** (Process & Capacity, Security & Safeguarding, People, Information & Communications, Financial Management, Legal/Compliance)

2.3. Risk Assessment

Management considers qualitative and quantitative methods to evaluate the likelihood and impact of potential events, individually or by category, which might affect the achievement of objectives.

Good Practices

- Guide values (which define different levels of impact (magnitude) and likelihood (probability) have been developed and are used to assess identified risks.
- Guide values are regularly reviewed and updated to reflect changes in circumstances.
- Guide values are used to assess new and emerging risks.
- Guide values include both qualitative and quantitative descriptions.
- Risk assessment is carried out on a realistic and practical basis rather than always focusing on 'worst case scenario'.
- Existing risk assessments are regularly reviewed to reflect changes in circumstances.
- Appropriate risk owners are assigned to assume responsibility for priority risks.
- Creation of an open environment which encourages discussion of common risks across IFAD.

Main references: ERM intranet site

3. CONTROL ACTIVITIES AND RISK MITIGATION / Response

Policies and procedures are established and implemented throughout IFAD, at all levels and in all functions, to help ensure that risk mitigations/responses are effectively carried out. Management selects appropriate risk mitigations/responses (avoiding, accepting, reducing or sharing) and develops a set of actions to align risks with IFAD's risk tolerances and risk appetite.

3.1. Processes and Procedures

The Division's processes and procedures used for the implementation and control of its activities are effective and efficient, adequately documented and compliant with applicable provisions. They include arrangements to ensure segregation of duties and to track and give prior approval to control overrides or deviations from policies and procedures.

Good Practices

- The Division's main operational and financial processes and procedures are adequately documented.
- The Division's processes and procedures ensure appropriate segregation of duties (including for non financial activities).
- Segregation of duties arrangements are subject to regular review by Management.
- A method is in place to ensure that all instances of overriding of controls or deviations from established processes and procedures are documented in exception reports, justified, duly approved before action is taken and logged centrally.
- A risk management exercise at Division level is conducted at least once a year as part of the Divisional Management Plan (DMP) process and whenever management considers it necessary (typically in the event of major modifications to the Division's activities occurring during the year).
- Roles and responsibilities pertaining to accountability of fiscal agents and fiduciary trustees are defined.

Main references: Financial Regulations of IFAD; Policies and Procedures on IFAD intranet (Administrative and Operational Policies and procedures)

3.2. Risk Mitigation / Response

Where risks have been identified, mitigations/responses have been put in place to manage the risk to an acceptable level as determined by senior management. Mitigations/responses may include: risk transfer, sharing, acceptance, termination or risk response plans. Internal controls in place provide reasonable assurance over the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

Good Practices

- All identified risks must be addressed in some way. It is possible to deal with risk in the following way: transfer (e.g. through insurance), share (e.g. through outsourcing or joint ventures), accept (live with the risk but regularly monitor it), reduce (generally through some form of internal control), terminate (the activity with which the risk is associated), response plans (e.g. business continuity plans or disaster recovery plans).
- Identified risks need to be managed to an acceptable level as defined.
- Risk mitigations/responses address the causes of risk and are appropriate.
- Where internal controls are in place there is an acceptable mix between preventative and detective controls. Account has also been taken of the cost of controls and the balance between this and the risks they are in place to manage.

Main references: ERM intranet site

3.3. Business Continuity

Adequate measures are in place to ensure continuity of service in case of "business-as-usual" interruption. Business Continuity Plans are in place to ensure that the organisation is able to continue operating to the extent possible whatever the nature of a major disruption.

Good Practices

- Adequate measures - including handover files and deputising arrangements for relevant operational activities and financial transactions - are in place to ensure the continuity of all service during "business-as-usual" interruptions (such as sick leave, staff mobility, migration to new IT systems, incidents, etc.).
- Business Continuity Plans cover the crisis response and recovery arrangements with respect to major disruptions (such as pandemic diseases, terrorist attacks, natural disasters, etc.). They identify the functions, services and infrastructure which need to be restored within certain time-limits and the resources necessary for this purpose (key staff, buildings, IT, documents and other). Division Plans take account of the BCPs of the horizontal services in respect of their responsibilities for corporate services, completed as appropriate by measures specific to the Division concerned.
- Procedures are established for exercising, updating and validating the BCP. Reviews are at least annual, through the existing risk management process.
- Electronic and hardcopy versions of the BCP are stored in secure and easily accessible locations, which are known to relevant staff.

- Contingency and backup plans for information systems are established, maintained, documented and tested as determined by operational, business continuity and security needs.

Main references: IFAD's Business Continuity Plan

3.4. Document and Information Management

Appropriate processes and procedures are in place to ensure that the Division's document management is secure, efficient (in particular as regards retrieving appropriate information) and complies with applicable rules. Adequate processes and procedures are in place to ensure that information held is safe and secure and unable to be accessed except by appropriate and approved people.

Good Practices

- Document management systems and related procedures comply with relevant compulsory security measures, provisions on document management and rules on protection of personal data.
- In particular, every document that fulfils the conditions laid down in the implementing rules needs to be registered, filed in at least one official file (each file being attached to a heading of the Filing Plan), and preserved by appropriate use of the IFAD's registration and filing systems, mainly through (Information Resource Centre (IRC) .
- Each Division has adopted and implements an IT Security Plan based on an inventory of the security requirements and a risk analysis of the IT systems under their responsibility, and applies at least the relevant control measures.
- The IT systems support adequate data management, including database administration and data quality assurance. Data management systems and related procedures comply with relevant Information Systems Policy, compulsory security measures and rules on protection of personal data.

Main references: IRC intranet site

4. INFORMATION AND COMMUNICATION

Relevant information from internal and external sources is identified, captured and communicated in a form and time frame that enable staff to carry out their responsibilities. Effective communication also occurs in a broader sense, flowing down, across and up IFAD. Reporting is vital to risk management and this component delivers it.

4.1. Internal Communication

Internal communication is sufficient and timely such as to enable management and staff to fulfil their responsibilities effectively and efficiently, including in the domain of internal control.

Good Practices

- Internal communications comply with relevant copyright provisions.
- Arrangements in line with the IFAD's Internal Communication are in place to ensure that management and staff are appropriately informed of decisions, projects or initiatives – including those in other Divisions – that concern their work assignments and environment.
- All personnel are encouraged to communicate potential internal control weaknesses, if judged significant or systemic, to the appropriate management level. Contact person(s) is/are assigned to facilitate and coordinate such reporting.

4.2. External Communication

Where appropriate, the Division has an external communication strategy to ensure that its external communication is effective, coherent and in line with IFAD's key messages.

Good Practices

- External communications comply with relevant copyright provisions.
- Where appropriate, the Division has a documented strategy for external communication (outside IFAD), including clearly defined target audiences, messages and action plans. The communication strategy is devised from the beginning of policy formulation and is discussed with the Division responsible. Coordination is sought with other Divisions and the Communication Division (EC) concerning communication priorities.
- Reference to Financial Disclosure Programme (code of conduct).

Main references: Financial Disclosure Programme

4.3. Accounting and Financial Reporting

Adequate procedures and controls are in place to ensure that accounting data and related information used for preparing IFAD's annual financial statements and financial reports are accurate, complete and timely.

Good Practices

- Each Division Director has responsibility for ensuring the reliability and completeness of budget information under his/her control necessary for the production of accounts which give a true image of IFAD assets, liabilities, costs and revenues and of budgetary implementation.
- The Division's budget procedures and controls are adequately documented.
- Financial and management information produced by the Division, including financial information provided in the annual activity reports, is in conformity with applicable budget/accounting standards
- Financial info feeding the financial reports is complete, accurate, valid and timely, and is generated by systems and procedures subject to the application of ERM procedures.

Main references: Internal Control Over Financial Reporting

4.4. Key Performance Indicators

Key performance indicators are established to help management evaluate and report on progress made in relation to their objectives.

Good Practices

- The DMP's require at least one performance indicator per objective, both at policy level and at operational activity level, to monitor and report on achievements. To the extent possible, the performance indicators are established according to the RACER criteria, i.e. they are Relevant, discussed and Accepted, Credible, Easy and Robust.
- Reporting structures are in place to alert management when indicators show that the achievement of the objectives is at risk.

Main references: DMPs and quarterly conversation results

4.5. Risk Reporting

Information about existing, new and emerging risks is reported to the appropriate levels within IFAD.

Good Practices

- On a regular basis, information about risks within the division are communicated to appropriate parts of IFAD.
- Risk registers are used and are reviewed and updated on a regular basis.
- Risk registers contain appropriate and useful information.

Main references: IFAD's risk register

5. MONITORING AND ASSURANCE

The entirety of enterprise risk management is monitored and modifications are made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations, or both.

5.1. Management Supervision

Management supervision is performed to ensure that the implementation of activities is running efficiently and effectively while complying with applicable provisions.

Good Practices

- Management at all levels supervise the activities they are responsible for and keep track of main issues identified. Management supervision covers both legality and regularity aspects and operational performance (i.e. achievement of Divisional Management Plan objectives).
- The supervision of activities involving potentially critical risks is adequately documented.
- Management monitors the implementation of accepted Internal Audit recommendations and related action plans.
- At least twice a year and at any time deemed appropriate, the Director informs the responsible Assistant-President of any potentially significant issues related to internal control and audit and investigations as well as material budgetary and financial issues that might have an impact on the sound management of appropriations or which could hamper the attainment of the objectives set.

Main references: Internal Audit Recommendations on Line on Ifad intranet

5.2. Evaluation of Activities

Evaluations of expenditure and financing programmes and other non-spending activities are performed to assess the results, impacts and needs that these activities aim to achieve and satisfy.

Good Practices

- Evaluations are performed in accordance with the guiding principles of IFAD's Evaluation Policy, external audit recommendations as well as external evaluation findings.

Main references: IFAD Evaluation Policy, EB 2003/78/R.17/Rev.1, (April 2003)

5.3. Assessment of ERM and Internal Control Effectiveness

Management assess the effectiveness of IFAD's ERM and internal control systems, including the processes carried out by implementing bodies, at least once a year.

Good Practices

- Management assess the effectiveness of ERM within the division to ensure that key risks within the division are being identified, assessed and managed to an acceptable level
- Risk management is performed in line with IFAD ERM policies and procedures
- Risks considered critical from an overall division perspective are indicated in the DMP and followed-up.
- Management assess the effectiveness of the Division's key internal control systems, including the processes carried out by implementing bodies at least annually. Such self-assessments can, for example, be based on staff surveys or interviews combined with management reviews of supervisory reports, results of evaluation and ex-ante/ex-post verifications, audit recommendations and other sources that provide relevant information about the Division's internal control effectiveness.
- On an annual basis – as part of the IFAD Annual Report – Senior Management signs a statement, to the best of his/her knowledge, on the accuracy and exhaustiveness of the information on management and internal control systems provided in the financial reporting.

Main references: ERM Policy (PB/2009/08), Internal Control self-assessment workshop

5.4. Audit and Oversight

IFAD has an audit and oversight function, which provides independent, objective assurance and consulting services designed to add value and improve its operations and those of the Divisions. IFAD has appropriate committees to provide an oversight of ERM related issues and to offer suggestions on improvements that may be made.

Good Practices

- The role and responsibilities of the Office of Audit and Oversight (OA) are formally defined in an audit charter.
- The annual audit work plan is risk-based, forms part of a multi-annual strategic plan and is approved by the President and the Audit Committee (AC).
- The President ensures that OA is independent of the activities they audit.
- The President ensures that OA has sufficient and adequate resources to perform the audit work plan.

- Appropriate committees (including ERM and Audit committees) are in place with an oversight role.
-

5.5. Assurance Provision

IFAD has determined the assurance it requires on the effectiveness of ERM activities and has defined mechanisms in place to ensure that the appropriate level and quality of assurance is received on a regular basis. The assurance received comes from both management and independent and objective assurance providers.

Good Practices

- Risks and controls are monitored on a regular basis and appropriate assurance is provided to those who require it.
 - Managers understand their responsibilities and accountabilities in relation to assurance provision.
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QUESTIONS FOR ASSESSING ADEQUACY AND EFFECTIVENESS OF PROCEDURES AND CONTROLS

1. THE INTERNAL ENVIRONMENT

1.1 Mission

- Is the Divisions' mission statement up-to-date and sufficiently instructive? An effective mission statement is a concise statement developed from the perspective of the Divisions' customers. It should answer two basic questions: Why do we exist? How do we fit within IFAD architecture?
- Are staff aware of their Division's mission statement?
- Are staff able to articulate the mission statement?
- Can staff link their own activities into their divisions mission statement?

1.2 Ethical and Organisational Values

- Would Division or section-specific ethical guidance be meaningful? For example, although the rules relating to "conflict of interests" apply to all persons in IFAD, a Division or section with significant procurement activities may want to emphasise this aspect. Dealing with insider information and preventing financial fraud are other topics that certain Divisions and/or sections may want to stress.
- Is the code of conduct concise and user-friendly? The way the code of conduct/guidance is written will affect its effectiveness.
- Is the code clearly articulated and communicated to all appropriate people?
- Is the code regularly re-informed to all staff?
- Is staff sufficiently aware of the different requirements and provisions concerning ethics and integrity (via training of newcomers, regular information, etc.)? Staff awareness can, for example, be analysed through surveys.
- Is enough done to facilitate the practical application of the code of conduct and other ethical guidance? For example, creating easily accessible and secure channels for staff to confidentially report alleged wrongdoings could make the code of conduct more effective in this domain.
- Do results of the supervisory activities, audit reports, reported deviations or other relevant sources suggest that there could be ethical issues or problems in the Division/section? Have adequate measures been taken to address these issues?
- Do managers ensure that staff are up to date on risk related issues and is this formally evidenced and documented?
- Is ERM discussed regularly at team and other relevant meetings? How is this evidenced?
- Are ERM responsibilities built into managers' performance objectives and is their performance really measured against this?

- Are controls reviewed on a regular basis to ensure that risk is being managed to an acceptable level?
- Is the turnover of management and supervisory staff reasonable?
- Is there a pattern of staff turnover and, if so, what does it imply?

1.3 Strategy and Planning

- What procedures are in place to ensure strategy setting and planning is carried out at an appropriate time?
- Is there documented evidence that the strategies and plans have been formally approved by the Executive Board and other appropriate bodies?
- How are the strategic objectives of IFAD cascaded to all divisions?
- How do we ensure that divisional plans can be linked in directly to the overall IFAD strategic objectives?
- Are the strategy and plans risk assessed? Is this risk assessment formally documented and reported? Is this risk assessment reflected in the corporate and divisional risk registers as appropriate? Is this risk assessment reviewed and updated to reflect ongoing events?

1.4 Objectives

- Is the concept of “management by objectives” (i.e. building the Division’s activities around DMP objectives at different management levels) sufficiently understood, discussed and accepted by management and staff? Does this concept work in practice? If not, why?
- Does the process of objective-setting ensure a high degree of understanding and ownership? Are the Division’s/section’s DMP objectives known to staff and meaningful?
- Is there a need for resources redeployment or (re)prioritisation of the objectives?

1.5 Operational Structure

- Are there any organisational issues or problems that negatively impact on the Division's/section's performance or control environment? In what way? Could a reorganisation of the Division's/section's improve the situation? How?
- Are the nature and scope of delegated functions and powers clear to all persons concerned?
- Are the risks associated with the delegated functions and powers sufficiently analysed?
- Where sensitive functions have been removed and allocated to a different member of staff, is management satisfied that the risks involved have been effectively mitigated?
- Where additional mitigating controls have been put in place, is management satisfied that these controls are effective and that the risks involved have been reduced to an acceptable level (considering impact and likelihood of the risk)?
- Do results of the supervisory activities, audit reports or other relevant sources suggest that there could be failings or issues associated with the Division's sensitive functions?
- Are the number of sensitive functions that require mandatory staff mobility reasonable? The cost of excessive mandatory staff mobility (negative impact on operations) may outweigh the benefits (reduced risk of conflict of interest and fraud).
- Are all IT projects and their specific risks clearly identified and managed according to the relevant guidance?
- Regarding IT Governance, does the IT Governance Committee adequately represent all relevant stakeholders? If the Division owns Information Systems which are used by other Divisions, are there appropriate governance arrangements in place to ensure all stakeholders' interests are considered?
- If the Division owns Information Systems or if it wishes to develop one, have possible synergies among the Divisions' Information Systems been explored and exploited, to the maximum extent possible? Are the systems interoperable to a satisfactory level? Are there duplicated investments in similar systems within the Division or elsewhere which merit attention?
- Are staff aware of the level of authority they have and when supervision is necessary?
- Is there an appropriate balance between responsibility and authority?
- Are there clear responsibility levels for key tasks and activities and are these properly communicated to all staff?
- Are these limits clearly defined in writing?
- Are employees at the right level given the authority to correct problems and make improvements, and do they have the appropriate levels of competence and clear boundaries to their authority?

1.6 Staff Allocation and Mobility

- Are adequate arrangements in place to ensure effective staff planning and allocation? Do management have sufficient and relevant information about priorities and staff workloads as well as required and available skills?
- Are there any issues or problems related to staff recruitment and allocation that significantly affect the Divisions' performance? Could a modification of current recruitment and allocation procedures to the extent possible at Division level address these? How?
- Are sufficient measures taken to ensure flexible and dynamic organisation, for example via targeted and intensive training programmes, re-organisation or other measures?
- Is staff turnover sufficiently monitored and analysed? Establishing Division-specific ratios for "excessive" and "insufficient" staff turnover may be useful. Are the root causes of any abnormal staff turnover sufficiently analysed and addressed?
- In the event of "excessive" staff turnover, is appropriate action taken to retain staff with the required skills? Similarly, where there is "insufficient" staff turnover, is appropriate action taken to promote and facilitate staff mobility within the Division or externally? Have these measures been successful? If not, why?
- Is the interest of the service taken into account when planning for the mobility of middle management or total replacement of the management team and/or critical staff? Is the possible loss of knowledge adequately managed?

1.7 Staff Evaluation and Development

- Are staff's annual objectives (as noted in the PES) meaningful, sufficiently challenging and accepted by the persons concerned? Are they kept up to date during the year?
- Are staff evaluations based on the achievement of pertinent and up-to-date annual objectives? Using generic or outdated objectives increases the risk of subjective and biased evaluations and can negatively impact on staff motivation.
- Are sufficient measures taken to analyse and develop the Division's skills and to plan for future HR needs and skill requirements? An effective staff development plan should take into account not only individual training requests but also the collective skills and competences needed to meet the Division's/section's objectives. Performing an analysis to detect significant gaps between required and available skills and competences in the entity can be an effective means of improving staff development.
- Are pertinent training statistics available? An analysis of the Division's/section's training statistics may indicate whether the entity's training activities should be re-focused. On the basis of this, is there evidence that staff is taking the necessary courses in order to build their skills?

1.8 Commitment to Competence

- Have job descriptions been prepared for all key posts and are these used effectively for recruitment purposes?
- Do the job descriptions include skills and competencies required?
- Have authority levels been clearly defined and communicated and are all staff aware of what they are empowered to do?
- Are staff fully aware of decisions they are able to make and where they need to be supervised?
- Are levels of supervision clearly defined, articulated and communicated?
- Are recruitment policies sufficient to ensure that employees moral values are consistent with those of IFAD and that they are trustworthy and competent?
- Do management have an appropriate response to deal with any departures from ethical standards?

1.9 ERM Policy

- Does IFAD have an appropriate ERM policy which has been properly communicated and is appropriately reinforced?
- Are staff aware of and do they use the ERM site on the IFAD intranet?
- Are staff fully aware of the ERM policy and their roles and responsibilities within ERM?

1.10 ERM Committee

- Does the ERM committee have appropriate terms of reference which is reviewed and updated on at least an annual basis?
- Does the ERM committee provide leadership on risk management related issues across IFAD?
- How frequently does the ERM committee meet? Is this sufficient? Are they able to respond quickly to critical risk related issues?
- Has the ERM committee developed a roll out programme for ERM within IFAD and is it monitoring this?
- Are key issues escalated to the ERM committee as appropriate? How is this done? Is it done effectively? Do the ERM committee report back with support and advice on such issues?

1.11 Risk Appetite

- Do managers understand the level of acceptable risk within their area of responsibility and are they able to articulate this?
- Is the risk appetite flexed to take account of changes in circumstances? How is this determined and communicated?
- Are controls in place that manage the risks to this acceptable level?

2. RISK IDENTIFICATION AND ASSESSMENT

2.1 Risk Categories

- Have clear and useful risk categories been determined to assist in the identification and categorisation of risk?
- Are the risk categories regularly reviewed and updated?

2.2 Risk Identification

- Does the division have a clear and rigorous process in place to identify risks on an ongoing basis?
- Is the concept of ERM sufficiently understood by staff within the division enabling risk identification to be carried out on a regular basis?
- Are new and emerging risks identified? How are these integrated into the existing risk information? How is the decision made to escalate the reporting of new and emerging risks?
- Is risk identification built into planning and objective setting processes?
- Is risk identification adequately integrated into the processes and procedures used for the planning, implementation and control of the division's activities?
- Is risk identification regularly considered in the divisions meetings?
- Do identified risks also include an analysis of root cause and consequence?

2.3 Risk Assessment

- Have guide values been developed to determine different levels of impact (magnitude) and likelihood (probability)?
- Are these guide values used in a consistent way across the divisions? How do these guide values fit in with the overall risk appetite of IFAD?
- Do the developed guide values include both qualitative and quantitative descriptions? Does the impact focus on issues other than finance e.g. reputation, stakeholder concern etc?
- Are the guide values regularly reviewed and updated to reflect changes in circumstance?
- Is risk assessment adequately integrated into the processes and procedures used for the planning, implementation and control of the division's activities?
- Is risk assessment regularly considered in the divisions meetings?

3. CONTROL ACTIVITIES AND RISK MITIGATION/RESPONSE
.....**3.1. Processes and Procedures**

- Are the main processes and procedures used for the implementation and control of the Division's/section's activities documented in a user-friendly fashion? Are they readily accessible? Are they kept up to date?
- Are arrangements in place to ensure data protection is applied to manual processes?
- Have management performed a risk assessment of their main processes and procedures? Accordingly, have the most vulnerable parts of the processes and procedures been identified and appropriate mitigating controls been implemented?
- Are the process controls in place adequately designed? Is it clear: (1) Who performs the control?; (2) How the control is being performed (methodology, sample size, etc.)?; (3) What information is required to perform the control?; (4) How frequently the control operates?; (5) What criteria are used to define the level of significance of "anomalies" identified (i.e. what type of issues detected by the controls should be considered significant; what type of error should be considered minor)?
- Are audit logs and corresponding alerts for actions considered risky foreseen for all critical information systems?
- If implementing bodies are involved in the control processes and procedures (for example, Member States, other UN agencies, NGOs, etc), has the "control chain" end-to-end been adequately described? Are the respective roles and responsibilities in the control chain clear to all parties involved? Is information about the control activities and results adequately and effectively shared between all parties involved?
- Is a Financial Disclosure program (Code of Conduct) in place?
- Has an Accountability Framework been formalized?

3.2 Risk Mitigation/Response

- Have all identified risks been addressed in one of the six ways described above?
- If risks have not been addressed are actions identified to deal with the risk in due course?
- Do all significant risks have planned actions which will be carried out within the next three months?
- Do risk mitigations identified, in fact, address the root causes of the risk?
- Where the residual or net risk is higher than the acceptable level of risk, are actions identified to reduce the risk to an acceptable level?
- Is there an acceptable mix between preventative and detective controls?
- Where controls are in place has account also been taken of the cost of controls and the balance between this and the level of the risks they are in place to manage?

3.3 Business Continuity

- Continuity of Service (Business-As-Usual): Are the Division's procedures to ensure continuity of service (handover arrangements, backup procedures, etc.) sufficiently known, readily accessible (in particular to new staff) and applied in practice?
- Business Continuity Plan: Are management and relevant staff sufficiently aware and appropriately trained regarding the BCP? Do they know what to do in the immediate response to major disruption in order to minimise the risks to staff and assets? Is the BCP easily understandable and readily accessible to those who need it when they need it?
- Business Continuity Plan: Are priorities and key risks – including IT risks – clearly defined and sufficiently highlighted in the BCP? Short and concise messages and instructions are usually more effective than long and detailed explanations, particularly in a stressful situation.
- Business Continuity Plan: Is the BCP – including relevant IT elements – sufficiently tested? Conducting periodic testing and practice drills are important means of determining whether the continuity plan works effectively in practice.
- Business Continuity Plan: Are results of testing activities sufficiently analysed and documented, necessary improvements identified and BCP updated accordingly?

3.4 Document and Information Management

- Are documents adequately protected against destruction, theft, fire, etc.?
- Are the procedures for registration sufficiently known? Are they applied in practice? Are the procedures for filing sufficiently known?
- In general, is the time spent on finding documents reasonable? Are applicable rules regarding handling of sensitive documents sufficiently known and applied in practice? Are adequate measures taken to ensure the readability of documents in the future, especially when the Division owns the repository system?
- Are management and staff sufficiently aware of applicable retention periods for documents? Are retention periods respected in practice?
- Do results of the regular supervision of IT systems, audit findings or information from other sources suggest that there may be IT-security-related issues? Are these issues escalated to and discussed at the appropriate management level?
- Is feedback from IT users regarding system performance collected and analysed, given that systematic collection and analysis of comments and suggestions from IT users (through surveys or channels for ad-hoc feedback) can be a good way of detecting effectiveness and efficiency issues? Are statistics on system down-time, server capacity and other performance indicators regularly analysed? Are system performance issues reported to the appropriate management level?
- Does the Division have effective procedures in place concerning data retention periods, data backup, data access and archiving? Can management demonstrate that these procedures are applied in practice? Do the results of supervisory activities, "customer complaints", audit findings or information from other sources suggest any weaknesses in the field of data management, e.g. data quality issues, missing or untimely data, etc.

4. INFORMATION AND COMMUNICATION

4.1 Internal Communication

- Have the current arrangements used for internal communication been analysed? Are arrangements in place to ensure that management and staff are informed of other Divisions' decisions/projects/initiatives that may affect their responsibilities and tasks?
- Are there any recent examples where flaws in inter and intra-Division communication have caused problems or impacted on the Division's performance? Have the underlying causes been analysed? Have measures been taken to prevent similar communication issues in the future?
- Is the information provided in the Division's/section's management scoreboards pertinent and useful for the management of these activities? Where possible, is there a clear link to the Divisional Management Plan objectives? Are the scoreboards used by management and staff in practice? If not, why? Are the scoreboards reliable, or should more be done to check the accuracy of the information?

4.2 External Communication

- Have the current procedures and methods used for external communication been analysed to identify their strengths and weaknesses, including cost-benefit aspects?
- What is done in practice to seek and analyse feedback from target audiences regarding communication impact? Is the information obtained reliable and pertinent? Is relevant feedback escalated to the appropriate level and used to adapt ongoing communication strategies?

4.3 Accounting and Financial Reporting

- Are budget data quality controls pertinent and sufficiently documented? Such controls may, for example, include analyses of accounts, analysis of ageing balances of outstanding invoices, outstanding pre-financing, segregation of duties, reviews of reports, sample testing, reconciliations etc. Is management satisfied that these controls work as intended in practice?
- Are the systems that process financial data reliable?
- Are the system controls in place functioning as intended? Are exception/error reports generated where appropriate and are these being reviewed and addressed.
- Is the segregation of duties principle applied in the various modules of the ERP on the basis of defined roles and responsibilities ie. access rights?

4.4 Key Performance Indicators

- Are the Division's performance indicators meaningful, i.e. do they actually support and facilitate the management and monitoring of the Division's activities?
- Are the performance indicators focused on the Division's key activities and risks
- In case performance cannot be quantified, are meaningful qualitative performance indicators established?

4.5 Risk Reporting

- Do managers receive sufficient information about risk and other related issues to enable them to effectively discharge their responsibilities?
- Is information about existing, new and emerging risks being reported to appropriate levels in the organisation?
- Are risk registers reviewed and updated on a regular basis?
- Are risk registers used to input to day to day activities and decision making?

5. MONITORING AND ASSURANCE

5.1 Management Supervision

- Are the supervisory activities sufficiently focused on high-risk areas? The following situations would typically warrant an increased level of supervision: - Complex operations; - Transactions of high monetary value; - Low control consciousness among staff; - Lack of experienced or skilled personnel; - Reorganisation or significant modification of operating activities; New or revamped IT systems; - Potential conflicts of interest or influence from external parties; - Activities of a politically sensitive nature; - Activities impacting significantly on the working conditions of staff (health, safety, security).
- Is there systematic follow-up of significant issues identified through the supervisory activities?
- If implementing bodies are responsible for carrying out actions (e.g. Member States or other UN agencies, NGOs, etc), has appropriate supervision or follow-up been established by the responsible service?
- Is the supervision of operational performance based on the Divisional Management Plan objectives and related performance indicators? Are these objectives and indicators useful in practice? If not, why?
- Do management have satisfactory evidence that key controls in place are operating as intended in practice (for example via the results of supervisory activities, audits, investigations and other relevant sources of information)?
- Are all reported internal control weaknesses properly analysed and addressed where necessary? Depending on the nature of the work performed, supervision activities can, for example, be documented in the minutes of meetings or using other similar mechanisms.

5.2 Evaluation of Activities

- Are evaluation activities appropriately organised and resourced to meet their purposes?
- Are evaluation activities planned in a transparent and consistent way so that relevant evaluation results are available in due time for operational and strategic decision-making and reporting needs?
- Does the evaluation design provide clear and specific objectives, and appropriate methods and means for managing the evaluation process and its results?
- Do evaluation activities provide reliable, robust and complete results? Are the evaluation reports used by management in practice, i.e. do they have a real impact on the Division's decision-making or proposals prepared by the Division? If not, why?

Are evaluation results communicated in such a way that they ensure maximum use of the results and that they meet the needs of decision-makers and stakeholders?

5.3 Assessment of ERM and Internal Control Effectiveness

- Do managers and staff who participate in self-assessments of the Division's internal control systems have a sufficient understanding of internal control and risk management? If not, what is done to avoid misinterpretations or misunderstandings that could affect the results and conclusions of the exercise?
- Is the self-assessment well organised, pragmatic and value-adding (or is it regarded as a "bureaucratic burden")? Is it sufficiently sponsored by senior management?
- Is the self-assessment focused on the Division's main activities and risks? A too wide or too detailed scope may reduce its effectiveness.
- Are self-assessment results sufficiently supported, for example via references to other relevant sources?

5.4 Audit and Oversight

- Does OA apply, when appropriate for IFAD, internationally recognised audit standards, such as the standards issued by the Institute of Internal Auditors (IIA) or equivalent? In particular, are there any situations that could threaten OA's organisational independence? Are the auditors sufficiently aware of the principles of integrity, objectivity, confidentiality and competency, and do they apply them in all of their dealings??
- Are the audit and ERM committees formally constituted? Do they effectively discharge their oversight responsibilities?

5.5 Assurance Provision

- Does IFAD have an overall assurance framework in place and is this coordinated effectively?
- Are the Executive Board and the Audit Committee actively involved in determining the assurance needed together with the levels and sources?
- Do responsible managers provide written assurance on at least an annual basis? How do they obtain this assurance?
- Is management assurance provided separately to assurance provided by Audit and other independent assurance providers?

INFORMATION CIRCULAR



15 January 2010

Distribution: All staff

Originator: Jessie Rose Mabutas,
Acting Chair, Enterprise Risk Management Committee

Subject: IFAD's Enterprise Risk Management Framework

I am pleased to share with you [IFAD's Enterprise Risk Management \(ERM\) Framework](#) as it was adopted by the Enterprise Risk Management Committee. This ERM Framework is a guidance document and is intended for use as a reference tool.

The purpose of the ERM Framework is to help IFAD manage risks and seize opportunities related to the achievement of its objectives by providing the context for defining improvements in IFAD's risk management capabilities. It is a set of principles and good practices which if adhered to will add assurance that risks are being properly identified, assessed, managed, monitored and assured throughout the organization.

The ERM Framework is based on the [COSO](#)¹ ERM, a risk management standard commonly used by other IFIs and UN organizations. The five key components listed below link in with the way IFAD is managed, directed and controlled.

1. The internal environment
2. Risk identification and assessment
3. Control activities and risk mitigation
4. Information and communication
5. Monitoring and assurance

Due to its comprehensive nature, the Framework serves as an integration platform for on-going and planned efforts related to risk management such as the corporate risk register, the managing for results framework, the business continuity planning, accountability framework and the implementation of a management assertion on the effectiveness of internal controls over financial reporting.

The main assumption underlying the Framework is that for any given activity, risks must be assessed and managed at the appropriate level (such as business unit, divisional, departmental or corporate level). Some of the guidance is specific to individual functions, however, many of the principles and good practices are relevant to all staff. In order to assist all staff in understanding what needs to be done or should be in place in order to ensure that the framework is meaningful, functional and effective, a set of questions supporting each component are detailed in the Annex to the framework.

IFAD's risks are constantly changing, so too must its risk management capabilities constantly improve. With this in mind, the ERM Framework is intended to be a living document which will evolve and develop as IFAD's risk management strengthens and matures. Along the same lines, we wish to note that the references reflected in the current draft of the Framework may not necessarily be complete or reflect current practice, and will be updated as and when any new policies, procedures or related documents have been amended, updated or superseded.

ERMC Members will be happy to assist you with the interpretation and use of this document.

¹ The Committee of Sponsoring Organizations of the Treadway Commission, which established an Enterprise Risk Management Framework against which companies and organizations may assess their control systems.

Action Taken to Comply with GEF Fiduciary Standards - Separation of the complaint intake function from the Office of Audit and Oversight's Investigation Section (OA/IS)

Standard: *An intake function coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. The intake function maintains an appropriate level of autonomy from the investigations function.*

a) Receipt of incoming complaints

- **e-mail:** the password to the OA anticorruption mailbox (anticorruption@ifad.org) has been changed such that it is known only to the Senior Audit Officer (Creswell) and the Audit Assistant (Sbarra) who report to the Director of the Office of Audit and Oversight. They are not responsible for conducting investigations. They check the e-mailbox daily.
- **fax:** the confidential fax line (ext. -7888) is routed to come through as e-mails above.
- **telephone:** The confidential telephone line (ext. -2888), has been moved from the investigation section (office A717) into the office of the Audit Assistant (room A715 – Sbarra). The access code to retrieve messages left after normal office hours has been changed such that only Creswell and Sbarra can access them. The phone is checked daily.

b) Registration of incoming complaints

i/. An activity is set up in AutoAudit (software used by the Office of Audit and Oversight for managing internal audit electronic working papers) and marked as a CONFIDENTIAL AUDIT, such that only those people assigned to the intake registration activity (Creswell and Sbarra), and the Director (Lapointe), have access.

ii/. A single working paper (Complaint Intake Register) is created containing a password protected Excel spreadsheet in which all incoming allegations are logged and assigned a sequential number by the Audit Assistant (Sbarra) or the Senior Audit Officer (Creswell). Minimal information is recorded to avoid that confidential information resides in more than one place. In the exceptional circumstance that a complaint concerns the Director or staff of the Office of Audit and Oversight, it is referred directly to the President and is not entered in the intake register. Complaints received directly by the Investigation Section (i.e. in person, by normal telephone, etc) will not be entered into this intake register either. Information recorded in Excel is as follows:

- date of receipt of complaint
- date of referral to IS
- sender or caller email address/fax/phone number,
- excel complaint reference number assigned
- to whom the complaint has been referred:
 - a/. to the Investigation Section; or
 - b/. to the relevant department if the matter does not fall within the Investigation Section's mandate (to be input subsequently as such referral will be made by the Investigation Section following preliminary assessment of the complaint).
- and, to be input subsequently, for the first category above, the case number assigned by the Investigation Section
- status of case (referred, open or closed).

iii/. Since all recurrent audit activities in AutoAudit are closed every year and re-opened, the previous year's register is copied into the next year's file so as to maintain a single comprehensive Excel file for all years.

iv/. The AutoAudit database, which resides on a server managed by the Management Information System division, is encrypted and can be accessed only by individuals with the software installed and with assigned user names and passwords. The Administrators (Audit Assistant Sbarra and Senior Audit Officer Walker) manage the user IDs and password security for this software.

c) Forwarding complaints to the Investigation Section and subsequent **tracking**

As per section 2.4 of Annex 1 to President's Bulletin 2007/02 "*IFAD Investigation and Sanction Process*", allegations concerning the Director or staff of the Office of Audit and Oversight will be reported to the President and will be investigated by an investigative expert selected by the President who will report his/her findings directly to the President. Otherwise, all complaints are forwarded to the Investigation Section by the Audit Assistant or Senior Audit Officer responsible for the intake function, typically via a USB flash drive. The Investigation Section is responsible for acknowledging receipt to complainants. As per normal practice and subject to the matter falling within the Investigation Section's mandate, the Investigation Section opens a case number in their tracking system. Otherwise, the complaint is referred to the relevant department for action and follow-up on status.

d) Closure of complaints

All case closures will be authorised by the Director of the Office of Audit and Oversight. The Audit Assistant periodically enters the Investigation Section's case reference number and/or, for complaints outside the investigative mandate to whom the complaint or case was referred, in the Complaint Intake Register. The Director is responsible for following up with the Investigation Section on complaints in the register that are not closed, thereby ensuring that all complaints received through the separate intake processes are followed up.

With these changes, IFAD is now fully compliant with GEF fiduciary standards on the complaint intake function.

Action Taken to Comply with GEF Fiduciary Standards - Whistleblower protection

Standard: *A whistleblower protection policy covering who is protected and defining protected disclosures (such as violations of law, rule or regulation, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety). The policy defines the standard of protection from retaliation (such as placing the burden on the agency to provide evidence that the involved official would have taken place absent the protected disclosure).*

We have reviewed both the IFAD Anticorruption policy and President's Bulletin PB 2007/02 on the "IFAD Investigation and Sanction Processes" (section 3.3) which implements the policy internally. The IFAD Anticorruption policy¹ (Section II) clearly defines protected disclosures, noting they would include allegations of non-compliance with IFAD regulations and rules by a firm, individual or other entity as well as allegations as to fraud and corruption in IFAD operations. Secondly, President's Bulletin 2007/02 prohibits reprisals for disclosing information about "irregular practices", including allegations, providing information or simply cooperating. These irregular practices are defined in sec. 2 as any fraudulent, corrupt, collusive or coercive practice engaged in by IFAD staff, consultants or other entities, contractors or individuals in IFAD funded activities, as well as any failure by IFAD staff or consultants to observe the rules of conduct or standards of behaviour prescribed by the Organization (misconduct).

Therefore, it is stated in the documents that protected disclosures at IFAD include all allegations made, information provided or cooperation given pertaining to fraud, corrupt activity, misconduct or other non-compliance with IFAD regulations and rules together with any information provided in support of that allegation or relevant to it.

To relate this to the examples provided by GEF, fraud and corruption are in themselves a violation of law, rule or regulation. In extending the protection to allegations of staff misconduct, IFAD's rules also cover abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety, which would also count as violations of the Code of Conduct contained in the IFAD Human Resources Procedures Manual.

In summary, IFAD's legal framework provides the widest possible protection for whistleblowers, with clear definitions of protected disclosures and activities. Consequently, IFAD is fully compliant with GEF fiduciary standards on whistleblower protection.

¹ <http://www.ifad.org/gbdocs/eb/86/e/eb-2005-86-inf-8.pdf>



Enabling poor rural people to overcome poverty

THE PRESIDENT

27 July 2010

PB/2010/08

PRESIDENT'S BULLETIN

Originator: LEG

Distribution: All Staff

Subject: Certification of compliance with the IFAD Code of Conduct

The purpose of the present President's Bulletin is to require compliance by staff members with the code of conduct and to preserve the integrity of the Fund. This Bulletin must be considered as the first phase in ensuring compliance with the Code of Conduct. Other phases involving detailed disclosure by senior staff will be considered in the future.

1. Certification of compliance

Paragraph 8.22.1 of the HRPM stipulates that staff members must complete a code of conduct form certifying compliance with the IFAD code of conduct (Chapter 8 HRPM).

In implementation thereof staff members are hereby required to complete and submit the attached form (Annex1) by 30 October of each year.

2. Declaration of non-IFAD income

Pursuant to Paragraph 8.13.2 of the HRPM, all staff members are required to declare annually on the code of conduct form whether they have received any income, goods, services or assets from sources other than the Fund and to identify their sources.

3. Depository

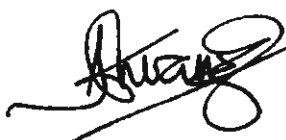
The completed code of conduct forms shall be submitted to the Director, Office of Audit and Oversight.

4. Confidentiality

The completed form and related disclosures are confidential and will be accessible to and used only by the President, the Director, Human Resources Division or by offices or persons specifically authorized by the President. A copy of the form and related disclosures may be placed in the staff member's personnel file in accordance with the provisions of the HRPM

5. Removal of Conflicts of Interest

If a staff member is not sure whether a conflict of interest exists, he/she may request a determination from the Director, Human Resources Division, who may consult the Office of the General Counsel and the Office of Audit and Oversight. If a conflict of interest is found to exist the Director, Human Resources Division shall inform the staff member and advise the President of any action to be taken by the Fund with regard to the staff member concerned. Notwithstanding the applicability of any other provision of the HRPM, the staff member shall be required to take such action as is necessary to remove the conflict of interest and to demonstrate to the Fund that such conflict no longer exists. The Director, Human Resources Division will confirm to the President the removal of the conflict of interest.



Kanayo F. Nwanze

ANNEX I

IFAD ANNUAL CERTIFICATION OF COMPLIANCE WITH THE CODE OF CONDUCT

- I. It is the policy of the Fund to conduct its business with honesty and integrity and in accordance with the highest legal and ethical standards. Each staff member must comply with the provisions of the *Code of Conduct* (Chapter 8 of the HRPMP) and must certify his or her compliance with the *Code of Conduct* on an annual basis.
- (a) I certify that I have read and understand the *Code of Conduct* and agree to abide by its provisions.
 - (b) I certify that I have not engaged in any activity that conflicts with the *Code of Conduct* since the date of my last certification.
 - (c) I certify that I have separately disclosed any personal business, membership, positions on boards of organizations, firms or non-governmental organizations (NGOs) or any financial interests in organizations or firms doing business with IFAD – as well as those of my immediate family members - that might give rise to a conflict of interest, reflect unfavourably on, or cause embarrassment to IFAD.
 - (d) I certify that, except as separately disclosed, I have not received any gift with a nominal value in excess of USD 100 that might influence or appear to influence my judgement as a staff member of IFAD.
 - (e) I certify that I am entitled to all of the allowances, benefits and entitlements that I am receiving and have received since the date of my last certification.
 - (f) I agree to make any disclosures required under (c) or (d) above, or otherwise required under the Code of Conduct or other applicable policy of IFAD, to the Director of Human Resources as soon as I become aware of the circumstances which create an obligation to make such a disclosure.
- II. I declare that during the last twelve months I have received income, goods, services and assets from the following sources, other than the Fund:

I certify that all statements made in relation to this statement are true, complete and correct to the best of my knowledge and belief. I understand that withholding information or providing any false information may constitute misconduct.

Signature

Date

United Nations Nations Unies

BOARD OF AUDITORS

NEW YORK

FAX: (212) 963 3684

Report of the United Nations Board of Auditors

On the financial statements of the United Nations Environment Programme (UNEP)-Global Environment Trust Fund (GEF)

For the year ended 31 December 2009

Report on the Financial Statements

We have audited the accompanying financial statements of the United Nations Environment Programme (UNEP)-Global Environment Facility (GEF)¹ Trust Funds, which comprise the statement of income and expenditure and changes in reserves and fund balance for the year ended 31 December 2009 and the statements of assets, liabilities, reserves and fund balance, and statements of cash flows for the period then ended. These financial statements should be read in conjunction with the notes and accounting policies of UNEP (A/65/5/Add.6).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in a format agreed to with the Global Environment Fund Trustee and in accordance with the United Nations system accounting standards, and for such internal control as management deems is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

¹ (a) Technical Cooperation Trust Fund for UNEP's implementation of the activities funded by the Global Environment Fund (GFL); (b) Technical Cooperation Trust Fund for the management of UNEP/GEF National Adaptation Programme of Action for Least Developed Countries (LDL); (c) Technical Cooperation Trust Fund for the implementation of the Global Environmental Facility Fee-Based System for Funding Projects (FBL); and (d) Technical Cooperation Trust Fund for the Management of UNEP/GEF Special Climate Change Fund Programme (CCL).

United Nations Nations Unies

BOARD OF AUDITORS

NEW YORK

FAX: (212) 963 3684

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit provides a reasonable basis for our audit opinion.

Opinion

In our opinion, these summarised financial statements present fairly, in all material aspects, the financial position of the UNEP-GEF Trust Funds as at 31 December 2009 and their financial performance and cash flows for the period then ended, in accordance with the United Nations system accounting standards.

United Nations Nations Unies

BOARD OF AUDITORS

NEW YORK

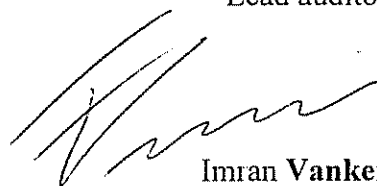
FAX: (212) 963 3684

Report on Other Legal and Regulatory Requirements

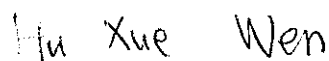
Furthermore, in our opinion, the transactions of the UNEP-GEF operations that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.



Olivier Myard
Director of External Audit (France)
United Nations Board of Auditors
Lead auditor



Imran Vanker
Director of External Audit (South Africa)
United Nations Board of Auditors



Xue Wen Hu
Director of External Audit (China)
United Nations Board of Auditors

30 June 2010

**TECHNICAL COOPERATION TRUST FUND FOR THE MANAGEMENT OF UNEP/GEF NATIONAL
ADAPTATION PROGRAMME OF ACTION FOR LEAST DEVELOPED COUNTRIES**

**STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCE
FOR THE BIENNIUM 2008-2009 ENDED 31 DECEMBER 2009**

	2009 \$ 000's	2008 \$ 000's	2008-2009 biennium \$ 000's
<u>Income</u>			
Voluntary contributions	110	515	625
Interest income	(160)	19	(141)
Miscellaneous income	-	-	-
Total income	(50)	534	484
<u>Expenditure</u>			
Staff and other personnel costs	16	60	76
Contractual services	54	45	99
Travel	(9)	18	9
Operating expenses	47	119	166
Acquisitions	(2)	28	26
Total expenditure	106	270	376
Excess / (shortfall) of income over expenditure	(156)	264	108
Reserves and fund balances, beginning of period	890	626	626
Reserves and fund balances, end of period	734	890	734

STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE AS AT 31 DECEMBER 2009

<u>Assets</u>		
Cash pool - US dollar	583	735
Accounts receivable:-		
Inter-fund balances	-	13
Other	183	142
Other Assets	-	-
Total assets	766	890
<u>Liabilities</u>		
Unliquidated obligations	-	-
Accounts payable:		
Inter-fund balances	32	-
Other	-	-
Total liabilities	32	-
<u>Reserves and fund balances</u>		
Cumulative surplus	734	890
Total reserves and fund balances	734	890
Total liabilities, reserves and fund balances	766	890


David Hastie
Chief Financial Officer

Date: 28 April 2010

**TECHNICAL COOPERATION TRUST FUND FOR THE MANAGEMENT OF UNEP/GEF NATIONAL
ADAPTATION PROGRAMME OF ACTION FOR LEAST DEVELOPED COUNTRIES**

STATEMENT OF CASH FLOWS FOR THE BIENNIUM 2008-2009 ENDED 31 DECEMBER 2009

	2009 \$ 000's	2008 \$ 000's
<u>Cash flows from operating activities</u>		
Net excess / (shortfall) of income over expenditure	(156)	264
<u>(Increase) / decrease in</u>		
Other accounts receivable	(41)	62
Other assets	-	1
Inter-fund balances	45	(12)
<u>Increase / (decrease) in</u>		
Unliquidated obligations	-	(46)
Other accounts payable	-	(19)
Less: interest income	160	(19)
Net cash from operating activities	8	231
<u>Cash flows from investing activities</u>		
(Increase) / decrease in cash pool	152	(250)
Plus: interest income	(160)	19
Net cash flow from investing activities	(8)	(231)
<u>Net increase / (decrease) in cash and term deposits</u>	-	-
Cash and term deposits, beginning of period	-	-
Cash and term deposits, end of period	-	-

**TECHNICAL COOPERATION TRUST FUND FOR THE MANAGEMENT OF UNEP/GEF
NATIONAL ADAPTATION PROGRAMME OF ACTION FOR LEAST DEVELOPED COUNTRIES**

**NOTES TO THE STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE
AS AT 31 DECEMBER 2009**

	2009 \$ 000's	2008 \$ 000's
<u>Other Accounts Receivable</u>		
Staff members	-	-
Vendors	-	-
Specialised agencies	-	-
Other UN agencies	69	50
Other	-	-
Government	114	92
	<u>183</u>	<u>142</u>

Ageing of Other Accounts Receivable

Less than six months	80	20
Six months to one year	42	40
More than one year	-	40
More than two years	61	42
	<u>183</u>	<u>142</u>

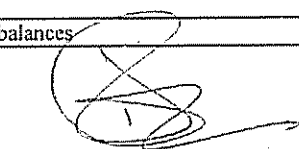
**TECHNICAL COOPERATION TRUST FUND FOR THE MANAGEMENT OF UNEP/GEF SPECIAL
CLIMATE CHANGE FUND PROGRAMME**

**STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND
BALANCE FOR THE BIENNIUM 2008-2009 ENDED 31 DECEMBER 2009**

	2009 \$ 000's	2008 \$ 000's	2008-2009 biennium \$ 000's
<u>Income</u>			
Voluntary contributions	5,000	25	5,025
Interest income	41	-	41
Total income	5,041	25	5,066
<u>Expenditure</u>			
Staff and other personnel costs	196	-	196
Contractual services	2,468	16	2,484
Travel	30	-	30
Operating expenses	370	9	379
Acquisitions	-	-	-
Total expenditure	3,064	25	3,089
Excess / (shortfall) of income over expenditure	1,977	-	1,977
Reserves and fund balances, beginning of period	-	-	-
Reserves and fund balances, end of period	1,977	-	1,977

STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE AS AT 31 DECEMBER

<u>Assets</u>		
Cash pool - US dollar	5,125	-
Accounts receivable:-		
Inter-fund balances	-	-
Other	200	-
Other Assets	-	-
Total assets	5,325	-
<u>Liabilities</u>		
Unliquidated obligations	3,064	-
Accounts payable:-		
Inter-fund balances	284	-
Other	-	-
Total liabilities	3,348	-
<u>Reserves and fund balances</u>		
Cumulative surplus	1,977	-
Total reserves and fund balances	1,977	-
Total liabilities, reserves and fund balances	5,325	-


David Hastie
Chief Financial Officer

Date: 28 April 2010

**TECHNICAL COOPERATION TRUST FUND FOR THE MANAGEMENT OF UNEP/GEF SPECIAL
CLIMATE CHANGE FUND PROGRAMME**

STATEMENT OF CASH FLOWS FOR THE BIENNIUM 2008-2009 ENDED 31 DECEMBER 2009

	2009 \$ 000's	2008 \$ 000's
<u>Cash flows from operating activities</u>		
Net excess / (shortfall) of income over expenditure	1,977	-
<u>(Increase) / decrease in</u>		
Other accounts receivable	(200)	-
Other assets		-
Inter-fund balances	284	-
<u>Increase / (decrease) in</u>		
Unliquidated obligations	3,064	-
Other accounts payable	-	-
Less: interest income	(41)	-
Net cash from operating activities	5,084	-
<u>Cash flows from investing activities</u>		
(Increase) / decrease in cash pool - US dollars	(5,125)	-
Plus: interest income	41	-
Net cash flow from investing activities	(5,084)	-
<u>Cash flows from financing activities</u>		
Savings on or cancellation of prior periods' obligations	-	-
Transfer from/(to) other funds	-	-
Refunds to donors	-	-
Net cash flow from financing activities	-	-
<u>Net increase / (decrease) in cash and term deposits</u>	-	-
Cash and term deposits, beginning of period	-	-
Cash and term deposits, end of period	-	-

**TECHNICAL COOPERATION TRUST FUND FOR THE MANAGEMENT OF UNEP/GEF
SPECIAL CLIMATE CHANGE FUND PROGRAMME**

**NOTES TO THE STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE
AS AT 31 DECEMBER 2009**

	2009 \$ 000's	2008 \$ 000's
<u>Other Accounts Receivable</u>		
Staff members	-	-
Vendors	200	-
Specialised agencies	-	-
Other UN agencies	-	-
Other	-	-
Government	-	-
	<u>200</u>	<u>-</u>
<u>Ageing of Other Accounts Receivable</u>		
Less than six months	-	-
Six months to one year	200	-
More than one year	-	-
More than two years	-	-
	<u>200</u>	<u>-</u>
<u>Other Assets</u>		
Education Grant advances	-	-
Others	-	-
	<u>-</u>	<u>-</u>
<u>Other Accounts Payable</u>		
Governments	-	-
Staff members	-	-
Vendors	-	-
Specialised agencies	-	-
Other UN agencies	-	-
Other	-	-
	<u>-</u>	<u>-</u>

**TECHNICAL COOPERATION TRUST FUND FOR THE IMPLEMENTATION OF THE GLOBAL
ENVIRONMENTAL FACILITY FEE-BASED SYSTEM FOR FUNDING PROJECTS**

**STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCE
FOR THE BIENNIUM 2008-2009 ENDED 31 DECEMBER 2009**

	2009 \$ 000's	2008 \$ 000's	2008-2009 biennium \$ 000's
<u>Income</u>			
Voluntary contributions	6,243	1,622	7,865
Interest income	245	345	590
Miscellaneous income	-	-	0
Total income	6,488	1,967	8,455
<u>Expenditure</u>			
Staff and other personnel costs	7,422	7,259	14,681
Contractual services	179	53	232
Travel	923	565	1,488
Operating expenses	980	1,084	2,064
Acquisitions	139	96	235
Total expenditure	9,643	9,057	18,700
Excess / (shortfall) of income over expenditure	(3,155)	(7,090)	(10,245)
Prior year adjustment	-	(40)	(40)
Net excess / (shortfall) of income over expenditure	(3,155)	(7,130)	(10,285)
Savings on cancellation of prior periods' obligations	-	-	-
Transfer to other funds	-	-	-
Refunds to donors	-	-	-
Reserves and fund balances, beginning of period	13,040	20,170	20,170
Reserves and fund balances, end of period	9,885	13,040	9,885

STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE AS AT 31 DECEMBER 2009

<u>Assets</u>		
Cash pool - US dollar	10,567	13,119
Accounts receivable:		
Inter-fund balances	-	155
Other	283	286
Other Assets	103	75
Total assets	10,953	13,635
<u>Liabilities</u>		
Unliquidated obligations	359	441
Accounts payable:		
Inter-fund balances	619	-
Other	90	154
Total liabilities	1,068	595
<u>Reserves and fund balances</u>		
Cumulative surplus	9,885	13,040
Total reserves and fund balances	9,885	13,040
Total liabilities, reserves and fund balances	10,953	13,635


David Hastie
Chief Financial Officer

Date: 28 April 2010

**TECHNICAL COOPERATION TRUST FUND FOR THE IMPLEMENTATION OF THE GLOBAL
ENVIRONMENTAL FACILITY FEE-BASED SYSTEM FOR FUNDING PROJECTS**

STATEMENT OF CASH FLOWS FOR THE BIENNIUM 2008-2009 ENDED 31 DECEMBER 2009

	2009 \$ 000's	2008 \$ 000's
<u>Cash flows from operating activities</u>		
Net excess / (shortfall) of income over expenditure	(3,155)	(7,130)
<u>(Increase) / decrease in</u>		
Other accounts receivable	3	(141)
Other assets	(28)	8
Inter-fund balances	774	4,033
<u>Increase / (decrease) in</u>		
Unliquidated obligations	(82)	(86)
Other accounts payable	(64)	82
Less: interest income	(245)	(345)
Net cash from operating activities	(2,797)	(3,579)
<u>Cash flows from investing activities</u>		
(Increase) / decrease in cash pool - US dollars	2,552	3,234
Plus: interest income	245	345
Net cash flow from investing activities	2,797	3,579
<u>Cash flows from financing activities</u>		
Savings on or cancellation of prior periods' obligations	-	-
Transfer from/(to) other funds	-	-
Refunds to donors	-	-
Net cash flow from financing activities	-	-
<u>Net increase / (decrease) in cash and term deposits</u>	-	-
Cash and term deposits, beginning of period	-	-
Cash and term deposits, end of period	-	-

**TECHNICAL COOPERATION TRUST FUND FOR THE IMPLEMENTATION OF THE GLOBAL
ENVIRONMENT FACILITY FEE-BASED SYSTEM FOR FUNDING PROJECTS**

**NOTES TO THE STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE
AS AT 31 DECEMBER 2009**

	2009 \$ 000's	2008 \$ 000's
<u>Other Accounts Receivable</u>		
Staff members	152	229
Vendors	-	3
Specialised agencies	112	50
Other UN agencies	19	3
Other	-	2
Government	-	-
	<u>283</u>	<u>286</u>

Ageing of Other Accounts Receivable

Less than six months	216	114
Six months to one year	62	168
More than one year	2	4
More than two years	3	-
	<u>283</u>	<u>286</u>

Other Assets

Education Grant advances	103	72
Others	-	3
	<u>103</u>	<u>75</u>

Other Accounts Payable

Governments	-	-
Staff members	46	98
Vendors	34	32
Specialised agencies	-	-
Other UN agencies	9	12
Other	1	11
	<u>90</u>	<u>154</u>

**TECHNICAL COOPERATION TRUST FUND FOR UNEP'S IMPLEMENTATION OF THE ACTIVITIES
FUNDED BY THE GLOBAL ENVIRONMENT FUND**

**STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCE
FOR THE BIENNIUM 2008-2009 ENDED 31 DECEMBER 2009**

	2009 \$ 000's	2008 \$ 000's	2008-2009 biennium \$ 000's
<u>Income</u>			
Voluntary contributions	46,877	61,354	108,231
Interest income	(1,063)	964	-99
Miscellaneous income	(14)	14	-
Total income	45,800	62,332	108,132
<u>Expenditure</u>			
Staff and other personnel costs	9,949	10,273	20,222
Contractual services	27,392	27,818	55,210
Travel	1,745	1,582	3,327
Operating expenses	10,211	9,946	20,157
Acquisitions	1,556	1,516	3,072
Total expenditure	50,853	51,135	101,988
Excess / (shortfall) of income over expenditure	(5,053)	11,197	6,144
Prior year adjustment	(82)	(24)	(106)
Net excess / (shortfall) of income over expenditure	(5,135)	11,173	6,038
Provisional savings on or cancellation of prior periods' obligations	-	1	1
Reserves and fund balances, beginning of period	64,720	53,546	53,546
Reserves and fund balances, end of period	59,585	64,720	59,585

STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE AS AT 31 DECEMBER

<u>Assets</u>		
Cash and term deposits	-	-
Cash pool - US dollar	40,894	36,704
Accounts receivable:		
Voluntary contributions receivable	-	80
Inter-fund balances	-	1,676
Other	29,139	33,045
Other assets	23	32
Total assets	70,056	71,537
<u>Liabilities</u>		
Unliquidated obligations	3,817	1,999
Accounts payable:		
Inter-fund balances	2,061	-
Other	4,593	4,818
Total liabilities	10,471	6,817
<u>Reserves and fund balances</u>		
Cumulative surplus	59,585	64,720
Total reserves and fund balances	59,585	64,720
Total liabilities, reserves and fund balances	70,056	71,537


David Hastie
Chief Financial Officer

Date: 28 April 2010

**TECHNICAL COOPERATION TRUST FUND FOR UNEP'S IMPLEMENTATION OF THE
ACTIVITIES FUNDED BY THE GLOBAL ENVIRONMENT FUND**

STATEMENT OF CASH FLOWS FOR BIENNIUM 2008-2009 ENDED 31 DECEMBER 2009

	2009	2008
	\$ 000's	\$ 000's
<u>Cash flows from operating activities</u>		
Net excess / (shortfall) of income over expenditure	(5,135)	11,173
<u>(Increase) / decrease in</u>		
Voluntary contributions receivable	80	(80)
Other accounts receivable	3,906	9,213
Other assets	9	11
Inter-fund balances	3,737	1,975
<u>Increase / (decrease) in</u>		
Unliquidated obligations	1,818	(2,141)
Other accounts payable	(225)	(1,838)
Less: interest income	1,063	(964)
<u>Net cash from operating activities</u>	<u>5,253</u>	<u>17,349</u>
<u>Cash flows from investing activities</u>		
(Increase) / decrease in cash pool - US dollar	(4,190)	(18,314)
Plus: interest income	(1,063)	964
<u>Net cash flow from investing activities</u>	<u>(5,253)</u>	<u>(17,350)</u>
<u>Cash flow from financing activities</u>		
Savings on or cancellation of prior periods' obligations	-	1
<u>Net cash flow from financing activities</u>	<u>-</u>	<u>1</u>
<u>Net increase / (decrease) in cash and term deposits</u>	-	-
Cash and term deposits, beginning of period	-	-
Cash and term deposits, end of period	-	-

**TECHNICAL COOPERATION TRUST FUND FOR UNEP'S IMPLEMENTATION OF THE ACTIVITIES
FUNDED BY THE GLOBAL ENVIRONMENT FUND**

**NOTES TO THE STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE
AS AT 31 DECEMBER 2009**

	2009 \$ 000's	2008 \$ 000's
<u>Other Accounts Receivable</u>		
Staff members	58	56
Vendors	3	2
Specialised agencies	8,396	6,895
Other UN agencies	13,049	18,125
Other	45	11
Government	7,588	7,955
	<u>29,139</u>	<u>33,045</u>

Ageing of Other Accounts Receivable

Less than six months	10,375	14,353
Six months to one year	6,941	3,317
More than one year	3,846	7,210
More than two years	7,977	8,165
	<u>29,139</u>	<u>33,045</u>

Other Assets

Education Grant advances	13	20
Others	10	12
	<u>23</u>	<u>32</u>

Other Accounts Payable

Governments	1,081	1,368
Staff members	66	35
Vendors	52	11
Specialised agencies	73	84
Other UN agencies	3,305	3,247
Other	16	73
	<u>4,593</u>	<u>4,818</u>



UNITED NATIONS ENVIRONMENT PROGRAMME

Programme des Nations Unies pour l'environnement Programa de las Naciones Unidas para el Medio Ambiente

Программа Организации Объединенных Наций по окружающей среде برنامج الأمم المتحدة للبيئة

联合国环境规划署



MEMORANDUM

To:		Date:	19 March 2009
From:	Maryam Niamir-Fuller Director, DGEF	Reference:	DGEF Policy Notes
Subject:	Policy Note No. 5 Project Risk Management		

DGEF has set up a system to better manage the risk associated with projects and to ensure that all projects are implemented within the agreed budgets (including the IA fee) and agreed timeline, achieving the agreed results. This policy is intended to help us to flag risky projects at an early stage to be able to take adequate measures to address the risk and to get the project back on track. It should be underlined that a no cost extension is a financial risk because it involves more time to be spent by DGEF staff on the project than originally planned and financed by the IA fee. A project at risk might cause substantial financial loss to DGEF. DGEF's database has a risk tracking system that uses the indicators described in the annex in line with this policy.

1. A project should be considered for classification as a **Problem-Project**¹ if one or more of the following **criteria** applies:

- (i) A project does not achieve its planned outputs within the timeline agreed in the legal instrument.
- (ii) A project shows a low level of expenditure against the budget.
- (iii) A project progress report is not submitted on time, or is below the required standard.
- (iv) A project financial report is not submitted on time, or is below the required standard.
- (v) Regular contacts with the project contact person or good working relationships with the executing agency are not possible to maintain.
- (vi) It is not possible to get adequate response to substantive requests.
- (vii) Terminal reporting and final financial reporting, after completion of the project, is below the required quality standard, missing, incomplete, inaccurate, etc.

It is the obligation of Task Managers, in close cooperation with Fund Managers, to flag projects that classify as problem projects to their respective supervisor/SPO, who will

¹ A Problem-Project needs substantial management and oversight input in order to rectify an unwanted situation. A Problem Project might become a Project at Risk if no action is taken or the situation worsens.



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برنامج الأمم المتحدة للبيئة

联合国环境规划署



MEMORANDUM

discuss the case with the Task Manager and will advise the Task Manager on the action to be taken to get the project back on track.

2. A project should be considered for classification as a **Project at Risk** if one or more of the following **criteria** applies²:

- The **project outcomes** are unacceptably behind schedule (more than 6 months) resulting in the need for project extension.
- The **project expenditures** are unacceptably behind schedule (only 30% or less of the expected spendings or 0 \$ disbursement within one year) resulting in need for project extension.
- The project **regular substantive reports** (e.g. progress report) are unacceptably behind schedule (12 month behind schedule), incomplete, and/or of unacceptable quality.
- The project **financial report** is unacceptably behind schedule (10 months behind schedule), incomplete and/or inaccurate.
- **Final reporting and financial obligations** are not met after technical completion of the project.
- There have been **no revisions** in the last 18 months of the project.
- **Annual Audit Reports** flag major problems.

All Task Managers are expected to inform their supervisors (SPOs) immediately if a project reaches the classification of a Project at Risk. SPOs are obliged to immediately inform the officer in the Finance Unit, who is in charge of keeping the project at risk file (Paul Vrontamitis), providing the following information:

- Project ID
- Project Title
- Project Duration (Start and Finish)
- Short Description of the Problem
- Action Taken
- Recommended further Action
- Amount involved (if financial risk)
- Receivables as at (current date)
- Date and amount of last cash advance
- Overall amount of GEF grant
- Name of the TM
- Name of the FMO

² The same criteria are also used within DGEF's project database.



UNITED NATIONS ENVIRONMENT PROGRAMME

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The Deputy Director will regularly monitor the Project at Risk File, discuss appropriate action with the SPO and the Head of the Finance unit and suggest any action to the Director of DGEF. Weekly SMT meetings will regularly review projects at risk and will discuss the appropriate action to be taken.

Annex: Indicator's used by DGEF's database system:

- Risk rating at entry (substantial or high)
- Last Risk rating in PIR (substantial or high)
- Executing Agency risk rating S or H in any project by the same EA in past 2 years
- Country risk rating (S or H from country classification, if a project is multi-country, then exclude this criterion)
- Completion delays (6 months after expected completion date)
- Disbursement delays (\$0 disbursement within the year)
- Delayed financial reports (no reports in last 10 months)
- Delayed substantive reports (no report in last 12 months)
- Lack of revision (no revision in the last 18 months)

DIVISION OF GEF COORDINATION
P.O. Box 30552-00100, Nairobi, Kenya
Tel: (254 20) 762 4166/4165 – Fax: (254 20) 7624041/42
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United Nations

Financial Regulations and Rules of the United Nations

Secretary-General's bulletin

ST/SGB/2003/7
9 May 2003

United Nations

Financial Regulations and Rules of the United Nations

Secretary-General's bulletin



9 May 2003

Secretary-General's bulletin

Financial Regulations and Rules

1. The Secretary-General hereby promulgates a revised edition of the Financial Regulations and Rules of the United Nations.
2. Through its Financial Regulations, the General Assembly issues the broad legislative directives governing the financial management of the United Nations. The revised Financial Regulations were approved by the Assembly in its decision 57/573 of 20 December 2002 and are effective as from 1 January 2003.
3. Within the framework of the Financial Regulations, as provided for in regulation 5.8, the Secretary-General formulates and promulgates the Financial Rules, which not only provide details to further define the parameters within which staff and the Administration must exercise their responsibilities, but also constitute a statement as to the manner in which the Financial Regulations are to be implemented. The revised Financial Rules are effective as from 1 June 2003.
4. A detailed explanation of the changes made in the Financial Regulations and Rules can be found in the report of the Secretary-General entitled "Proposed revisions to the Financial Regulations of the United Nations" (A/57/396).
5. By its decision 57/573, the General Assembly decided that former financial regulations 5.10 and 9.4, which applied exclusively to the United Nations Habitat and Human Settlements Foundation, should be presented in the special annex for the United Nations Habitat and Human Settlements Foundation to the Financial Regulations and Rules of the United Nations.
6. The present bulletin supersedes Secretary-General's bulletins ST/SGB/Financial Rules/1/Rev.3 of March 1985 entitled "Financial Regulations and Rules of the United Nations" and ST/SGB/Financial Rules/1/Rev.3/Amend.1 of September 1998 entitled "Amendment of Financial Rule 110.32: Property Survey Board" and any other communications concerning revisions to the Financial Rules.

(Signed) Kofi A. **Annan**
Secretary-General

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Article I

General provisions

Applicability and authority

Regulation 1.1. These Regulations shall govern the financial administration of the United Nations, including the International Court of Justice.

Rule 101.1

The Financial Rules are promulgated by the Secretary-General in accordance with the provisions of the Financial Regulations approved by the General Assembly. They shall govern all the financial management activities of the United Nations except as may otherwise explicitly be provided by the Assembly or unless specifically exempted therefrom by the Secretary-General. The Secretary-General hereby delegates authority and responsibility for the implementation of the Financial Regulations and Rules to the Under-Secretary-General for Management. The Under-Secretary-General for Management may in turn delegate by administrative instruction authority for specified aspects of the Financial Regulations and Rules. These administrative instructions will state whether the delegated official may assign aspects of this authority to other officials. In the application of the Financial Regulations and Rules, officials shall be guided by the principles of effective and efficient financial management and the exercise of economy.

Responsibility and accountability

Rule 101.2

All United Nations staff are obligated to comply with the Financial Regulations and Rules and with administrative instructions issued in connection with those Regulations and Rules. Any staff member who contravenes the Financial Regulations and Rules or corresponding administrative instructions may be held personally accountable and financially liable for his or her actions.

Definitions

Rule 101.3

For the purpose of these Rules:

(a) “Advisory Committee” shall mean the Advisory Committee on Administrative and Budgetary Questions;

(b) “Department” shall mean any department, office or other distinct organizational entity;

(c) “Head of department” shall mean the Under-Secretary-General, Assistant Secretary-General, Director or other officer in charge of a department, as defined in subparagraph (b) above.

Financial periods

Regulation 1.2. The financial period shall consist of two consecutive calendar years, the first of which shall be an even year, except for peacekeeping operations with special accounts, whose financial periods shall be one year from 1 July to 30 June.

Effective date

Regulation 1.3. These Regulations shall become effective on 1 January 2003. They may be amended only by the General Assembly.

Article II Budgets

A. Programme budget

Authority and responsibility

Regulation 2.1. The proposed programme budget for each financial period shall be prepared by the Secretary-General.

Rule 102.1

(a) The Secretary-General shall decide on the programme content and resource allocation of the proposed programme budget to be submitted to the General Assembly.

(b) Heads of department shall prepare programme budget proposals for the forthcoming financial period at such times and in such detail as the Under-Secretary-General for Management may prescribe and in accordance with the Financial Regulations and Rules and the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation (ST/SGB/2000/8).

Presentation, content and methodology

Regulation 2.2. The proposed programme budget shall cover income and expenditures for the financial period to which it relates and shall be presented in United States dollars.

Regulation 2.3. The proposed programme budget shall be divided into parts, sections and programmes. Programme narratives shall set out subprogrammes, outputs, objectives and accomplishments expected during the biennium. The proposed programme budget shall be preceded by a statement explaining the main changes made in the content of the programme and the volume of resources allocated to it in relation to the previous biennium. The proposed programme budget shall be accompanied by such information, annexes and explanatory statements as may be requested by or on behalf of the General

Assembly and such further annexes or statements as the Secretary-General may deem necessary and useful.

Rule 102.2

In addition to the detailed requirements of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation, the proposed programme budget shall contain:

(a) A detailed statement of resources by section, programme and subprogramme; for purposes of comparison, the expenditures for the previous financial period and the revised appropriations for the current financial period shall be indicated alongside the resource estimates for the forthcoming financial period;

(b) A statement of estimated income, including staff assessment income and income classified as miscellaneous in accordance with regulation 3.13; information on revenue-producing activities shall show estimated gross revenue and expenditure for each activity as well as the credit to the income section of the budget in respect of the net revenue from each such activity.

Review and approval

Regulation 2.4. The Secretary-General shall, in the second year of a financial period, submit his or her proposed programme budget for the following financial period to the General Assembly at its regular session. This proposed programme budget shall be transmitted to all Member States at least five weeks prior to the opening of that session.

Regulation 2.5. The Secretary-General shall, at least twelve weeks prior to the opening of the regular session of the General Assembly in the second year of a financial period, submit his or her proposed programme budget for the following financial period to the Advisory Committee for examination.

Regulation 2.6. The Advisory Committee shall prepare a report to the General Assembly on the programme budget proposed by the Secretary-General. This report shall be transmitted to all Member States at the same time as the proposed programme budget. The report, or an addendum to it, shall contain the recommendations of the Advisory Committee concerning the statement of the Secretary-General on the programme budget implications of the recommendations of the Committee for Programme and Coordination.

Regulation 2.7. The General Assembly shall, in the second year of a financial period, adopt the programme budget for the following financial period after consideration of the proposed programme budget and the report of the Advisory Committee thereon by the Administrative and Budgetary Committee of the Assembly.

Publication of the approved programme budget

Rule 102.3

The Under-Secretary-General for Management shall arrange for the publication of the programme budget as approved by the General Assembly.

Revised and supplementary programme budget requirements

Regulation 2.8. Supplementary programme budget proposals may be submitted by the Secretary-General whenever necessary.

Rule 102.4

Revised and supplementary programme budget proposals may be submitted in the following instances:

- (a) When, in the interest of peace and security, urgent approval is required;
- (b) When they include activities which the Secretary-General considers to be of the highest urgency and which could not have been foreseen at the time the initial programme budget proposals were prepared;
- (c) In respect of decisions taken by the General Assembly;
- (d) In respect of decisions taken by the Security Council, the Economic and Social Council or the Trusteeship Council;
- (e) When they cover activities mentioned in earlier programme budget proposals as items for which later submissions would be made;
- (f) When they involve changes in expenditure requirements associated with inflation and currency fluctuations.

Revised and supplementary programme budget proposals, presentation and submission

Regulation 2.9. The Secretary-General shall prepare supplementary programme budget proposals in a form consistent with the approved programme budget and shall submit such proposals to the General Assembly. The Advisory Committee shall review the supplementary proposals and report thereon.

Rule 102.5

- (a) Heads of department shall prepare revised and supplementary programme budget proposals in such detail and at such times as the Under-Secretary-General for Management may prescribe.
- (b) The Secretary-General shall decide on the programme content and resource allocation of all revised and supplementary programme budget proposals to be submitted to the General Assembly.

Resolutions with programme budget implications

Regulation 2.10. No council, commission or other competent body shall take a decision involving either a change in the programme budget approved by the General Assembly or the possible requirement of expenditure unless it has received and taken account of a report of the Secretary-General on the programme budget implications of the proposal.

Regulation 2.11. Where, in the opinion of the Secretary-General, a proposed expenditure cannot be made from existing appropriation, it shall not be incurred until the General Assembly has made the necessary appropriation unless the Secretary-General certifies that the expenditure can be made under the provisions of the Assembly resolution relating to unforeseen and extraordinary expenses.

Rule 102.6

All heads of department are responsible for preparing, obtaining clearance thereon from the Under-Secretary-General for Management, and presenting to relevant legislative bodies the statements on programme budget implications required by regulation 2.10.

Unforeseen and extraordinary expenses

Rule 102.7

(a) Authorizations to incur commitments in accordance with General Assembly resolutions relating to unforeseen and extraordinary expenses shall be issued by the Under-Secretary-General for Management.

(b) The Under-Secretary-General for Management shall report to the General Assembly on the status of all commitments relating to unforeseen and extraordinary expenses in the performance reports on the programme budget.

B. Peacekeeping operation budgets

Authority, responsibility, submission and approval

Regulation 2.12. Budgets for peacekeeping operations setting out objectives, expected accomplishments and outputs shall be prepared by the Secretary-General for consideration and approval by the General Assembly.

Regulation 2.13. The Secretary-General shall submit twice a year to the General Assembly for informational purposes a table summarizing the budgetary requirements of each peacekeeping operation for the financial period from 1 July to 30 June, including a breakdown of expenditure by major line item and the aggregate total resource requirement.

Rule 102.8

(a) The Secretary-General shall decide on the objectives, expected accomplishments, outputs, activities and resource allocation in all peacekeeping operation budgets submitted to the General Assembly.

(b) Budget estimates for peacekeeping operations shall be prepared at such times and in such detail and form as the Under-Secretary-General for Management may prescribe and in accordance with the requirements of the General Assembly.

C. International Court of Justice**Budget preparation and submission**

Regulation 2.14. The programme budget proposals of the International Court of Justice shall be prepared by the Court in consultation with the Secretary-General. These programme budget proposals shall be submitted to the General Assembly by the Secretary-General, together with such observations as he or she may deem desirable.

Article III

Contributions and other income

A. Programme budget**Assessed contributions**

Regulation 3.1. Appropriations, subject to the adjustments effected in accordance with the provisions of regulation 3.2, shall be financed by contributions from Member States, according to the scale of assessments determined by the General Assembly. Pending the receipt of such contributions, the appropriations may be financed from the Working Capital Fund.

Regulation 3.2. For each of the two years of a financial period, the contributions of Member States shall be assessed on the basis of half of the appropriations approved by the General Assembly for that financial period, except that adjustments shall be made to the assessments in respect of:

(a) Supplementary appropriations for which contributions have not previously been assessed on Member States;

(b) Half of the estimated miscellaneous income for the financial period for which credits have not previously been taken into account and any adjustments in estimated miscellaneous income previously taken into account;

(c) Contributions resulting from the assessment of new Member States under the provisions of regulation 3.7;

(d) Any balance of the appropriations surrendered under regulations 5.3 and 5.4;

(e) Half of the Member States' credits in the Tax Equalization Fund for the financial period estimated to be not required to meet charges for tax refunds during the calendar year and any adjustments in the estimated credits previously taken into account.

Requests for payment of assessed contributions

Regulation 3.3. After the General Assembly has adopted or revised the programme budget and determined the amount of the Working Capital Fund, the Secretary-General shall:

- (a) Transmit the relevant documents to Member States;
- (b) Inform them of their commitments in respect of annual contributions and advances to the Working Capital Fund;
- (c) Request them to remit their contributions and advances.

Rule 103.1

The Under-Secretary-General for Management shall comply with regulation 3.3 within thirty days of the General Assembly's decision to approve or revise the programme budget and the level of the Working Capital Fund. Requests for the payment of assessed contributions and advances to the Working Capital Fund shall also inform Member States of the extent to which and the conditions under which their contributions and advances may be paid in currencies other than the United States dollar.

Payment of assessed contributions

Regulation 3.4. Contributions and advances shall be considered as due and payable in full within thirty days of the receipt of the communication of the Secretary-General referred to in regulation 3.3 or on the first day of the calendar year to which they relate, whichever is later. As of 1 January of the following calendar year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears.

Regulation 3.5. Payments made by a Member State shall be credited first to the Working Capital Fund and then to the contributions due in the order in which the Member was assessed.

Regulation 3.6. The Secretary-General shall submit to the General Assembly at each regular session a report on the collection of contributions and advances to the Working Capital Fund.

Assessed contributions from new Member States

Regulation 3.7. New Members shall be required to make a contribution for the year in which they become Members and to provide their proportion of the total advances to the Working Capital Fund at rates to be determined by the General Assembly.

Assessed contributions from non-member States

Regulation 3.8. States which are not Members of the United Nations but which become parties to the Statute of the International Court of Justice or treaty bodies financed from United Nations appropriations shall contribute to the expenses of such bodies at rates to be determined by the General Assembly. States which are not Members of the United Nations but which participate in organs or conferences financed from United Nations appropriations shall contribute to the expenses of such organs or conferences at rates to be determined by the General Assembly, unless the Assembly decides with respect to any such State to exempt it from the requirement of so contributing. Such contributions shall be taken into account as miscellaneous income.

Rule 103.2

At the beginning of each calendar year, the Under-Secretary-General for Management shall determine the assessment base on which non-member States are called upon to make contributions, calculate the required contribution of each non-member State applying criteria approved by the General Assembly and inform each non-member State accordingly.

Currency of assessed contributions

Regulation 3.9. Annual contributions and advances to the Working Capital Fund shall be assessed and paid in United States dollars.

Rule 103.3

(a) To the extent authorized by the General Assembly, and notwithstanding regulation 3.9, assessed contributions and advances to the Working Capital Fund may be paid in currencies other than the United States dollar if the Under-Secretary-General for Management is satisfied that:

- (i) The currencies are required to meet expenses to be settled in those selfsame currencies;
- (ii) The currencies represent freely transferable and readily usable funds throughout the country within which they are to be used, or the donor country, if different, without the need for further negotiations with regard to exchange or other regulations or controls.

(b) The equivalent, in United States dollars, of contributions paid in other currencies is calculated at the most favourable rate of exchange available to the United Nations on the date of payment (normally the market buying rate).

B. Peacekeeping operation budgets

Assessed contributions

Regulation 3.10. Except as otherwise specified by the General Assembly, the appropriations for peacekeeping operations shall be financed by contributions

from Member States according to the scale of assessments approved by the Assembly, as modified by any related system of adjustments approved by the Assembly. The payment of assessed contributions for peacekeeping operations shall also be governed by regulation 3.4.

C. Voluntary contributions, gifts and donations

Acceptance and purpose

Regulation 3.11. Voluntary contributions, whether or not in cash, may be accepted by the Secretary-General provided that the purposes for which the contributions are made are consistent with the policies, aims and activities of the Organization and provided that the acceptance of such contributions that directly or indirectly involve additional financial liability for the Organization shall require the consent of the appropriate authority.

Regulation 3.12. Moneys accepted for purposes specified by the donor shall be treated as trust funds or special accounts under regulations 4.13 and 4.14.

Authority and liability

Rule 103.4

(a) In cases other than those approved by the General Assembly, the receipt of any voluntary contribution, gift or donation to be administered by the United Nations requires the approval of the Under-Secretary-General for Management.

(b) Voluntary contributions, gifts or donations which directly or indirectly involve additional financial liability for the Organization may be accepted only with the approval of the General Assembly.

(c) Gifts or donations are to be defined and administered as voluntary contributions.

D. Miscellaneous income

Programme budget

Regulation 3.13. All other income except:

- (a) Contributions to the programme budget;
- (b) Direct refunds of expenditures made during the financial period;
- (c) Advances or deposits to funds; and
- (d) Revenue derived from the Staff Assessment Plan

shall be classed as miscellaneous income, for credit to the General Fund.

New Member States and non-member States

Rule 103.5

Contributions from non-member States and, for the year of admission to the United Nations, from new Member States, shall be credited as miscellaneous income.

Voluntary contributions, gifts and donations

Regulation 3.14. Moneys accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported as gifts in the accounts of the financial period.

Reimbursements of expenditures

Rule 103.6

(a) Within the same financial period, reimbursements of actual expenditures incurred may be credited to the accounts against which they were originally charged; reimbursements of actual expenditures incurred in prior financial periods shall be credited as miscellaneous income.

(b) Adjustments that arise subsequent to the closing of an extrabudgetary account (i.e., a trust fund, special account, project, etc.) shall be debited or credited against miscellaneous income in that selfsame account.

Proceeds from revenue-producing activities and from the rental of United Nations office space

Rule 103.7

Proceeds from revenue-producing activities and from the rental of United Nations office space shall be credited as miscellaneous income.

E. Receipt of funds

Receipt and deposit

Rule 103.8

(a) An official receipt shall be issued within two business days of receipt for all cash and negotiable instruments received.

(b) Only officials designated by the Under-Secretary-General for Management shall be authorized to issue official receipts. If other officials receive money intended for the Organization, they must immediately convey this money to an official authorized to issue an official receipt.

(c) All moneys received shall be deposited in an official bank account within two business days of receipt.

Article IV

Custody of funds

A. Internal accounts

General Fund

Regulation 4.1. There shall be established a general fund for the purpose of accounting for the expenditures of the Organization. The contributions paid by Member States under regulation 3.1, miscellaneous income and any advances made from the Working Capital Fund to finance general expenditures shall be credited to the General Fund.

Working Capital Fund

Regulation 4.2. There shall be established a working capital fund in an amount and for purposes to be determined from time to time by the General Assembly. The source of moneys of the Working Capital Fund shall be advances from Member States, and those advances, made in accordance with the scale of assessments as determined by the Assembly for the apportionment of the expenses of the United Nations, shall be carried to the credit of Member States that have made such advances.

Advances from the Working Capital Fund

Regulation 4.3. Advances made from the Working Capital Fund to finance budgetary appropriations shall be reimbursed to the Fund as soon as and to the extent that income is available for that purpose.

Regulation 4.4. Except when such advances are recoverable from some other source, advances made from the Working Capital Fund for unforeseen and extraordinary expenses or other authorized purposes shall be reimbursed through the submission of supplementary programme budget proposals.

Rule 104.1

Advances from the Working Capital Fund may be made only for the purposes and within the terms and conditions prescribed by the General Assembly and only with the approval of the Under-Secretary-General for Management.

Peacekeeping Reserve Fund

Regulation 4.5. There shall be established a peacekeeping reserve fund as a cash flow mechanism to ensure the rapid response of the Organization during the start-up phase of new peacekeeping operations and the expansion of existing peacekeeping operations and to meet unforeseen and extraordinary expenditure requirements related to peacekeeping. The level of the fund and the means by which it shall be financed by Member States shall be determined by the General Assembly.

Advances from the Peacekeeping Reserve Fund

Regulation 4.6. If a decision of the Security Council relating to the start-up or expansion phase of peacekeeping operations results in the need for expenditure, the Secretary-General is authorized, with the prior concurrence of the Advisory Committee and subject to regulation 4.8, to enter into commitments not to exceed 50 million United States dollars per decision of the Security Council. The cumulative total of outstanding commitment authority in respect of the start-up or expansion phase of peacekeeping operations is not to exceed the total level of the Peacekeeping Reserve Fund at any one time; however, the appropriation by the General Assembly of any outstanding commitments shall automatically restore this commitment authority to the extent of the amount appropriated.

Regulation 4.7. Advances made from the Peacekeeping Reserve Fund shall be reimbursed as soon as receipts from contributions are available for those purposes.

Regulation 4.8. If a decision of the Security Council results in the need for the Secretary-General to enter into commitments for the start-up or expansion phase of peacekeeping operations in an amount exceeding 50 million dollars per decision of the Security Council or exceeding the total level of the Peacekeeping Reserve Fund, the matter shall be brought to the General Assembly as soon as possible for a decision on commitment authority and assessment.

Regulation 4.9. The Secretary-General and the Advisory Committee shall report to the General Assembly on any exercise of the commitment authority given under regulation 4.6, together with the circumstances relating thereto, in the context of the next report submitted to the Assembly on the financing of the relevant peacekeeping operation.

Rule 104.2

Advances from the Peacekeeping Reserve Fund may be made only for the purposes and within the terms and conditions prescribed, as appropriate, by the Security Council, the General Assembly and the Advisory Committee and only with the approval of the Under-Secretary-General for Management.

Tax Equalization Fund

Regulation 4.10. There shall be established a tax equalization fund to which the staff assessment deductions from those staff salaries financed from assessed contributions shall be credited. Within the Tax Equalization Fund, revenue shall be recorded as credits to Member States and divided among them in accordance with the proportions approved by the General Assembly for the relevant rates of assessments. All credits shall pertain to a specific year and shall be calculated in accordance with the rates of assessments approved for that same year; prior-period adjustments shall also observe this principle.

Use of the Tax Equalization Fund

Regulation 4.11. Tax Equalization Fund revenue shall be used to refund staff members for income taxes levied by Member States in respect of their United Nations remuneration. Obligations shall be established against the Tax Equalization Fund to cover the estimated liabilities in respect of the refunds made to staff members of those income taxes. If a Member State's credit in the Tax Equalization Fund is insufficient for this purpose, the shortfall shall be added to and recovered from assessed contributions due from that Member State in the subsequent financial period. Where income tax is levied on staff financed from sources of funds that do not contribute to the Tax Equalization Fund, the additional costs for tax reimbursement shall be borne by those sources of funds.

Regulation 4.12. In accordance with regulation 3.2, any balance on a Member State's tax equalization account after the obligations referred to in regulation 4.11 have been satisfied shall be credited against the assessed contributions due from that Member State the following year.

Trust funds and reserve and special accounts

Regulation 4.13. Trust funds and reserve and special accounts may be established by the Secretary-General and shall be reported to the Advisory Committee.

Regulation 4.14. The purpose and limits of each trust fund and reserve and special account shall be clearly defined by the appropriate authority. Unless otherwise provided by the General Assembly, such funds and accounts shall be administered in accordance with the present Regulations.

Rule 104.3

Trust funds and reserve and special accounts may be established by the General Assembly or the Secretary-General in respect of specific activities entrusted to the Organization. The establishment, purpose and limits of trust funds and reserve and special accounts established under the authority of the Secretary-General require the approval of the Under-Secretary-General for Management.

B. Banking

Bank accounts, authority and policy

Regulation 4.15. The Secretary-General shall designate the bank or banks in which the funds of the Organization shall be kept.

Rule 104.4

The Under-Secretary-General for Management shall designate the banks in which the funds of the United Nations shall be kept, shall establish all official bank accounts required for the transaction of United Nations business and shall designate those officials to whom signatory authority is delegated for the operation of those

accounts. The Under-Secretary-General for Management shall also authorize all bank account closures. United Nations bank accounts are to be opened and operated in accordance with the following guidelines:

- (a) Bank accounts shall be designated “official accounts of the United Nations” and the relevant authority shall be notified that those accounts are exempt from all taxation;
- (b) Banks shall be required to provide prompt monthly statements;
- (c) Two signatures, or their electronic equivalent, shall be required on all cheques and other withdrawal instructions, including electronic modes of payment;
- (d) All banks shall be required to recognize that the Under-Secretary-General for Management is authorized to receive, upon request or as promptly as is practicable, all information pertaining to official bank accounts of the United Nations.

Bank signatories

Rule 104.5

Bank signatory authority and responsibility is assigned on a personal basis and cannot be delegated. Bank signatories cannot exercise the approving functions assigned in accordance with rule 105.6. Designated bank signatories must:

- (a) Ensure that there are sufficient funds in the bank account when cheques and other payment instructions are presented for payment;
- (b) Verify that all cheques and other payment instructions are pre-encumbered, dated and drawn to the order of the named payee approved by an approving officer (designated in accordance with rule 105.6), as indicated in the accompanying disbursement voucher, payment instructions and original invoice;
- (c) Ensure that cheques and other banking instruments are properly safeguarded and that when they are obsolete they are destroyed in accordance with rule 106.11.

Exchange of currencies

Rule 104.6

Officials responsible for the operation of United Nations bank accounts or for holding United Nations cash or negotiable instruments are not authorized to exchange one currency for another, except to the minimum extent necessary for the transaction of official business.

Remittances to offices away from Headquarters

Rule 104.7

Offices away from Headquarters shall obtain their funds through remittances from Headquarters. In the absence of a special authorization from the Under-

Secretary-General for Management, those remittances shall not exceed the amount required to bring cash balances up to the levels necessary to meet the recipient office's estimated cash requirements for the next two and a half months.

Cash advances

Rule 104.8

(a) Petty cash advances and Cashier's Fund advances may be made only by and to officials designated for this purpose by the Under-Secretary-General for Management.

(b) The relevant accounts shall be maintained on an imprest system and the amount and purpose of each advance shall be defined by the Under-Secretary-General for Management.

(c) The Under-Secretary-General for Management may approve other cash advances as may be permitted by the Staff Regulations and Rules and administrative instructions and as may otherwise be authorized in writing by him or her.

Rule 104.9

Officials to whom cash advances are issued shall be held personally accountable and financially liable for the proper management and safekeeping of cash so advanced and must be in a position to account for these advances at all times. They shall submit monthly accounts unless otherwise directed by the Under-Secretary-General for Management.

Disbursements/payments

Rule 104.10

(a) All disbursements shall be made by cheque, by wire transfer or by electronic funds transfer except to the extent that cash disbursements are authorized by the Under-Secretary-General for Management.

(b) Disbursements shall be recorded in the accounts as at the date on which they are made, that is, when the cheque is issued, transfer is effected or cash is paid out.

(c) Except where a paid cheque is returned by the bank or a debit advice is received from the bank, a payee's written receipt shall be obtained for all disbursements.

Reconciliation of bank accounts

Rule 104.11

Every month, unless an exception is authorized by the Under-Secretary-General for Management, all financial transactions, including bank charges and commissions, must be reconciled with the information submitted by banks in accordance with rule 104.4. This reconciliation must be performed by an official

playing no actual part in the receipt or disbursement of funds; if the staffing of an outposted office makes this impracticable, alternative arrangements may be established in consultation with the Under-Secretary-General for Management.

C. Investments

Authority, responsibility and policy

Regulation 4.16. The Secretary-General may make short-term investments of moneys not needed for immediate requirements and shall inform the Advisory Committee periodically of any such investments.

Regulation 4.17. The Secretary-General may, after consultation with the Investments Committee, make long-term investments of moneys standing to the credit of trust funds and reserve and special accounts, except as may be otherwise provided by the appropriate authority in respect of each such fund or account and having regard to the particular requirements as to the liquidity of funds in each case.

Rule 104.12

(a) The authority to make and prudently manage investments under regulations 4.16 and 4.17 is delegated to the Under-Secretary-General for Management.

(b) The Under-Secretary-General for Management shall ensure, including by establishing appropriate guidelines, that funds are invested in such a way as to place primary emphasis on minimizing the risk to principal funds while ensuring the liquidity necessary to meet the Organization's cash-flow requirements. In addition to these criteria, investments shall be selected on the basis of achieving the highest reasonable rate of return and shall accord with the principles of the United Nations.

Rule 104.13

Investments shall be recorded in an investment ledger, which shall show all the relevant details for each investment, including, for example, face value, cost, date of maturity, place of deposit, proceeds of sale and income earned.

Rule 104.14

(a) All investments shall be made through and maintained by recognized financial institutions designated by the Under-Secretary-General for Management.

(b) All investment transactions, including the withdrawal of invested resources, require the authorization and signature of two officials designated for that purpose by the Under-Secretary-General for Management.

Income

Regulation 4.18. Income derived from investments shall be credited as provided in the rules relating to each fund or account.

Regulation 4.19. Income derived from investments of the Working Capital Fund shall be credited to miscellaneous income.

Rule 104.15

(a) Income from General Fund investments shall be taken into account as miscellaneous income.

(b) Income from investments pertaining to trust funds and special accounts shall be credited to the trust fund or special account concerned.

Losses

Rule 104.16

(a) Any investment losses must be reported at once to the Under-Secretary-General for Management. The Under-Secretary-General for Management may authorize the writing-off of investment losses. A summary statement of investment losses, if any, shall be provided to the Board of Auditors within three months following the end of the financial period.

(b) Investment losses shall be borne by the fund, trust fund, reserve or special account from which the principal amounts were obtained.

Article V
Utilization of funds

A. Appropriations

Authorization

Regulation 5.1. The appropriations voted by the General Assembly shall constitute an authorization to the Secretary-General to incur obligations and make payments for the purposes for which the appropriations were voted and up to the amounts so voted.

Available period

Regulation 5.2. Appropriations shall be available for obligation during the financial period to which they relate.

Regulation 5.3. Appropriations shall remain available for twelve months following the end of the financial period to which they relate to the extent that they are required to discharge obligations in respect of goods supplied and services rendered in the financial period and to liquidate any other outstanding legal obligation of the financial period. The balance of the appropriations shall be surrendered.

Regulation 5.4. At the end of the twelve-month period provided in regulation 5.3 above, the then remaining balance of any appropriations retained will be surrendered. Any unliquidated obligations of the financial period in question

shall at that time be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.

Regulation 5.5. Appropriations required in respect of obligations to Governments for troops, formed police units, logistical support and other goods supplied and services rendered to peacekeeping operations shall be retained beyond the twelve-month period provided for in regulation 5.3 if the requisite claims are not received or processed during the financial period to which they pertain. Those obligations shall remain valid for an additional period of four years following the end of the twelve-month period provided in regulation 5.3. At the end of the additional four-year period any unliquidated obligations shall be cancelled and the remaining balance of any appropriations retained will be surrendered.

Transfers between appropriations

Regulation 5.6. No transfer between appropriation sections may be made without authorization by the General Assembly.

Rule 105.1

The Under-Secretary-General for Management shall obtain the approval of the Advisory Committee in order to transfer credits between programme budget appropriations in those instances where the General Assembly has delegated its authority under regulation 5.6 to the Committee.

Commitments against appropriations for future financial periods

Regulation 5.7. The Secretary-General may enter into commitments for future financial periods, provided that such commitments:

- (a) Are for activities which have been approved by the General Assembly and are expected to continue beyond the end of the current financial period; or
- (b) Are authorized by specific decisions of the Assembly.

Rule 105.2

In accordance with regulation 5.7, the authority to approve commitments against future financial periods is delegated to the Under-Secretary-General for Management. The Under-Secretary-General for Management shall maintain a record in the accounts of all such commitments (rule 106.7), which shall constitute the first charges against relevant appropriations once they are approved by the General Assembly.

Administration of appropriations

Regulation 5.8. The Secretary-General shall:

- (a) Establish detailed financial rules and procedures in order to ensure effective and efficient financial management and the exercise of economy;**
- (b) Cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received and that payments have not previously been made;**
- (c) Designate the officers who may receive moneys, incur obligations and make payments on behalf of the Organization;**
- (d) Maintain internal financial control which shall provide for an effective current examination and/or review of financial transactions in order to ensure:**
 - (i) The regularity of the receipt, custody and disposal of all funds and other financial resources of the Organization;**
 - (ii) The conformity of obligations and expenditures with the appropriations or other financial provisions voted by the General Assembly or with the purposes and rules relating to trust funds and special accounts;**
 - (iii) The effective, efficient and economic use of the resources of the Organization.**

B. Commitments, obligations and expenditures

Authority and responsibility

Regulation 5.9. Obligations for the current financial period or commitments for current and future financial periods shall be incurred only after allotments or other appropriate authorizations have been made in writing under the authority of the Secretary-General.

Rule 105.3

The utilization of all funds requires the prior authorization of the Under-Secretary-General for Management. Such authorization may take the form of:

- (a) An allotment of funds or other authorization to commit, obligate and expend specified funds for specified purposes during a specified period;**
- (b) An authorization to employ staff against an approved staffing table.**

Checks and balances

Rule 105.4

Notwithstanding bank signatory functions assigned in accordance with rule 104.5, all commitments, obligations and expenditures require at least two

authorizing signatures, in either conventional or electronic form. All commitments, obligations and expenditures must first be signed (“certified”) by a duly designated certifying officer (rule 105.5). Following certification, duly designated approving officers (rule 105.6) must then sign to “approve” the establishment of obligations and the recording of expenditures in the accounts and the processing of payments. Expenditures recorded against an established, certified obligation do not require additional certification, provided that they do not exceed the amount obligated by more than 10 per cent or \$2,500 (or its equivalent in other currencies), whichever is lower (rule 105.7). Expenditures under \$2,500 (or its equivalent in other currencies) for which the recording of an obligation is unnecessary require both certification and approval.

Certifying officers

Rule 105.5

(a) One or more officials shall be designated by the Under-Secretary-General for Management as the certifying officer(s) for the account(s) pertaining to a section or subsection of an approved budget. Certifying authority and responsibility is assigned on a personal basis and cannot be delegated. A certifying officer cannot exercise the approving functions assigned in accordance with rule 105.6.

(b) Certifying officers are responsible for managing the utilization of resources, including posts, in accordance with the purposes for which those resources were approved, the principles of efficiency and effectiveness and the Financial Regulations and Rules of the United Nations. Certifying officers must maintain detailed records of all obligations and expenditures against the accounts for which they have been delegated responsibility. They must be prepared to submit any supporting documents, explanations and justifications requested by the Under-Secretary-General for Management.

Approving officers

Rule 105.6

(a) Approving officers are designated by the Under-Secretary-General for Management to approve the entry into the accounts of obligations and expenditures relating to contracts, agreements, purchase orders and other forms of undertaking after verifying that they are in order and have been certified by a duly designated certifying officer. Approving officers are also responsible for approving the making of payments once they have ensured that they are properly due, confirming that the necessary services, supplies or equipment have been received in accordance with the contract, agreement, purchase order or other form of undertaking by which they were ordered and, if the cost exceeds \$2,500 (or its equivalent in other currencies), in accordance with the purpose for which the relevant financial obligation was established. Approving officers must maintain detailed records and must be prepared to submit any supporting documents, explanations and justifications requested by the Under-Secretary-General for Management.

(b) Approving authority and responsibility is assigned on a personal basis and cannot be delegated. An approving officer cannot exercise the certifying

functions assigned in accordance with rule 105.5 or the bank signatory functions assigned in accordance with rule 104.5.

Establishment and revision of obligations

Rule 105.7

(a) Apart from the employment of staff against an authorized staffing table and consequential commitments under the Staff Regulations and Rules and allocations made to executing agencies, no undertaking, including by contract, agreement or purchase order, for an amount exceeding \$2,500 (or its equivalent in other currencies) shall be entered into until the appropriate credit(s) has (have) been reserved in the accounts. This shall be done through the recording of obligations against which relevant payments or disbursements, made only on fulfilment of contractual and other obligations, shall be recorded as expenditure. An obligation shall be recorded in the accounts as unliquidated during the period set forth in regulation 5.3 and until such point as it is reobligated, liquidated or cancelled in accordance with regulations 5.4 and 5.5, as appropriate.

(b) If, in the time that elapses between the establishment of an obligation and the processing of final payment, the cost of the relevant goods or services has, for whatever reason, increased by less than \$2,500 (or its equivalent in other currencies) or 10 per cent of the obligation, whichever is lower, no change need be made to the amount of the original obligation. If, however, the increase in costs exceeds \$2,500 (or its equivalent in other currencies), the original obligation must be revised to reflect this increase in requirements and further certification is required. All increases in obligations, including those resulting from currency fluctuations, shall be subject to the same procedures as apply to the incurring of original obligations.

Review, reobligation and cancellation of obligations

Rule 105.8

(a) Outstanding obligations must be reviewed periodically by the responsible certifying officer(s). If an obligation is determined to be valid but cannot be liquidated during the period set forth in regulation 5.3, the provisions of regulations 5.4 and 5.5 shall, as appropriate, be applied. Obligations that are no longer valid shall be cancelled from the accounts forthwith and the resulting credit surrendered.

(b) When any obligation previously recorded in the accounts is, for any reason, reduced (other than by payment) or cancelled, the certifying officer shall accordingly ensure that appropriate adjustments are recorded in the accounts.

Obligating documents

Rule 105.9

An obligation must be based on a formal contract, agreement, purchase order or other form of undertaking, or on a liability recognized by the United Nations. All obligations must be supported by an appropriate obligating document.

Peacekeeping reimbursements

Regulation 5.10. Member States that contribute troops to peacekeeping operations shall be reimbursed at rates approved by the General Assembly. Member States shall also be reimbursed for contingent-owned equipment at rates approved by the Assembly.

Rule 105.10

The payment of reimbursements to Member States, based upon rates and peacekeeping operation budgets approved by the General Assembly, may be made only with the approval of the Under-Secretary-General for Management.

Management services agreements

Rule 105.11

(a) Management and other support services may be provided to Governments, specialized agencies and other international and intergovernmental organizations or in support of activities financed from trust funds or special accounts on a reimbursable, reciprocal or other basis consistent with the policies, aims and activities of the United Nations, with the approval of the Under-Secretary-General for Management.

(b) Each management and support services arrangement shall be covered by a written agreement between the United Nations and the entity on whose behalf the services are to be provided. Such agreements shall, inter alia, specify the services which the United Nations is to provide in return for full reimbursement to the United Nations of any costs incurred by it in providing those services.

Ex gratia payments

Regulation 5.11. The Secretary-General may make such ex gratia payments as are deemed to be necessary in the interest of the Organization, provided that a statement of such payments shall be submitted to the Board of Auditors with the accounts.

Rule 105.12

Ex gratia payments may be made in cases where, although in the opinion of the Legal Counsel there is no clear legal liability on the part of the United Nations, payment is in the interest of the Organization. A summary statement of all ex gratia payments shall be provided to the Board of Auditors not later than three months following the end of the financial period. The approval of the Under-Secretary-General for Management is required for all ex gratia payments.

C. Procurement

General principles

Regulation 5.12. Procurement functions include all actions necessary for the acquisition, by purchase or lease, of property, including products and real property, and of services, including works. The following general principles shall be given due consideration when exercising the procurement functions of the United Nations:

- (a) Best value for money;
- (b) Fairness, integrity and transparency;
- (c) Effective international competition;
- (d) The interest of the United Nations.

Regulation 5.13. Tenders for equipment, supplies and other requirements shall be invited by advertisement, except where the Secretary-General deems that, in the interests of the Organization, a departure from this regulation is desirable.

Authority and responsibility

Rule 105.13

(a) The Under-Secretary-General for Management is responsible for the procurement functions of the United Nations, shall establish all United Nations procurement systems and shall designate the officials responsible for performing procurement functions.

(b) The Under-Secretary-General for Management shall establish review committees, at Headquarters and other locations, to render written advice to the Under-Secretary-General for Management on procurement actions leading to the award or amendment of procurement contracts, which, for purposes of these Regulations and Rules, includes agreements or other written instruments such as purchase orders and contracts that involve income to the United Nations. The Under-Secretary-General for Management shall establish the composition and the terms of reference of such committees, which shall include the types and monetary values of proposed procurement actions subject to review.

(c) Where the advice of a review committee is required, no final action leading to the award or amendment of a procurement contract may be taken before such advice is received. In cases where the Under-Secretary-General for Management decides not to accept the advice of such a review committee, he or she shall record in writing the reasons for that decision.

Competition

Rule 105.14

Consistent with the principles set out in regulation 5.12 and except as otherwise provided in rule 105.16, procurement contracts shall be awarded on the

basis of effective competition, and to this end the competitive process shall, as necessary, include:

- (a) Acquisition planning for developing an overall procurement strategy and procurement methodologies;
- (b) Market research for identifying potential suppliers;
- (c) Consideration of prudent commercial practices;
- (d) Formal methods of solicitation, utilizing invitations to bid or requests for proposals on the basis of advertisement or direct solicitation of invited suppliers, or informal methods of solicitation such as requests for quotations. The Under-Secretary-General for Management shall issue administrative instructions concerning the types of procurement activities and monetary values for which such methods of solicitation are to be used;
- (e) Public bid openings.

Formal methods of solicitation

Rule 105.15

(a) When a formal invitation to bid has been issued, the procurement contract shall be awarded to the qualified bidder whose bid substantially conforms to the requirements set forth in the solicitation documents and is evaluated to be the one with the lowest cost to the United Nations.

(b) When a formal request for proposals has been issued, the procurement contract shall be awarded to the qualified proposer whose proposal, all factors considered, is the most responsive to the requirements set forth in the solicitation documents.

(c) The Under-Secretary-General for Management may, in the interest of the United Nations, reject bids or proposals for a particular procurement action, recording the reasons for rejection in writing. The Under-Secretary-General for Management shall then determine whether to undertake a new solicitation, to directly negotiate a procurement contract pursuant to rule 105.16 or to terminate or suspend the procurement action.

Exceptions to the use of formal methods of solicitation

Rule 105.16

(a) The Under-Secretary-General for Management may determine for a particular procurement action that using formal methods of solicitation is not in the best interest of the United Nations:

- (i) When there is no competitive marketplace for the requirement, such as where a monopoly exists, where prices are fixed by legislation or government regulation or where the requirement involves a proprietary product or service;
- (ii) When there has been a previous determination or there is a need to standardize the requirement;

- (iii) When the proposed procurement contract is the result of cooperation with other organizations of the United Nations system, pursuant to rule 105.17;
- (iv) When offers for identical products and services have been obtained competitively within a reasonable period and the prices and conditions offered remain competitive;
- (v) When, within a reasonable prior period, a formal solicitation has not produced satisfactory results;
- (vi) When the proposed procurement contract is for the purchase or lease of real property and market conditions do not allow for effective competition;
- (vii) When there is an exigency for the requirement;
- (viii) When the proposed procurement contract relates to obtaining services that cannot be evaluated objectively;
- (ix) When the Under-Secretary-General for Management otherwise determines that a formal solicitation will not give satisfactory results;
- (x) When the value of the procurement is below the monetary threshold established for formal methods of solicitation.

(b) When a determination is made pursuant to subparagraph (a) above, the Under-Secretary-General for Management shall record the reasons in writing and may then award a procurement contract, either on the basis of an informal method of solicitation or on the basis of a directly negotiated contract, to a qualified vendor whose offer substantially conforms to the requirement at an acceptable price.

Cooperation

Rule 105.17

(a) The Under-Secretary-General for Management may cooperate with other organizations of the United Nations system to meet the procurement requirements of the United Nations, provided that the regulations and rules of those organizations are consistent with those of the United Nations. The Under-Secretary-General for Management may, as appropriate, enter into agreements for such purposes. Such cooperation may include carrying out common procurement actions together or the United Nations entering into a contract relying on a procurement decision of another United Nations organization or requesting another United Nations organization to carry out procurement activities on behalf of the United Nations.

(b) The Under-Secretary-General for Management may, to the extent authorized by the General Assembly, cooperate with a Government, non-governmental organization or other public international organization in respect of procurement activities and, as appropriate, enter into agreements for such purposes.

Written contracts

Rule 105.18

(a) Written procurement contracts shall be used to formalize every procurement action with a monetary value exceeding specific thresholds established

by the Under-Secretary-General for Management. Such arrangements shall, as appropriate, specify in detail:

- (i) The nature of the products or services being procured;
- (ii) The quantity being procured;
- (iii) The contract or unit price;
- (iv) The period covered;
- (v) Conditions to be fulfilled, including the United Nations general conditions of contract and implications for non-delivery;
- (vi) Terms of delivery and payment;
- (vii) Name and address of supplier.

(b) The requirement for written procurement contracts shall not be interpreted to restrict the use of any electronic means of data interchange. Before any electronic means of data interchange is used, the Under-Secretary-General for Management shall ensure that the electronic data interchange system is capable of ensuring authentication and confidentiality of the information.

Advance and progress payments

Rule 105.19

(a) Except where normal commercial practice or the interests of the United Nations so require, no contract or other form of undertaking shall be made on behalf of the United Nations which requires a payment or payments on account in advance of the delivery of products or the performance of contractual services. Whenever an advance payment is agreed to, the reasons therefor shall be recorded.

(b) In addition to subparagraph (a) above and notwithstanding rule 105.2, the Under-Secretary-General for Management may, where necessary, authorize progress payments.

D. Property management

Authority and responsibility

Rule 105.20

(a) The Under-Secretary-General for Management is responsible for the management of the property of the United Nations, including all systems governing its receipt, recording, utilization, safekeeping, maintenance and disposal, including by sale, and shall designate the officials responsible for performing property management functions.

(b) A summary statement of non-expendable United Nations property shall be provided to the Board of Auditors not later than three months following the end of the financial period.

Property Survey Boards

Rule 105.21

(a) The Under-Secretary-General for Management shall establish Property Survey Boards for Headquarters and other locations to render written advice to him or her in respect of loss, damage or other discrepancy regarding the property of the United Nations. The Under-Secretary-General for Management shall establish the composition and terms of reference of such boards, which shall include procedures for determining the cause of such loss, damage or other discrepancy, the disposal action to be taken in accordance with rules 105.22 and 105.23 and the degree of responsibility, if any, attaching to any official of the United Nations or other party for such loss, damage or other discrepancy.

(b) Where the advice of a Property Survey Board is required, no final action in respect of United Nations property loss, damage or other discrepancy may be taken before such advice is received. In cases where the Under-Secretary-General for Management decides not to accept the advice of such a Board, he or she shall record in writing the reasons for that decision.

Sale/disposal of property

Rule 105.22

Sales of supplies, equipment or other property declared surplus or unserviceable shall be based on competitive bidding, unless the relevant Property Survey Board:

(a) Estimates that the sales value is less than an amount to be specified by the Under-Secretary-General for Management;

(b) Considers that the exchange of property in partial or full payment for replacement equipment or supplies is in the best interest of the Organization;

(c) Deems it appropriate to transfer surplus property from one project or operation for use in another and determines the fair market value at which the transfer(s) shall be effected;

(d) Determines that the destruction of the surplus or unserviceable material will be more economical or is required by law or by the nature of the property;

(e) Determines that the interests of the United Nations will be served through the disposal of the property by gift or by sale at a nominal price to an intergovernmental organization, a Government or governmental agency or some other non-profit organization.

Rule 105.23

Except as provided for in rule 105.22, property shall be sold on the basis of payments made on or before delivery.

Disposition of assets of peacekeeping operations

Regulation 5.14. Following the liquidation of a peacekeeping operation, equipment and other property shall be disposed of in accordance with the Financial Regulations and Rules and in the manner indicated below:

(a) Equipment in good condition that conforms to established standardization or is considered compatible with existing equipment will be redeployed to other peacekeeping operations or will be placed in reserve to form start-up kits for use by future missions;

(b) Equipment not required for current or future peacekeeping operations may be redeployed to other United Nations activities funded from assessed contributions, provided that there is a demonstrated need for the equipment;

(c) Equipment not required for current or future peacekeeping operations or other United Nations activities funded from assessed contributions but which may be useful for the operations of other United Nations agencies, international organizations or non-governmental organizations will be sold to such agencies or organizations;

(d) Any equipment or property not required or which it is not feasible to dispose of in accordance with subparagraphs (a), (b) or (c) above or which is in poor condition will be subject to commercial disposal in accordance with the procedures applicable to other United Nations equipment or property;

(e) Any assets which have been installed in a country and which, if dismantled, would set back the rehabilitation of that country shall be provided to the duly recognized Government of that country in return for compensation in a form to be agreed by the Organization and the Government. This refers in particular to airfield installations and equipment, buildings, bridges and mine-clearing equipment. Where such assets cannot be disposed of in this manner or otherwise, they will be contributed free of charge to the Government of the country concerned. Such contributions require the prior approval of the General Assembly.

A report on the final disposition of assets for each liquidated peacekeeping operation shall be submitted to the General Assembly.

E. Internal audit

Regulation 5.15. The Office of Internal Oversight Services shall conduct independent internal audits in accordance with regulation 5.8 (d) and in conformity with generally accepted auditing standards. Internal auditors shall review, evaluate and report on the use of financial resources and on the effectiveness, adequacy and application of internal financial control systems, procedures and other relevant internal controls. Internal audits shall also include the following elements:

(a) Compliance of financial transactions with General Assembly resolutions, approved programmes and other legislative mandates, with regulations and rules and

related administrative instructions and with the approved recommendations of external oversight bodies;

(b) Economy, efficiency and effectiveness of financial, physical and human resources management and utilization and of programme delivery, including by examining the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates and by conducting management audits.

Article VI

Accounting

Principal accounts

Regulation 6.1. The Secretary-General shall submit accounts for the financial period. In addition, the Secretary-General shall maintain and safeguard against damage, destruction, unauthorized access and removal such accounting records as are necessary for management purposes, including interim accounts for the first calendar year of the financial period. Both the interim accounts and the accounts for the financial period shall show:

- (a) The income and expenditures of all funds;
- (b) The status of appropriations, including:
 - (i) The original budget appropriations;
 - (ii) The appropriations as modified by any transfers;
 - (iii) Credits, if any, other than the appropriations voted by the General Assembly;
 - (iv) The amounts charged against those appropriations and/or other credits;
- (c) The assets and liabilities of the Organization.

The Secretary-General shall also give such other information as may be appropriate to indicate the current financial position of the Organization.

Regulation 6.2. Appropriate separate accounts shall be maintained for all trust funds and reserve and special accounts.

Rule 106.1

In accordance with regulations 6.1 and 6.2, the principal accounts of the United Nations shall include detailed, comprehensive and up-to-date records of assets and liabilities for all sources of funds. The principal accounts shall consist of:

- (a) Programme budget accounts showing:
 - (i) Original appropriations;
 - (ii) Appropriations as modified by transfers;
 - (iii) Credits (other than appropriations made available by the General Assembly);

- (iv) Expenditures, including payments and other disbursements and unliquidated obligations;
- (v) Unencumbered balances of allotments and appropriations;
- (b) Peacekeeping operations with special accounts;
- (c) General ledger accounts showing all cash at banks, investments, receivables and other assets, payables and other liabilities;
- (d) The Working Capital Fund and its subfunds and all trust funds and other special accounts.

Authority and responsibility

Rule 106.2

Responsibility for the accounts is assigned to the Under-Secretary-General for Management, who shall establish all United Nations accounting systems and designate the officials responsible for performing accounting functions.

Accrual basis accounting

Rule 106.3

Unless otherwise directed by the Under-Secretary-General for Management or by the particular terms governing the operation of a trust fund or special account, all financial transactions shall be recorded in the accounts on an accrual basis in compliance with the United Nations system accounting standards.

Currency of accounting records

Regulation 6.3. The accounts of the Organization shall be presented in United States dollars. Accounting records may, however, be kept in such currency or currencies as the Secretary-General may deem necessary.

Rule 106.4

At Headquarters, accounts shall be maintained in United States dollars. At offices away from Headquarters, accounts may be maintained in the currency of the country in which they are situated, provided that all amounts are recorded both in local currency and the United States dollar equivalent.

Accounting for exchange rate fluctuations

Rule 106.5

(a) The Under-Secretary-General for Management shall establish the operational rates of exchange between the United States dollar and other currencies. The operational rates of exchange shall be used for recording all United Nations transactions.

(b) Payments in currencies other than the United States dollar will be determined on the basis of the operational rate of exchange prevailing at the time of payment. Any difference between the actual amount received on exchange and the amount that would have been obtained at the operational rate of exchange shall be accounted for as loss or gain on exchange.

(c) When closing the final accounts for a financial period, any negative balance on the account for “loss or gain on exchange” shall be debited to the relevant budget account, while any positive balance shall be credited to miscellaneous income.

Accounting for proceeds from the sale of property

Rule 106.6

The proceeds from the sale of property shall be credited as miscellaneous income except:

(a) Where a Property Survey Board has recommended the application of these proceeds directly against the purchase price of replacement equipment or supplies (any balance shall be taken into account as miscellaneous income);

(b) When the trade-in of property is not considered to be a sale and the allowance shall be applied against the cost of the replacement property;

(c) Where normal practice is to secure and use certain material or equipment in connection with a contract and to salvage and sell such material or equipment at a later stage;

(d) When the proceeds from the sale of surplus project equipment shall be credited to the accounts of that project, provided that they have not been closed;

(e) When equipment is transferred from one project for use in another and the accounts of the releasing project are open, the fair market value of such equipment shall be credited to the accounts of the releasing project and charged to the accounts of the project receiving the equipment;

(f) Where the alternative modalities governing the disposition of assets of peacekeeping operations outlined in regulation 5.14 apply.

Accounting for commitments against future financial periods

Rule 106.7

Obligations established prior to the financial period to which they pertain, pursuant to regulation 5.7 and rule 105.2, shall be recorded against a deferred charge account. Deferred charges shall be transferred to the appropriate account when the necessary appropriations and funds become available.

Writing-off losses of cash, receivables and property

Regulation 6.4. The Secretary-General may, after full investigation, authorize the writing-off of losses of cash, stores and other assets, provided that a

statement of all such amounts written off shall be submitted to the Board of Auditors with the accounts.

Rule 106.8

(a) The Under-Secretary-General for Management may, after full investigation, authorize the writing-off of losses of cash and the book value of accounts and notes receivable deemed to be irrecoverable. A summary statement of losses of cash and receivables shall be provided to the Board of Auditors not later than three months following the end of the financial period.

(b) The investigation shall in each case fix the responsibility, if any, attaching to any official(s) of the United Nations for the loss or losses. Such official(s) may be required to reimburse the United Nations either partially or in full. Final determination as to all surcharges to be made against staff members or others as the result of losses will be made by the Under-Secretary-General for Management.

Rule 106.9

(a) The Under-Secretary-General for Management may, after full investigation, authorize the writing-off of losses of United Nations property and adjust the records in order to bring the balance shown into conformity with actual physical property. A summary statement of losses of non-expendable property shall likewise be provided to the Board of Auditors not later than three months following the end of the financial period.

(b) The investigation shall in each case fix the responsibility, if any, attaching to any official(s) of the United Nations for the loss or losses. Such official(s) may be required to reimburse the United Nations either partially or in full. The final determination as to all surcharges to be made against staff members or others as the result of losses will be made by the Under-Secretary-General for Management.

Financial statements

Regulation 6.5. The accounts for the financial period, except those for peacekeeping operations with special accounts, shall be submitted by the Secretary-General to the Board of Auditors no later than 31 March following the end of the financial period. The annual accounts for peacekeeping operations with special accounts shall be submitted by the Secretary-General to the Board of Auditors no later than 30 September each year.

Rule 106.10

(a) For all accounts of the United Nations, except for peacekeeping operations with special accounts, interim financial statements covering the first year of the biennial financial period, as at 31 December, shall be submitted to the Board of Auditors not later than 31 March of the following year. For the same accounts, final financial statements covering both years of the financial period, likewise as at 31 December, shall be submitted to the Board of Auditors not later than 31 March following the end of the financial period. Copies of financial statements shall also

be transmitted to the Advisory Committee. Additional financial statements may be prepared as and when the Under-Secretary-General for Management deems it necessary.

(b) In the case of peacekeeping operations with special accounts, financial statements for the annual financial period ending 30 June shall be submitted to the Board of Auditors not later than 30 September of the same year.

(c) Financial statements submitted to the Board of Auditors for all accounts shall include:

- (i) A statement of income, expenditures and changes in reserves and fund balances;
- (ii) A statement of assets, liabilities, reserves and fund balances;
- (iii) A statement of cash flows;
- (iv) Such other schedules as may be required;
- (v) Notes to the financial statements.

Archives

Rule 106.11

Accounting records, other financial and property records and all supporting documents shall be retained for such periods as may be agreed with the Board of Auditors, after which, on the authority of the Under-Secretary-General for Management, they may be destroyed.

Article VII Board of Auditors

Appointment of a board of auditors

Regulation 7.1. The General Assembly shall appoint a board of auditors to perform the audit of the accounts of the United Nations. This board shall consist of three members, each of whom shall be the Auditor-General (or officer holding the equivalent title) of a Member State.

Tenure of office of the members of the Board of Auditors

Regulation 7.2. The members of the Board of Auditors shall be elected for a non-renewable term of office of six years' duration. The term of office shall commence on 1 July and expire on 30 June six years subsequent thereto. The term of office of one of the members shall expire every other year. Consequently, the General Assembly shall elect every two years a member to take office from 1 July of the following year.

Regulation 7.3. If a member of the Board of Auditors ceases to hold office as Auditor-General (or equivalent title) in his or her own country, the member's

tenure of office shall thereupon be terminated and he or she shall be succeeded as a member of the Board by his or her successor as Auditor-General. A Board member may not otherwise be removed during his or her tenure of office except by the General Assembly.

Audit standards, scope and operations

Regulation 7.4. The audit shall be conducted in conformity with generally accepted common auditing standards and, subject to any special directions of the General Assembly, in accordance with the additional terms of reference set out in the annex to the present Regulations.

Regulation 7.5. The Board of Auditors may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organization.

Regulation 7.6. The Board of Auditors shall be completely independent and solely responsible for the conduct of the audit.

Regulation 7.7. The Advisory Committee may request the Board of Auditors to perform certain specific examinations and issue separate reports on the results.

Regulation 7.8. The Board of Auditors shall, subject to the concurrence of the Advisory Committee, allocate and rotate the audit work among the members of the Board.

Facilities

Regulation 7.9. The Secretary-General shall provide the Board of Auditors with the facilities it may require in the performance of the audit.

Regulation 7.10. For the purpose of making a local or special examination or of effecting economies in the audit cost, the Board of Auditors may engage the services of any national Auditor-General (or officer holding the equivalent title) or commercial public auditors of known repute or any other person or firm which, in the opinion of the Board, is technically qualified.

Reporting

Regulation 7.11. The Board of Auditors shall issue a report on the audit of the financial statements and relevant schedules relating to the accounts for the financial period, which shall include such information as the Board deems necessary with regard to matters referred to in regulation 7.5 and in the additional terms of reference.

Regulation 7.12. The reports of the Board of Auditors shall be transmitted to the General Assembly through the Advisory Committee, together with the audited financial statements, in accordance with any directions given by the Assembly. The Advisory Committee shall examine the financial statements and the audit reports and shall forward them to the Assembly with such comments as it deems appropriate.

Annex

Additional terms of reference governing the audit of the United Nations

1. The Board of Auditors shall perform jointly and severally such audit of the accounts of the United Nations, including all trust funds and special accounts, as it deems necessary in order to satisfy itself:

(a) That the financial statements are in accord with the books and records of the Organization;

(b) That the financial transactions reflected in the statements have been in accordance with the Rules and Regulations, the budgetary provisions and other applicable directives;

(c) That the securities and moneys on deposit and on hand have been verified by certificate received direct from the Organization's depositaries or by actual count;

(d) That the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereupon;

(e) That procedures satisfactory to the Board of Auditors have been applied to the recording of all assets, liabilities, surpluses and deficits.

2. The Board of Auditors shall be the sole judge as to the acceptance in whole or in part of certifications and representations by the Secretary-General and may proceed to such detailed examination and verification as it chooses of all financial records, including those relating to supplies and equipment.

3. The Board of Auditors and its staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the Board, necessary for the performance of the audit. Information which is classified as privileged and which the Secretary-General (or his or her designated senior official) agrees is required by the Board for the purposes of the audit and information classified as confidential shall be made available on application. The Board of Auditors and its staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit. The Board may draw the attention of the General Assembly to any denial of information classified as privileged which, in its opinion, was required for the purpose of the audit.

4. The Board of Auditors shall have no power to disallow items in the accounts but shall draw to the attention of the Secretary-General, for appropriate action, any transaction concerning which it entertains doubt as to legality or propriety. Audit objections to these or any other transactions arising during the examination of the accounts shall be communicated immediately to the Secretary-General.

5. The Board of Auditors (or such of its officers as it may designate) shall express and sign an opinion on the financial statements of the United Nations. The opinion shall include the following basic elements:

(a) The identification of the financial statements audited;

(b) A reference to the responsibility of the Secretary-General and the responsibility of the Board of Auditors;

(c) A reference to the audit standards followed;

(d) A description of the work performed;

(e) An expression of opinion on the financial statements as to whether:

(i) The financial statements present fairly the financial position as at the end of the period and the results of the operations for the period;

(ii) The financial statements were prepared in accordance with the stated accounting policies; and

(iii) The accounting policies were applied on a basis consistent with that of the preceding financial period;

(f) An expression of opinion on the compliance of transactions with the Financial Regulations and legislative authority;

(g) The date of the opinion;

(h) The names and positions of the members of the Board of Auditors;

(i) Should it be necessary, a reference to the report of the Board of Auditors on the financial statements.

6. The report of the Board of Auditors to the General Assembly on the financial operations of the period should mention:

(a) The type and scope of its examination;

(b) Matters affecting the completeness or accuracy of the accounts, including, where appropriate:

(i) Information necessary to the correct interpretation of the accounts;

(ii) Any amounts which ought to have been received but which have not been brought to account;

(iii) Any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;

(iv) Expenditures not properly substantiated;

(v) Whether proper books of accounts have been kept, where in the presentation of statements there are deviations of a material nature from the generally accepted accounting principles applied on a consistent basis, these should be disclosed;

(c) Other matters which should be brought to the notice of the General Assembly, such as:

(i) Cases of fraud or presumptive fraud;

(ii) Wasteful or improper expenditure of the Organization's money or other assets (notwithstanding that the accounting for the transaction may be correct);

(iii) Expenditure likely to commit the Organization to further outlay on a large scale;

- (iv) Any defect in the general system or detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
 - (v) Expenditure not in accordance with the intention of the General Assembly after making allowance for duly authorized transfers within the budget;
 - (vi) Expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
 - (vii) Expenditure not in conformity with the authority which governs it;
 - (d) The accuracy or otherwise of the supply and equipment records as determined by stock-taking and examination of the records;
 - (e) If appropriate, transactions accounted for in a previous period concerning which further information has been obtained or transactions in a later period concerning which it seems desirable that the General Assembly should have early knowledge.
7. The Board of Auditors may make such observations with respect to its findings resulting from the audit and such comments on the Secretary-General's financial report as it deems appropriate to the General Assembly or to the Secretary-General.
8. Whenever the scope of audit of the Board of Auditors is restricted or whenever the Board is unable to obtain sufficient evidence, it shall refer to the matter in its opinion and report, making clear in its report the reasons for its comments and the effect on the financial position and the financial transactions as recorded.
9. In no case shall the Board of Auditors include criticism in its report without first affording the Secretary-General an adequate opportunity of explanation on the matter under observation.
10. The Board is not required to mention any matter referred to in the foregoing that, in its opinion, is insignificant in all respects.
-


**TECHNICAL COOPERATION TRUST FUND FOR UNEP'S IMPLEMENTATION OF THE
ACTIVITIES FUNDED BY THE GLOBAL ENVIRONMENT FUND**

**STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND
BALANCE FOR THE FIRST YEAR OF BIENNIUM 2008-2009 ENDED 31 DECEMBER 2008**

	2008 \$ 000's	2007 \$ 000's
<u>Income</u>		
Voluntary contributions	61,354	61,598
Interest income	964	(1,177)
Miscellaneous income	14	13
Total income	62,332	60,434
<u>Expenditure</u>		
Staff and other personnel costs	10,273	12,723
Contractual services	27,818	25,952
Travel	1,582	2,619
Operating expenses	9,946	11,637
Acquisitions	1,516	2,870
Total expenditure	51,135	55,801
Excess / (shortfall) of income over expenditure	11,197	4,633
Prior year adjustment	(24)	52
Net excess / (shortfall) of income over expenditure	11,173	4,685
Provisional savings on or cancellation of prior periods' obligations	1	-
Reserves and fund balances, beginning of period	53,546	48,861
Reserves and fund balances, end of period	64,720	53,546

**STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE AS AT 31
DECEMBER 2008**

<u>Assets</u>		
Cash and term deposits		-
Cash pool - US dollar		-
Accounts receivable:	36,704	18,390
Voluntary contributions receivable		
Inter-fund balances	80	-
Other	1,676	3,651
Other assets	33,045	42,258
Total assets	71,537	64,342
<u>Liabilities</u>		
Unliquidated obligations	1,999	4,140
Accounts payable:		
Inter-fund balances		
Other	-	-
Total liabilities	4,818	6,656
<u>Reserves and fund balances</u>		
Cumulative surplus		
Total reserves and fund balances	64,720	53,546
Total liabilities, reserves and fund balances	71,537	64,342


David Hastie
Chief Financial Officer

Date: 2 June 2009

**TECHNICAL COOPERATION TRUST FUND FOR UNEP'S IMPLEMENTATION OF THE
ACTIVITIES FUNDED BY THE GLOBAL ENVIRONMENT FUND**

**STATEMENT OF CASH FLOWS FOR THE FIRST YEAR OF THE BIENNIUM 2008-2009
ENDED 31 DECEMBER 2008**

	2008 \$ 000's	2007 \$ 000's
<u>Cash flows from operating activities</u>		
Net excess / (shortfall) of income over expenditure	11,173	4,685
<u>(Increase) / decrease in</u>		
Voluntary contributions receivable	(80)	-
Other accounts receivable	9,213	(4,956)
Other assets	11	178
Inter-fund balances	1,975	(6,478)
<u>Increase / (decrease) in</u>		
Unliquidated obligations	(2,141)	1,621
Other accounts payable	(1,838)	3,730
Less: interest income	(964)	1,177
Net cash from operating activities	17,349	(43)
<u>Cash flows from investing activities</u>		
(Increase) / decrease in cash pool - US dollar	(18,314)	1,220
Plus: interest income	964	(1,177)
Net cash flow from investing activities	(17,350)	43
<u>Cash flow from financing activities</u>		
Savings on or cancellation of prior periods' obligations	1	-
Net cash flow from financing activities	1	-
<u>Net increase / (decrease) in cash and term deposits</u>		
Cash and term deposits, beginning of period	-	-
Cash and term deposits, end of period	-	-



**David Hastie
Chief Financial Officer**

Date: 2 June 2009

Fund GFL**Other Accounts Receivable****USD '000**

Staff Members	56
Vendors	2
Specialised Agencies	6,895
Other UN agencies	18,125
Other	11
Government	7,955
Total	<u><u>33,045</u></u>

Ageing of Other Accounts Receivable

Less than six months	14,353
Six months to one year	3,317
More than one year	7,210
More than two years	8,165
	<u><u>33,045</u></u>

Other Assets

Education Grant Advances	20
Others	12
	<u><u>32</u></u>

Other Accounts Payable

Governments	1,368
staff members	35
Vendors	11
Specialised agencies	84
Other UN agencies	3,247
Other	73
	<u><u>4,818</u></u>

**TECHNICAL COOPERATION TRUST FUND FOR THE IMPLEMENTATION OF THE GLOBAL
ENVIRONMENTAL FACILITY FEE-BASED SYSTEM FOR FUNDING PROJECTS**

**STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND
BALANCE FOR THE FIRST YEAR OF BIENNIUM 2008-2009 ENDED 31 DECEMBER 2008**

	2008 \$ 000's	2007 \$ 000's
<u>Income</u>		
Voluntary contributions		
Interest income	1,622	9,264
Miscellaneous income	345	1,012
Total income	-	(1)
	1,967	10,275
<u>Expenditure</u>		
Staff and other personnel costs		
Contractual services	7,259	6,400
Travel	53	90
Operating expenses	565	614
Acquisitions	1,084	607
Total expenditure	96	130
	9,057	7,841
Excess / (shortfall) of income over expenditure	(7,090)	2,434
Prior year adjustment	(40)	(241)
Net excess / (shortfall) of income over expenditure	(7,130)	2,193
Savings on cancellation of prior periods' obligations	-	1
Transfer to other funds	-	9
Refunds to donors	-	(286)
Reserves and fund balances, beginning of period	20,170	18,255
Reserves and fund balances, end of period	13,040	20,172

**STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE AS AT 31
DECEMBER 2008**

<u>Assets</u>		
Cash pool - US dollar		
Accounts receivable:	13,119	16,353
Inter-fund balances		
Other	155	4,189
Other Assets	286	145
Total assets	75	83
	13,635	20,770
<u>Liabilities</u>		
Unliquidated obligations		
Accounts payable:	441	527
Inter-fund balances		
Other	-	-
Total liabilities	154	71
	595	598
<u>Reserves and fund balances</u>		
Cumulative surplus		
Total reserves and fund balances	13,040	20,172
Total liabilities, reserves and fund balances	13,040	20,172
	13,635	20,770

* Difference in Fund balance end 2007 against fund balance opening 2008 is rounding


David Hastie
Chief Financial Officer

Date: 2 June 2009

**TECHNICAL COOPERATION TRUST FUND FOR THE IMPLEMENTATION OF THE GLOBAL
ENVIRONMENTAL FACILITY FEE-BASED SYSTEM FOR FUNDING PROJECTS**

**STATEMENT OF CASH FLOWS FOR THE FIRST YEAR OF THE BIENNIUM 2008-2009 ENDED 31
DECEMBER 2008**

	2008 \$ 000's	2007 \$ 000's
<u>Cash flows from operating activities</u>		
Net excess / (shortfall) of income over expenditure	(7,130)	2,193
<u>(Increase) / decrease in</u>		
Other accounts receivable	(141)	214
Other assets	8	(29)
Inter-fund balances	4,033	(4,252)
<u>Increase / (decrease) in</u>		
Unliquidated obligations	(86)	276
Other accounts payable	82	(47)
Less: interest income	(345)	(1,012)
Net cash from operating activities	(3,579)	(2,657)
<u>Cash flows from investing activities</u>		
(Increase) / decrease in cash pool - US dollars	3,234	1,921
Plus: interest income	345	1,012
Net cash flow from investing activities	3,579	2,933
<u>Cash flows from financing activities</u>		
Savings on or cancellation of prior periods' obligations	-	1
Transfer from/(to) other funds	-	9
Refunds to donors	-	(286)
Net cash flow from financing activities	-	(276)
<u>Net increase / (decrease) in cash and term deposits</u>	-	-
Cash and term deposits, beginning of period	-	-
Cash and term deposits, end of period	-	-



David Hastie
Chief Financial Officer

Date: 2 June 2009

Fund FBL

<u>Other Accounts Receivable</u>	<u>USD '000</u>
Staff Members	229
Vendors	3
Specialised Agencies	50
Other UN agencies	3
Other	2
Government	-
Total	<u><u>286</u></u>

Ageing of Other Accounts Receivable

Less than six months	114
Six months to one year	168
More than one year	4
More than two years	0
	<u><u>286</u></u>

Other Assets

Education Grant Advances	72
Others	3
	<u><u>75</u></u>

Other Accounts Payable

Governments	-
staff members	98
Vendors	32
Specialised agencies	-
Other UN agencies	12
Other	11
	<u><u>154</u></u>


**TECHNICAL COOPERATION TRUST FUND FOR THE MANAGEMENT OF UNEP/GEF
NATIONAL ADAPTATION PROGRAMME OF ACTION FOR LEAST DEVELOPED COUNTRIES**

**STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND
BALANCE FOR THE FIRST YEAR OF BIENNIUM 2008-2009 ENDED 31 DECEMBER 2008**

	2008 \$ 000's	2007 \$ 000's
<u>Income</u>		
Voluntary contributions	515	-
Interest income	19	30
Total income	534	30
<u>Expenditure</u>		
Staff and other personnel costs	60	109
Contractual services	45	7
Travel	18	9
Operating expenses	119	212
Acquisitions	28	6
Total expenditure	270	343
Excess / (shortfall) of income over expenditure	264	(313)
Reserves and fund balances, beginning of period	626	939
Reserves and fund balances, end of period	890	626

**STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE AS AT 31
DECEMBER 2008**

<u>Assets</u>		
Cash pool - US dollar	735	485
Accounts receivable:-		
Inter-fund balances	13	1
Other	142	204
Other Assets	-	1
Total assets	890	691
<u>Liabilities</u>		
Unliquidated obligations	-	46
Accounts payable:		
Inter-fund balances	-	-
Other	-	19
Total liabilities	-	65
<u>Reserves and fund balances</u>		
Cumulative surplus	890	626
Total reserves and fund balances	890	626
Total liabilities, reserves and fund balances	890	691



David Hastie
Chief Financial Officer

Date: 2 June 2009

**TECHNICAL COOPERATION TRUST FUND FOR THE MANAGEMENT OF UNEP/GEF NATIONAL
ADAPTATION PROGRAMME OF ACTION FOR LEAST DEVELOPED COUNTRIES**

**STATEMENT OF CASH FLOWS FOR THE FIRST YEAR OF THE BIENNIUM 2008-2009 ENDED 31
DECEMBER 2008**

	2008 \$ 000's	2007 \$ 000's
<u>Cash flows from operating activities</u>		
Net excess / (shortfall) of income over expenditure	264	(313)
<u>(Increase) / decrease in</u>		
Other accounts receivable	62	78
Other assets	1	(1)
Inter-fund balances	(12)	(33)
<u>Increase / (decrease) in</u>		
Unliquidated obligations	(46)	46
Other accounts payable	(19)	11
Less: interest income	(19)	(30)
Net cash from operating activities	231	(242)
<u>Cash flows from investing activities</u>		
(Increase) / decrease in cash pool	(250)	212
Plus: interest income	19	30
Net cash flow from investing activities	(231)	242
<u>Net increase / (decrease) in cash and term deposits</u>		
Cash and term deposits, beginning of period	-	-
Cash and term deposits, end of period	-	-



**David Hastie
Chief Financial Officer**

Date: 2 June 2009

Fund LDL**Other Accounts Receivable****USD '000**

Staff Members	-
Vendors	-
Specialised Agencies	-
Other UN agencies	50
Other	-
Government	92
Total	<u>142</u>

Ageing of Other Accounts Receivable

Less than six months	20
Six months to one year	40
More than one year	40
More than two years	42
	<u>142</u>

**TECHNICAL COOPERATION TRUST FUND FOR THE MANAGEMENT OF UNEP/GEF SPECIAL
CLIMATE CHANGE FUND PROGRAMME**

**STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND
BALANCE FOR THE FIRST YEAR OF BIENNIUM 2008-2009 ENDED 31 DECEMBER 2008**

	2008 \$ 000's	2007 \$ 000's
<u>Income</u>		
Voluntary contributions	25	-
Interest income	-	-
Total income	25	-
<u>Expenditure</u>		
Staff and other personnel costs	-	-
Contractual services	16	-
Travel	-	-
Operating expenses	9	-
Acquisitions	-	-
Total expenditure	25	-
Excess / (shortfall) of income over expenditure	-	-
Reserves and fund balances, beginning of period	-	-
Reserves and fund balances, end of period	-	-

**STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE AS AT 31
DECEMBER 2008**

<u>Assets</u>		
Cash pool - US dollar	-	-
Accounts receivable:-		
Inter-fund balances	-	-
Other	-	-
Other Assets	-	-
Total assets	-	-
<u>Liabilities</u>		
Unliquidated obligations	-	-
Accounts payable:		
Inter-fund balances	-	-
Other	-	-
Total liabilities	-	-
<u>Reserves and fund balances</u>		
Cumulative surplus	-	-
Total reserves and fund balances	-	-
Total liabilities, reserves and fund balances	-	-



**David Hastie
Chief Financial Officer**

Date: 2 June 2009


TECHNICAL COOPERATION TRUST FUND FOR THE UNEP/GEF STRATEGIC PARTNERSHIP

**STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND
BALANCE FOR THE FIRST YEAR OF BIENNIUM 2008-2009 ENDED 31 DECEMBER 2008**

	2008 \$ 000's	2007 \$ 000's
<u>Income</u>		
Miscellaneous income	-	(1)
Total income	-	(1)
<u>Expenditure</u>		
Staff and other personnel costs	-	(1)
Total expenditure	-	(1)
Excess / (shortfall) of income over expenditure	-	-
Prior period adjustment	-	(2)
Net excess / (shortfall) of income over expenditure	-	(2)
Savings on cancellation of prior periods' obligations		(1)
Transfer to other funds	-	(7)
Reserves and fund balances, beginning of period	-	10
Reserves and fund balances, end of period	-	-

**STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE AS AT 31 DECEMBER
2007**

<u>Assets</u>		
Cash pool - US dollar	-	-
Total assets	-	-
<u>Liabilities</u>		
Accounts payable:		
Inter-fund balances	-	-
Other	-	-
Total liabilities	-	-
<u>Reserves and fund balances</u>		
Cumulative surplus	-	-
Total reserves and fund balances	-	-
Total liabilities, reserves and fund balances	-	-


David Hastie
Chief Financial Officer

Date: 2 June 2009

TECHNICAL COOPERATION TRUST FUND FOR THE UNEP/GEF STRATEGIC PARTNERSHIP

STATEMENT OF CASH FLOWS FOR THE FIRST YEAR OF THE BIENNIUM 2008-2009 ENDED 31 DECEMBER 2008

	2008 \$ 000's	2007 \$ 000's
<u>Cash flows from operating activities</u>		
Net excess / (shortfall) of income over expenditure	-	(2)
<u>Increase / (decrease) in</u>		
Interfund balances	-	(1)
Other accounts payable	-	-
Unliquidated obligations	-	-
Net cash from operating activities	-	(3)
<u>Cash flows from investing activities</u>		
(Increase) / decrease in cash pool	-	11
Net cash flow from investing activities	-	11
<u>Cash flows from financing activities</u>		
Savings on cancellation of prior periods' obligations	-	(1)
Transfer from/(to) other funds	-	(7)
Net cash flow from financing activities	-	(8)
<u>Net increase / (decrease) in cash and term deposits</u>	-	-
Cash and term deposits, beginning of period	-	-
Cash and term deposits, end of period	-	-



David Hastie
Chief Financial Officer

Date: 2 June 2009

**Report of the United Nations Board of Auditors
(Audit opinion)**

**on the financial statements of the United Nations Environment Programme
(UNEP)-Global Environment Trust Fund (GEF)**

for the year ended 31 December 2008

Report on the Financial Statements

We have audited the accompanying financial statements of the United Nations Environment Programme (UNEP) - Global Environment Facility (GEF)¹ Trust Funds, which comprise statements of income and expenditure and changes in reserves and fund balance, statements of assets, liabilities, reserves and fund balance, and statements of cash flows for the period then ended, and the explanatory notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the United Nations System Accounting Standards, and for such internal control as management deems is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

¹ (a) Technical Cooperation Trust Fund for UNEP's implementation of the activities funded by the Global Environment Fund (GFL); (b) Technical Cooperation Trust Fund for the management of UNEP/GEF National Adaptation Programme of Action for Least Developed Countries (LDL); (c) Technical Cooperation Trust Fund for the implementation of the Global Environmental Facility Fee-Based System for Funding Projects (FBL); Technical Cooperation Trust Fund for the Management of UNEP/GEF Special Climate Change Fund Programme (CCL); and (e) Technical Cooperation Trust Fund for the UNEP/GEF Strategic Partnership (SPL).

United Nations Nations Unies

BOARD OF AUDITORS

NEW YORK

FAX: (212) 963 3684

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit provides a reasonable basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material aspects, the financial position of the UNEP-GEF Trust Funds as at 31 December 2008 and its financial performance and cash flows for the year then ended, in accordance with the United Nations system accounting standards.

United Nations Nations Unies

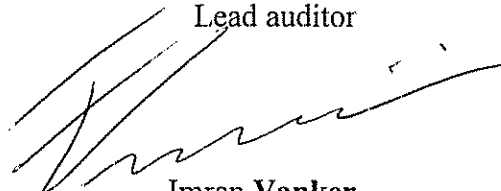
BOARD OF AUDITORS
NEW YORK
FAX: (212) 963 3684

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, the transactions of the UNEP-GEF that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.



Olivier Myard
Director of External Audit (France)
United Nations Board of Auditors
Lead auditor



Imran Vanker
Director of External Audit (South Africa)
United Nations Board of Auditors



Xue Wen Hu
Director of External Audit (China)
United Nations Board of Auditors

8 February 2010

United Nations Environment Programme
Division of GEF Coordination

Checklist for Environmental and Social Safeguards

Environmental and Social Safeguards are a good practice for ensuring quality at entry of projects, as well as a monitoring tool during project implementation. Safeguards are a proactive tool for avoiding negative impacts of projects, for mitigating risks, and for identifying areas where positive impacts can be enhanced.

UNEP-DGEF has developed this checklist with the following guidance:

1. Initially filled in during concept development to help guide in the identification of possible risks and activities that will need to be included in the project design.
2. A completed checklist should accompany the PIF
3. Check list reviewed during PPG phase and updated as required
4. Final check list submitted with Project Package clearly showing what activities are being undertaken to address issues identified

Project Title:			
GEF project ID and UNEP ID/IMIS Number		Version of checklist	
Project status (preparation, implementation, MTE/MTR, TE)		Date of this version:	
Checklist prepared by (Name, Title, and Institution)			

In completing the checklist both short- and long-term impact shall be considered.

Section A: Project location:

If negative impact is identified or anticipated the Comment/Explanation field needs to include: Project stage for addressing the issue; Responsibility for addressing the issue; Budget implications, and other comments.

	Yes/No/N.A.	Comment/explanation
- Is the project area in or close to -		
- densely populated area		
- cultural heritage site		
- protected area		
- wetland		
- mangrove		
- estuarine		
- buffer zone of protected area		
- special area for protection of biodiversity		
- Will project require temporary or permanent support facilities?		
<i>If the project is anticipated to impact any of the above areas an Environmental Survey will be needed to determine if the project is in conflict with the protection of the area or if it will cause significant disturbance to the area.</i>		

Section B: Environmental impacts, i.e.

If negative impact is identified or anticipated the Comment/Explanation field needs to include: Project stage for addressing the issue; Responsibility for addressing the issue; Budget implications, and other comments.

	Yes/No/N.A.	Comment/explanation
- Are ecosystems related to project fragile or degraded?		
- Will project cause any loss of precious ecology, ecological, and economic functions due to construction of infrastructure?		
- Will project cause impairment of ecological opportunities?		
- Will project cause increase in peak and flood flows? (including from temporary or permanent waste waters)		
- Will project cause air, soil or water pollution?		
- Will project cause soil erosion and siltation?		
- Will project cause increased waste production?		
- Will project cause Hazardous Waste production?		
- Will project cause threat to local ecosystems due to invasive species?		
- Will project cause Greenhouse Gas Emissions?		
- Other environmental issues, e.g. noise and traffic		
<i>Only if it can be carefully justified that any negative impact from the project can be avoided or mitigated satisfactorily both in the short and long-term, can the project go ahead.</i>		

Section C: Social impacts

If negative impact is identified or anticipated the Comment/Explanation field needs to include: Project stage for addressing the issue; Responsibility for addressing the issue; Budget implications, and other comments.

	Yes/No/N.A.	Comment/explanation
- Does the project respect internationally proclaimed human rights including dignity, cultural property and uniqueness and rights of indigenous people?		
- Are property rights on resources such as land tenure recognized by the existing laws in affected countries?		
- Will the project cause social problems and conflicts related to land tenure and access to resources?		
- Does the project incorporate measures to allow affected stakeholders' information and consultation?		
- Will the project affect the state of the targeted country's (-ies') institutional context?		
- Will the project cause change to beneficial uses of land or resources? (incl. loss of downstream beneficial uses (water supply or fisheries)?		
- Will the project cause technology or land use modification that may change present social and economic activities?		
- Will the project cause dislocation or involuntary resettlement of people?		
- Will the project cause uncontrolled immigration (short- and long-term) with opening of roads to areas and possible overloading of social infrastructure?		
- Will the project cause increased local or regional unemployment?		
- Does the project include measures to avoid forced or child labour?		
- Does the project include measures to ensure a safe and healthy working environment for workers employed as part of the project?		
- Will the project cause impairment of recreational opportunities?		
- Will the project cause impairment of indigenous people's livelihoods or belief systems?		
- Will the project cause disproportionate impact to women or other disadvantaged or vulnerable groups?		
- Will the project involve and or be complicit in the alteration, damage or removal of any critical cultural heritage?		
- Does the project include measures to avoid corruption?		
<i>Only if it can be carefully justified that any negative impact from the project can be avoided or mitigated satisfactorily both in the short and long-term, can the project go ahead.</i>		

Section D: Other considerations

If negative impact is identified or anticipated the Comment/Explanation field needs to include: Project stage for addressing the issue; Responsibility for addressing the issue; Budget implications, and other comments.

	<i>Yes/No/N.A.</i>	<i>Comment/explanation</i>
- Does national regulation in affected country (-ies) require EIA and/or ESIA for this type of activity?		
- Is there national capacity to ensure a sound implementation of EIA and/or SIA requirements present in affected country (-ies)?		
- Is the project addressing issues, which are already addressed by other alternative approaches and projects?		
- Will the project components generate or contribute to cumulative or long-term environmental or social impacts?		
- Is it possible to isolate the impact from this project to monitor E&S impact?		

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION



SECRETARIAT

UNIDO/DGB/(M).118

4 May 2010

Distribution: All staff members at Headquarters
and established offices

Staff Regulations: 1.3 & 1.5
Staff Rules: 101.01, 201.02
& 301.02

DIRECTOR-GENERAL'S BULLETIN

UNIDO Policy for Financial Disclosure and Declaration of Interests

1. For the purpose of implementing the relevant provisions of Staff Regulations 1.3 and 1.5, Staff Rules 101.01, 201.02 and 301.02, and the UNIDO Code of Ethical Conduct, the Director-General hereby promulgates the following Policy.

Section 1 - Purpose

2. The purpose of the present Policy is to ensure that, in the best interests of the Organization, actual, perceived or potential conflicts of interest arising from staff members' or employees' official position and duties on behalf of UNIDO, on the one hand, and their personal financial or other related interests on the other, can be timely identified, reviewed, managed and resolved.

Section 2 – Definitions

3. The following definitions shall apply for the purpose of the present bulletin:
 - (a) *Ethics Office*¹: the office responsible for administering this Policy;
 - (b) *Staff member*: any individual serving UNIDO on an appointment under the 100-, 200- or 300-series of the Staff Rules;
 - (c) *Employee*: any individual serving UNIDO on a contract or arrangement other than an appointment under the 100-, 200- or 300-series of the Staff Rules;
 - (d) *Spouse*: an individual whose personal status has been recognized as such by UNIDO for the purposes of UNIDO entitlements and/or other official purposes;
 - (e) *Dependant*: any individual other than a spouse whose personal status has been recognized as such by UNIDO for the purposes of UNIDO entitlements and/or other official purposes;
 - (f) *Relative*: a spouse, a child, a parent, a brother, a sister;
 - (g) *Conflict of interest*: situations that may give rise to conflicts of interest are described in Section 10 of Part III of the UNIDO Code of Ethical Conduct, which is reproduced as Annex I to this Policy.

¹ Under the 2010 Secretariat Structure (DGB/(O).95/Add.7), this function is carried out by the Focal Point for Ethics and Accountability.



Section 3 - Parties required to make disclosures and declarations

Financial disclosure statement (hereinafter "FD statement")

4. The Director-General;
5. The following staff members and employees, except those employed under the 300-series of the Staff Rules, are obliged to file a FD statement:
 - (a) All staff members at the P-5 or L-5 level and above;
 - (b) Allotment holders and alternate allotment holders;
 - (c) All staff members whose principal occupational duties are the procurement of goods and services, including the procurement of services of individual consultants and experts;
 - (d) All staff members whose occupational duties relate to the investment of financial assets of UNIDO or management of any accounts for which UNIDO has fiduciary or custodial responsibility;
 - (e) All employees whose duties include those described under (b) to (d) above;
 - (f) Members of the Procurement Committee, their alternates and the secretariat thereof;
 - (g) The Professional staff of the Ethics Office.
6. The Director-General may from time to time determine additional staff members or employees as having to file a FD statement under the provisions of this Policy.
7. In case of doubt whether required to file a FD statement under paragraph 5 above, the staff member or employee shall consult the Ethics Office and shall act accordingly.

Declaration of interests statement (hereinafter "DI statement")

8. The following staff members and employees are obliged to file a DI statement:
 - (a) All individuals who are required to file a FD statement;
 - (b) Staff members employed under the 300-series of Staff Rules whose duties are described under paragraph 5(b) to (d) above.
9. The Director-General may from time to time determine additional staff members or employees as having to file a DI statement under the provisions of this Policy.
10. In case of doubt, whether required to file a DI statement under paragraph 8 above, the staff member or employee shall consult the Ethics Office and shall act accordingly.
11. Exempt from filing a FD and/or a DI statements are:
 - (a) UNIDO Goodwill Ambassadors;
 - (b) Individuals serving UNIDO on reimbursable or non-reimbursable loan agreements from their employers.

Section 4 - Prohibited personal interests

12. Prohibited personal interests are described in Sections 10 and 11 of the UNIDO Code of Ethical Conduct, which are reproduced as Annex I to this Policy.

Section 5 - Guiding principles for review and resolution of conflicts of interest

13. The disclosure, review and resolution of conflicts of interest shall be governed by the following principles:
- (a) The disclosures required of staff members and employees will be the minimum needed by UNIDO to identify and resolve actual, perceived or potential conflicts of interest;
 - (b) The procedures for disclosing, reviewing and resolving conflicts of interest will keep to a minimum the administrative workload for both, staff concerned and the Ethics Office;
 - (c) The disclosures will only be used as prescribed by the Director-General in the present Policy;
 - (d) The staff members and employees will, to the best of their knowledge and ability, assist the Ethics Office in verifying the accuracy of the submitted information;
 - (e) Failure to disclose actual, perceived or potential conflicts of interest as defined in the present Policy or lack of cooperation in assisting UNIDO with verifying the accuracy of the submitted information or intentional submission of misrepresented or falsified information or failure to resolve the conflict as directed by the Ethics Office may constitute misconduct, for which disciplinary measures may apply.
14. FD or DI statements shall be certified by the staff member or employee concerned, confirming, *inter alia*, that the submitted disclosure or declaration is true, correct and complete to the best of his/her knowledge and belief.

Section 6 - Scope of the FD statement

15. Individuals who are required to file a FD statement shall declare the following in respect of themselves and, if any, their spouse and dependants:
- (a) Real estate of an acquisition value² of €10,000 or more per item;
 - (b) Financial assets that include, but are not limited to, stocks, bonds and mutual fund investments having an aggregate acquisition value of €10,000 or more. In addition, aggregated value of all bank deposits and cash holdings of €10,000 or more as of 31 December of the reporting year;
 - (c) Other personal property³, held for investment or business purposes, of an acquisition value of €10,000 or more per category;
 - (d) All stock options, publicly listed or private, regardless of value;⁴
 - (e) Income earned from sources other than UNIDO, excluding UN pension benefits, if the total of all such gross income in the reporting period is €10,000 or more;

² Acquisition value on the date of purchase, inheritance or transfer of property.

³ Such as motor vehicles, boats, livestock, furniture, carpets, jewellery, art, etc. For multiple items of the same category of movable items, the total value held in each category must be reported. E.g., for a collection of valuable items held for investment purposes, the total value of the collection, i.e. of all items together. Property such as a private ownership of a business entity is also to be disclosed.

⁴ Stock option means a right or option to buy a specific number of shares at a later date and price.

- (f) Aggregate liabilities⁵ of €50,000 or more as at 31 December of the reporting year, excluding liabilities owed to a parent, sibling, or dependent child.
16. In case of doubt, whether to make a particular financial disclosure under any of the categories described in paragraphs 15(a) to (f) above, the individual shall consult the Ethics Office and shall act accordingly.
17. For the purposes of disclosing the personal financial interests described in paragraphs 15(a) to (f) above in the FD statement, the applicable date for all values shall be the date specified in the respective paragraph above and the rate of exchange shall be the UN operational rate of exchange⁶ for the Euro as at 31 December of the reporting year.

Section 7 - Scope of the DI statement

18. Individuals who are required to file a DI statement shall declare the following:
- (a) Any personal interest, which may constitute an actual, perceived or potential conflict of interest as described in Section 10 of the UNIDO Code of Ethical Conduct, that is reproduced as Annex I to this Policy;
 - (b) Any leadership or policymaking role of the individual, his/her spouse and dependants in any non-UNIDO entity (including membership on any corporate board);
 - (c) Current or past involvement of the individual in any outside activity, whether or not the activity is subject to approval by the Director-General under the applicable Staff Regulations and Rules, which could have an impact on the objectivity and independence of the individual in the performance of his or her functions in UNIDO, or otherwise affect the image of the Organization;
 - (d) Any relatives employed in the United Nations system;
 - (e) For individuals also required to file an FD statement, whether they wish or not to be notified by the Ethics Office about the opening and start of the review of their FD statement(s) and whether they wish or not to participate in the opening and the start of the review of their FD statement.
19. In case of doubt, whether to declare a particular interest under any of the categories described in paragraphs 18(a) to (d) above, the individual shall consult the Ethics Office and shall act accordingly.

Section 8 - Administration and review of the FD and DI statements

20. Administration of the present Policy will be carried out by the Ethics Office.

Filing procedures

21. Forms. To file FD and DI statements, forms are annexed to the present Policy in Annex II and III and are available for downloading on the UNIDO Intranet.

⁵ Such liabilities may include mortgage(s) on real estate, as well as liability to a former spouse.

⁶ See website of the International Civil Service Commission.

22. When to file.

- (a) In the case of individuals already in UNIDO service, the statements shall be filed once a year by 31 March of each year in respect of the period from 1 January to 31 December of the previous year. If the statement(s) is(are) not received by the established deadline, the individual concerned will receive from the Ethics Office a single written reminder to that effect. Such a reminder will, however, be without prejudice to the provisions of paragraph 37 below.
- (b) In the case of an individual offered an appointment/contract who would be required to file a FD and/or a DI statements, he/she shall file such statement(s) in respect of the immediately preceding 12-month period at the time of his/her initial appointment/contract within the time frame to be established by the Human Resource Management Branch. The statement(s) shall be submitted to the Ethics Office and the individual concerned shall, if requested, assist the Ethics Office with the review and verification of the completeness and accuracy of the disclosed/declared information and, in case a conflict(s) of interest has(ve) been identified, in resolving it(them) in the best interests of UNIDO and in accordance with the Ethics Office's advice. Failure to submit the statement(s) within the established time frame and/or to cooperate with the Ethics Office in reviewing and verifying the statement(s) and/or in resolving the identified conflict(s) of interest may result in a withdrawal of the offer of appointment/contract.
- (c) The Director-General may require an individual to submit a DI or FD statement or both on an *ad hoc* basis.

23. How and where to file.

- (a) Each statement shall be filed in a separate envelope addressed to the Ethics Office;
- (b) Each envelope shall be sealed, dated and clearly marked "Personal and Confidential – FD statement of [full name of the individual]" or "Personal and Confidential – DI statement of [full name of the individual]";
- (c) The statement(s) shall be submitted to the Ethics Office by the individual concerned either in person or, in the case of an individual whose duty station is away from Headquarters, by UN/UNIDO pouch or registered mail;
- (d) The Ethics Office shall, upon request, acknowledge receipt of the statement(s) in writing;
- (e) The Professional staff of the Ethics Office shall submit their statements to the Director-General.

Procedures for the review of FD and DI statements and resolution of identified conflicts of interest

- 24. The Ethics Office will maintain a register of all filed statements to monitor compliance with the Policy.
- 25. The Ethics Office will also review all received DI statements in consultation, if necessary, with the individual concerned. In this regard, the individual concerned shall assist the Ethics Office with the review of his/her DI statement and with verifying the completeness and accuracy of the declared information including, *inter alia*, by providing explanations, clarifications and supporting documentation, if and as requested.
- 26. In the case of individuals who are required to file both statements, the Ethics Office will decide, based on its review of the individual's DI statement, whether it is also necessary to review the individual's FD statement. The FD statements of other individuals shall otherwise be reviewed by the Ethics Office on a selective basis in such a manner that statement(s) of each individual has(ve) been reviewed at least once within a five year period.
- 27. The individual concerned shall assist the Ethics Office with the review of his/her FD statement and with verifying the completeness and accuracy of the disclosed information including, *inter alia*, by

providing the necessary explanations, clarifications and/or supporting documentation, if and as requested.

28. Those individuals who under paragraph 18 e) expressed their wish to be notified of and participate in the opening and start of the review of their FD statements, will be notified by the Ethics Office in writing about the proposed date and time of the opening and the start of the review of their FD statement(s) inviting them to participate on that occasion, and subsequently as necessary. In the case of individuals at Headquarters, he/she shall make himself/herself available as proposed or within six weeks from the notification date as agreed by the Ethics Office. In the case of individuals whose duty station is away from Headquarters, he/she can organize his/her participation by means such as (i) an already planned official⁷ or private travel to Vienna; (ii) in connection with an official travel of the Ethics Office; (iii) video- or teleconference, etc. The individual must respond to the notification and make himself/herself available within six weeks from the date of the notification. Otherwise, the Ethics Office shall proceed with the opening and the start of the review without the individual's participation.
29. In those cases, where the review of the statements results in the identification of actual, perceived or potential conflict(s) of interest, the individual concerned shall fully cooperate with the Ethics Office in identifying the most appropriate form of its (their) resolution and in resolving, expeditiously, within the agreed time frame, the identified conflict(s) of interest in the best interests of UNIDO and in accordance with the Ethics Office's advice. Once the conflict(s) in question has(ve) been resolved, the individual concerned shall report the fact to the Ethics Office in writing, together with the appropriate documentary evidence. Where the identified conflict(s) of interest has(ve) been resolved, if applicable, by the organization, the Ethics Office shall acknowledge this to the individual in writing.
30. Cases where the individual concerned fails to file the necessary FD and/or DI statement or does not cooperate with the Ethics Office in the review of the statement(s), or in verifying the completeness and accuracy of the declared information, or in identifying or resolving the actual, perceived or potential conflict(s) of interest in the best interests of UNIDO or has intentionally submitted misrepresented or falsified information, shall be reported by the Ethics Office to the Director-General.
31. The Ethics Office shall inform the individual in writing of the completion of the review and retain and safe keep both the original statement(s) and all supporting documentation in re-sealed confidential envelopes. Should the individual in question subsequently separate from the Organization, his/her statements and all supporting documentation shall be kept for three more years beyond the individual's separation before being destroyed.

Security, confidentiality, access to, and use of statements

32. The FD and DI statements are privileged and confidential documents.
33. The FD and DI statements, their content as well as information obtained in the course of the review shall be accessible to and used only by the Ethics Office. Nevertheless, access to and use thereof may be authorized by the Director-General, on a case-by-case basis, for the purposes of fact-finding, internal audit, investigation, disciplinary or appeal proceedings.
34. No copies shall be made except for the purposes listed in paragraph 33 above or as required for the effective review and implementation of this Policy by the Ethics Office. Any copy made has to be logged in a record on file showing the date it was produced, a sequential number, and marked with initials by a staff member of the Ethics Office. Copies no longer needed for the purposes for which they were produced are to be destroyed permanently and the date of destruction logged in the file, marked with initials by a staff member of the Ethics Office.

⁷ The wish of the individual to participate in the opening and start of the review of his/her FD statement(s) does not constitute grounds for the Organization to bear his/her travel costs to UNIDO Headquarters.

35. The recipient of a copy of the statement produced under paragraph 34 shall bear full responsibility for confidentiality of his/her copy and the information contained therein and shall keep it in a secure and safe location. The recipient must not produce additional copies of the statement.
36. The Ethics Office shall bear full responsibility for confidentiality of the statements and the information contained therein. Accordingly, the envelopes with the FD and DI statements shall at all times be kept by the Ethics Office in a secure and safe location.

Sanctions

37. Failure by the individual already in UNIDO service to file the required statement(s) within the established timeframe or submission of misrepresented or falsified information may result in disciplinary measures or administrative action(s) under the terms of the individual's appointment/contract.
38. Failure by the individual to cooperate with the Ethics Office, for example, in reviewing the statement(s), in verifying the completeness and accuracy of the declared or disclosed information or in identifying/resolving actual, perceived or potential conflict(s) of interest may also result in disciplinary or administrative action(s) under the terms of the individual's appointment/contract.

Annex I**Code of Ethical Conduct****10) Conflict of Interest**

- (a) Conflicts of interest arise when personnel benefit improperly – directly or indirectly – or allow a third party to benefit improperly, from their association in the management or holding of a financial or other private interest in an entity that engages in business or transactions with UNIDO.
- (b) Personnel must carry out their official duties in a manner that prevents real, apparent or potential conflicts of interest from arising.
- (c) Personnel must disclose to their supervisor and/or the Director-General in advance or as soon as they become aware of it, any potential or actual conflict of interest that arises in the course of carrying out their duties. If in doubt about disclosing information, personnel shall initially consult the Ethics Office for advice.
- (d) In addition, concerned personnel must also comply with the UNIDO Policy for Financial Disclosure and Declaration of Interests.
- (e) In particular:
 - 1) Personnel must not solicit or accept any benefits including economic benefit, for themselves or allow a third party to benefit improperly, directly or indirectly;
 - 2) Personnel must not assist private entities, governments or persons in their dealing with UNIDO where this would result in their preferential treatment;
 - 3) Personnel must not take advantage of or benefit or allow a third party to benefit improperly, directly or indirectly, from information obtained in the course of their official duties and that is not generally available to the public;
 - 4) Personnel must not directly or indirectly use, or allow the use of, UNIDO property and that entrusted to UNIDO of any kind, for anything other than officially approved activities;
 - 5) Personnel must not allow their actions and decisions to be influenced by the prospect of employment for themselves and their family members with parties who have dealings with UNIDO.

11) Outside Employment and Activities**Staff members⁸**

- (a) It is the obligation of staff members to devote their energies to the work of UNIDO. It is therefore improper for staff members to engage, without prior authorization, in any outside activity, whether remunerated or not, that interferes with that obligation or is incompatible with their employment status with UNIDO or conflicts with the interests of the Organization. Any questions on this point should be referred to the Ethics Office for advice.

⁸ Staff Rules 101.01, 201.01, 301.02.

Sections 10 and 11 of UNIDO Code of Ethical Conduct

- (b) Staff members, subject to the provisions of (a) above, are encouraged to participate in outside professional activities that foster contacts with private and public bodies and thus serve to maintain and enhance their professional and technical competencies.
- (c) When requesting authorization for engagement in an outside activity under paragraph (a) above, staff members must disclose the nature and scope of the activity and whether any honorarium or other compensation will be received.
- (d) Staff members on leave, with or without pay, must bear in mind that while on approved leave of absence they remain subject to the terms of their appointments and contracts with UNIDO. Accordingly, staff members may only engage in outside activities during leave, paid or unpaid, after receipt of a written authorization.
- (e) While retaining the right to vote, in view of the independence and impartiality that staff members are expected to maintain, they must not participate in political activities, such as standing for election or holding a political office. Staff members must exercise discretion in their support for a political party or campaign, and must not accept or solicit funds, write articles, or make public speeches, statements or endorsements to the press for this purpose. This does not, however, preclude participation in local community or civic activities, provided that such participation is consistent with service in UNIDO. These cases require the exercise of judgment and where there is any doubt, staff members must seek advice of the Ethics Office.
- (f) In general, staff members may be members of a political party provided that its prevailing views and the obligations imposed on its members are consistent with the staff's status as international civil servants.

Other personnel

- (g) UNIDO personnel other than staff as defined in Section I (c) above while performing their work for UNIDO may, without prior written authorization from UNIDO, engage or continue to be engaged in the outside employment or activities subject to the terms of their respective contracts with UNIDO or similar arrangement. In this regard, personnel is also expected to disclose any such employment or activity and its nature and scope to UNIDO prior to the commencement of their relationship with UNIDO and/or prior to the commencement of the outside employment or activity. Any such outside employment or activity must be compatible with the purposes and principles of the United Nations and UNIDO and the proper discharge of the duties by such personnel on behalf of UNIDO. Without prejudice to this principle, such other personnel who are employed by UNIDO on a full-time basis for continuous periods of six months or longer may engage in a new outside employment or activity during the course of their relationship with UNIDO only upon a written authorization from their UNIDO supervisor(s), which shall be granted in accordance with the principles and conditions outlined in paragraphs (a) to (f) above.

Financial Disclosure Form

Annex II**FINANCIAL DISCLOSURE FORM**

This form is based on section 6 of the UNIDO Policy for Financial Disclosure and Declaration of Interests (UNIDO/DGB/(M).118, hereinafter “the Policy”) and it is to be used by staff members or employees who are required to file a Financial Disclosure Statement under paragraphs 4 to 6 of section 3 of the Policy.

For the purposes of making financial disclosures in this Form, the applicable date for all values shall be the date specified in the respective parts of this Form. The rate of exchange to the Euro shall be the UN operational rate of exchange as at 31 December of the reporting year (see website of the International Civil Service Commission). Estimation of values must be as accurate as possible as assessed by the staff member to the best of his or her knowledge.

This Form shall be completed as fully as possible and certified on the last page. All other pages in this Form shall be initialled by the individual and dated. Additional pages may be inserted, if need be and as appropriate. Upon completion, the form shall be put into an envelope addressed to the Ethics Office, which shall be sealed, dated and clearly marked “Personal and Confidential – Financial Disclosure Statement of [full name of the individual]”. The envelope with the enclosed duly completed and certified Financial Disclosure Form shall be submitted to the Ethics Office either in person or, in the case of an individual whose duty station is away from UNIDO Headquarters, by UN/UNIDO pouch or registered mail.

You may request the Ethics Office to provide you with a written acknowledgement of receipt of your submission.

Section I: Personal Information

Reporting Period: From: To:

- 1. Full Name (First, Middle, Last):
- 2. Personnel Number:
- 3. Functional Title(s):
Organizational Unit(s):
Grade level(s) (or SSA/SA):
- 4. Marital Status: ☐ Married ☐ Single ☐ Widowed ☐ Divorced/Legally separated

If married or divorced/legally separated, full name of the spouse(s) or former spouse(s):

5. Dependants:

- | | | |
|------------|-----------------|---------------------|
| Full name: | , Relationship: | , Age (if a child): |
| Full name: | , Relationship: | , Age (if a child): |
| Full name: | , Relationship: | , Age (if a child): |
| Full name: | , Relationship: | , Age (if a child): |
| Full name: | , Relationship: | , Age (if a child): |
| Full name: | , Relationship: | , Age (if a child): |

Section II: Disclosure in respect to self, spouse or dependant(s)

Part 1: Do you, your spouse or dependant(s) hold any real estate of acquisition value of EUR 10,000 or more per item?

Yes ☐ No ☐

If yes, please fill out the table below:

Type ⁹ and address of the real estate	Name of real estate owner (you, spouse, dependant)	Means of acquisition (inheritance, purchase, gift, etc.)	Acquisition value (EUR)					
			10,000-50,000	50,001-100,000	100,001-250,000	250,001-500,000	500,001-1,000,000	over 1,000,000
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

⁹ Type of real estate may be: a house, an apartment, a piece of land, etc.

Part 2: Do you, your spouse and/or dependants possess any financial assets¹⁰ with the aggregate acquisition value of EUR 10,000 or more?

Yes ☐ No ☐

If yes, please fill out the table below:

Type of the financial asset	Name of the asset owner (you, spouse, dependant)	Aggregate acquisition value (EUR)						
		10,000-50,000	50,001-100,000	100,001-150,000	150,001-200,000	200,001-250,000	250,001-300,000	over 300,000
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

¹⁰ Financial assets include but are not limited to: stocks, bonds and mutual investment funds.

Part 3: Do you, your spouse and/or dependants possess any bank accounts and cash holdings with the aggregate value of €10,000 or more as at 31 December of the reporting year?

Yes ☐ No ☐

If yes, please fill out the table below:

Brief description ¹¹ of the bank account/cash holding	Name of the account/cash holding owner	Aggregate value (EUR)						
		10,000-50,000	50,001-100,000	100,001-150,000	150,001-200,000	200,001-250,000	250,001-300,000	over 300,000
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

¹¹ Description of a bank account should include a type of the account, the name and/or location of the bank, etc. Please do not disclose in this Form the bank account number.

Part 4: Do you, your spouse or dependants have any other personal property¹² that is held for investment or business purposes and that has an acquisition value of EUR 10,000 or more per category?

Yes ☐ No ☐

If yes, please fill out the table below:

Description of personal property held for investment or business. For collective (multiple) items held in one category, description of category of property.	Name of the property owner (you, spouse, dependant)	Acquisition value (EUR)						
		10,000-50,000	50,001-100,000	100,001-150,000	150,001-200,000	200,001-250,000	250,001-300,000	over 300,000
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

¹² Such as motor vehicles, boats, livestock, furniture, carpets, jewellery, art, etc. For multiple items of the same category of movable items, the total value held in each category must be reported. E.g., for a collection of valuable items held for investment purposes, the total value of the collection, i.e. of all items together. Property such as a private ownership of a business entity is also to be disclosed.

Part 5: Do you, your spouse or dependants hold any stock options, publicly listed or private, regardless of value?

Yes ☐ No ☐

If yes, please fill out the table below:

Description of stock options	Name of owner (you, spouse, dependant)

Part 6: Do you, your spouse or dependants have any income earned from sources other than UNIDO, excluding UN pension benefits, with the total of such gross income in the reporting period of EUR 10,000 or more?

Yes ☐ No ☐

If yes, please fill out the table below:

Type and source of income	Name of the income holder (you, spouse, dependant)	Gross income (EUR)						
		10,000-40,000	40,001-80,000	80,001-120,000	120,001-160,000	160,001-200,000	200,001-240,000	over 240,000
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part 7: Do you, your spouse or dependants have, as at 31 December of the reporting year, any aggregate liabilities of EUR50,000 or more, excluding liabilities owed to a parent, a sibling, or a dependent child?

Yes ☐ No ☐

If yes, please fill out the table below:

Type of liability	Date incurred	Term (if applicable)	Name of debtor (self, spouse, dependant)	Value EUR (check box)			
				50,000-100,000	100,001-250,000	250,001-500,000	over 500,000
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Section III: Certification and Affirmation

I certify and affirm that the disclosures I have made in this Form, including this Certification and Affirmation, are true, complete and correct to the best of my knowledge and belief.

I understand that I may be requested to assist the Ethics Office with the review and verification of my Financial Disclosure Statement as well as with resolving the identified conflict(s) of interest, if any, in the best interests of UNIDO and in accordance with the Ethics Office’s advice.

I understand that failure to provide true, complete and correct information in this Form to the best of my knowledge and belief, failure to cooperate in good faith with the Ethics Office in reviewing and verifying my FD statement or in resolving the identified conflict(s) of interest, if any, may result in serious consequences for me, including sanctions as defined in the Policy.

Signature

Please print your full name

Date and Place

Initials: _____ Date: _____

ANNEX III**DECLARATION OF INTERESTS FORM**

This form is based on section 7 of the UNIDO Policy for Financial Disclosure and Declaration of Interests (DGB/DGB/(M).118, hereinafter “the Policy”) and it is to be used by staff members and employees who are required to file a Declaration of Interests Statement under paragraphs 8 and 9 of section 3 of the Policy.

This Form shall be completed as fully as possible and certified on the last page. All other pages in this Form shall be initialled by the individual and dated. Additional pages may be added, if need be and as appropriate. Upon completion, this Form shall be put into an envelope addressed to the Ethics Office, which shall be sealed, dated and clearly marked “Personal and Confidential – Declaration of Interests Statement of [full name of the individual]”. The envelope with the enclosed duly completed and certified Declaration of Interests Form shall be submitted to the Ethics Office either in person or, in the case of the individual whose duty station is away from UNIDO Headquarters, by UN/UNIDO pouch or registered mail.

You may request the Ethics Office to provide you with a written acknowledgement of receipt of your submission.

Section I: Personal information

Reporting period: From: To:

- 1. Full Name (First, Middle, Last):
- 2. Personnel Index Number:
- 3. Functional Title(s):
Organizational Unit(s):
Grade level(s) (or SSA/SA):

- 4. Marital Status: ☐ Married ☐ Single ☐ Widowed ☐ Divorced/Legally separated

If married or divorced/legally separated, full name of the spouse(s) or former spouse(s):

- 5. Dependants:

Full name:	, Relationship:	, Age (if a child):
Full name:	, Relationship:	, Age (if a child):
Full name:	, Relationship:	, Age (if a child):
Full name:	, Relationship:	, Age (if a child):
Full name:	, Relationship:	, Age (if a child):
Full name:	, Relationship:	, Age (if a child):

Section II: **Declarations in respect of self, spouse or a dependant:**

Part 1: Have you, your spouse or a dependant had any personal interest(s) during the reporting period, which may constitute or which may be perceived as actual or potential conflict of interest as described in Section 10 of the UNIDO Code of Ethical Conduct?

Yes ☐ No ☐

If yes, please provide details in the box below.

Details of the Personal Interest	Name of the personal interest holder (you, your spouse or dependant)

Part 2: Have you, your spouse or a dependant had any leadership or policymaking role during the reporting period in any non-UNIDO entity (including membership in a corporate board)?

Yes ☐ No ☐

If yes, please give details in the box below.

Details of the leadership/policy-making role	Name of the role holder (self, spouse, dependant)

Part 3: Are you currently and/or have you been during the reporting period involved in any outside activity, whether or not the activity is subject to approval by the Director-General under the applicable Staff Regulations and Rules, which could have an impact on your objectivity and independence in the performance of your official duties or otherwise affect the image of the Organization?

Yes ☐ No ☐

If yes, please give details in the box below:

Details of the activity	Approved by (Name of the UNIDO official, date)

Part 4: Do you have any relatives employed in the United Nations system?

Yes ☐ No ☐

If yes, please give details in the box below.

Full name of the relative	Relationship	Name of the Organization	In which function	Since when

Please note: Section III applies only to staff members required to file a Financial Disclosure Statement.

Section III: Participation in opening and start of review of FD statement, if applicable:

- ☐ I wish to participate in the opening and start of the review of my FD statement. I understand that I will be notified in writing about the proposed date and time of the opening and start of the review as per paragraph 28 of the Policy.
- ☐ I do not wish to be notified of and participate in the opening and start of the review of my FD statement, unless otherwise requested by the Ethics Office. I understand that I will be in any case notified in writing of the completion of the review.

(Please mark one box only)

Initials: _____ Date: _____

Section IV: Certification and Affirmation

I certify and affirm that the declarations I have made in this Form, including this Certification and Affirmation, are true, complete and correct to the best of my knowledge and belief.

I understand that I may be requested to assist the Ethics Office with the review and verification of my Declaration of Interests Statement as well as with resolving the identified conflict(s) of interests, if any, in the best interests of UNIDO and in accordance with the Ethics Office’s advice.

I understand that failure to provide true, complete and correct information in this Form to the best of my knowledge and belief, failure to cooperate in good faith with the Ethics Office in reviewing and verifying my Statement or in resolving the identified conflict(s) of interests, if any, may result in serious consequences for me, including sanctions as defined in the Policy.

Signature

Please print your full name

Date and Place

Initials: _____ Date: _____

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION



SECRETARIAT

UNIDO/DGB/(M).119
28 May 2010

Distribution: All staff members at Headquarters
established offices

DIRECTOR-GENERAL'S BULLETIN**Internal Control Framework**

1. The purpose of the attachment to this bulletin is to summarize the Internal Control Framework currently applied in UNIDO. It offers an overview of the extensive documentation relating to the different aspects of internal control.
2. The Internal Control Framework is based on a set of core guiding principles and policies built into the Organization's structure and activities, which are fully integrated in the management processes of planning, execution and monitoring. As a comprehensive mechanism, the framework encompasses all the policies, procedures, monitoring activities and commitments, standards of behaviour and other aspects that govern UNIDO operations. It is aimed at ensuring the effective and efficient management of UNIDO, together with the effective, efficient and economic use of all resources administered by the Organization.
3. While the provisions presented in the Internal Control Framework are not new, the document offers a concise overview of all pertinent documents for your easy reference. Staff members, however, should familiarize themselves and remain up-to-date with the exact content of the various administrative issuances governing the proper conduct of business and/or the discharge of functions.
4. The attached Internal Control Framework will be regularly updated to reflect modifications to management processes and systems that prove necessary as the Organization addresses, in the context of the Programme for Change and Organizational Renewal, the challenges posed by the increasing demand for its services, as well as the need to observe the principles of results-based management and comply with donor requirements.



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

INTERNAL CONTROL FRAMEWORK

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I. INTRODUCTION

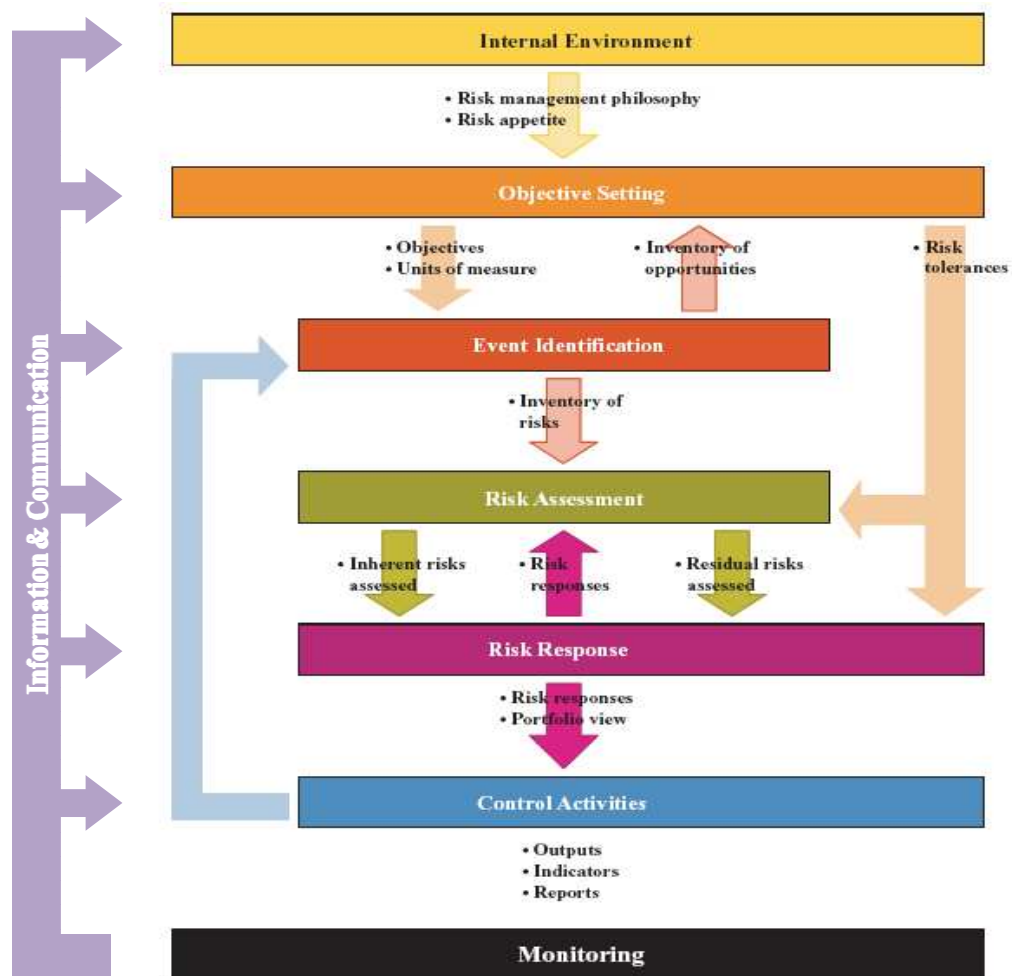
1. According to a widely accepted definition,¹ internal control is an integral process that is effected by an entity's management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity's mission, the following general objectives are being achieved:

- Executing orderly, ethical, economical, efficient and effective operations;
- Fulfilling accountability obligations;
- Complying with applicable laws and regulations; and
- Safeguarding resources against loss, misuse and damage.

2. The present document, which should be seen as a living document, describes the internal control framework (ICF) currently applied in UNIDO. It offers an overview of the extensive documentation relating to the different aspects of internal control.

3. The ICF is based on a set of core guiding principles and policies built into the Organization's structure and activities, which are fully integrated in the management processes of planning, execution and monitoring. The framework is a comprehensive mechanism (see diagram below). It encompasses all the policies, procedures, monitoring activities and commitments, standards of behaviour and other aspects that govern the operations of UNIDO. It is aimed at ensuring the effective and efficient management of UNIDO together with the effective, efficient and economic use of all resources administered by the Organization. It is all-pervasive and touches upon all aspects related to the organization, coordination and programmes of UNIDO and the accountability of its staff. Adherence to legislative and regulatory frameworks is ensured through various reviews and assessments that are duly reflected in reports submitted to the policymaking organs.

¹ Guidelines for Internal Control Standards for the Public Sector, International Organization of Supreme Audit Institutions (INTOSAI), 2004.



Source: COSO ERM integrated framework, Sep 2004 & IOS addition

II. INTERNAL ENVIRONMENT

A. Guiding principles of the internal control framework

4. The control environment of UNIDO is multifaceted. It entails: translating ethical values into standards of behaviour; setting goals and defining expected outcomes of the programmatic activities approved by the policymaking organs; addressing exigencies applying to the level of competence required of the workforce for the achievement of results; and finally defining indicators according to which results are assessed and controlled. The programmatic responsibilities and accountability of the managers are clearly identified in the very structure of the Organization; they are supplemented by empowerment and accountability attached to the duties delegated to each staff member as reflected in their job profiles or as assigned by their supervisors. This provides the basis for implementing accountability policies, processes and instruments. The guiding principles for the internal control framework of UNIDO are:

- (a) *Empowerment*: The responsibility conferred by the Member States on the Director-General is assumed by the Secretariat and cascades down through its successive levels of management to the managing directors, directors, unit chiefs, and finally, to individual staff members. Although authority is delegated, overall responsibility still remains with those who delegate.
- (b) *Alignment with corporate goals and accountability*. Staff members are accountable for achieving corporate goals across units, irrespective of their functional positions.
- (c) *Formal and consistent delegation of authority*. Authorities, responsibilities and accountabilities are clearly defined, formally delegated and consistent. This includes ensuring segregation of duties so that key duties and responsibilities in authorizing, processing, recording and reviewing official transactions are segregated among staff. It also calls for responsibility for self-informing, meaning that managers and staff should personally take reasonable action to inform themselves of established decision-making policies or procedures.
- (d) *Risk and cost-benefit considerations in decision-making*. In arriving at decisions, the risks, costs and benefits of the available options should be duly considered. Risks should be identified and managed responsibly. By taking into consideration the proportionality between the cost of a process, including the cost

of managing risk and the value of the intended result, limited administrative resources can be directed towards the issues of highest priority and greatest potential value.

- (e) *Reliable and verifiable performance monitoring and reporting.* Responsible parties must disclose their performance through adequate, regular reporting on results, with timely accounts and reliable financial and substantive reports. Documentation must be clear and readily verifiable.
- (f) *Highest standards of personal integrity (self-attestation and ethical conduct).* The exercise of authority by managers relies on the principle of self-attestation. For example, the manager submitting the results of a procurement process for approval is, by doing so, attesting that funds are available and that the procurement is relevant to project objectives. Individuals declare potential conflicts of interest according to ethical standards.

B. Ethical values –the tone at the top

Common values

I shall place the highest priority on a “people-centred” management style that will promote and recognize the highest standards of efficiency, competence and integrity. (Director-General)

5. The ethical values on which UNIDO and its management are predicated stem from the core values and principles of the international civil service which embrace all aspects of behaviour of its managers and staff members without any distinction. These values and principles are reflected in the founding instrument of the Organization, the Constitution of UNIDO, which calls for the highest standards of competence, efficiency and integrity (1979)², the Staff Regulations and Rules, the Standards of the International Civil Service (2001), the policy on gender equality and the empowerment of women (2009), and the code of ethical conduct (2010). The organizational values of UNIDO, sometimes referred to as ‘core values’ and/or ‘core competencies’, are defined and documented in the medium-term programme framework (MTPF) 2010-2013 (pp.51-52). Those values, which embrace commitment, excellence, team orientation, results orientation, innovativeness, accountability, integrity and sustainability, also enshrine the guiding principles for the internal control framework of UNIDO (see A above). The Director-General regularly reminds his managers of the need to abide by those values

² A complete list of reference documents mentioned in the text is attached as Annex 1.

and principles. He also recalls their significance in his communications to staff at large and in the context of his dialogue with specific groups of staff.

6. The common values also include taking systematic action to address shortcomings and/or irregularities as defined in Staff Regulation 10.3 (unsatisfactory performance), Article XI (breach of conduct), Financial Rule 102.02, Staff Rule 101.06 and corresponding rules in the 200 and 300 series to the Staff Rules, applicable to project personnel, conference and short-term staff (Staff Rules 201.05 and 301.05). Irregularities are further addressed in the policy on fraud awareness and prevention, the administrative circulars on disciplinary measures and the UNIDO policy for financial disclosure and declaration of interests.

Leadership

My vision for UNIDO is that we shall be a trusted, efficient and effective partner for development and thereby help recipient countries to make progress towards achieving the MDGs of reducing poverty, disease and environmental degradation. (Director-General)

7. Pursuant to Article 11.3 of the Constitution, the Director-General is “the chief administrative officer of the Organization” and, as such, has “the overall responsibility and authority to direct the work of the Organization”. The Director-General provides a vision and, together with the policymaking organs, charts the strategic direction of the work of UNIDO. He is accountable to the policymaking organs for the results achieved. The same principle cascades down to - and is an inherent part of - all managerial functions. Therefore, effective leadership in UNIDO includes the ability to create a common vision for the Organization and, in turn, it empowers staff members or managers to draw up a vision for their individual areas of responsibility. With effective leadership and over time, UNIDO has asserted its role and relevance.
8. Leadership in UNIDO is based on adherence to the six management principles set out in the UNIDO Management Principles (DGB(G).2 issued on 20 November 1995). The managers in UNIDO have incorporated those principles in their work and adhere to practices and forms of behaviour that support them. Effective leadership is also a service-oriented concept and open to change. In exercising leadership, managers adopt a form of behaviour that is conducive to teamwork and creates a cooperative working environment. In order to use all the talent in UNIDO to good effect, the leaders of the Organization encourage the professional development of staff members and promote an open exchange of ideas on the work to be done and the best means of doing that work.

Accountability

Ethics and accountability are key to our credibility as an impartial UN organization with the highest standards of integrity; they are yet another key dimension of the coherence of the entire UN system.
(Director-General)

9. Accountability is one of the UNIDO Management Principles as contained in UNIDO/DGB(G).2; it is an inherent feature of the duties of managers and staff members alike. It is defined as the obligation to be answerable for a responsibility assumed and the authority conferred. It involves the staff member or manager in reporting, explaining and justifying the results of an activity to those who have empowered him/her. The nature and degree of accountability is determined by the nature and degree of empowerment: in brief, no accountability without empowerment. The Director-General is ultimately accountable to the Member States for the achievement of results. In turn, all staff members are accountable to the Director-General for both the achievement of agreed goals and the use of resources to that end.

10. Financial accountability is anchored in the Constitution; it is amplified in Financial Rule 102.02 which provides that *“All UNIDO staff members are obliged to comply with the Financial Regulations and Rules and with administrative instructions issued in connection with those Regulations and Rules. Any staff member who contravenes the Financial Regulations or Rules or corresponding administrative instructions may be held personally accountable and financially liable for his or her action in accordance with Staff Rule 101.06.”*

11. Moreover, the Organization applies the results-based management (RBM) approach to all its programmes and activities, including its biennial programme and budgets as of the period 2002-2003. In the context of RBM, accountability focuses on achieving outcomes, measuring performance, learning and changing, reporting and monitoring performance. Consequently, managers have to provide adequate resources and appropriate tools, while delegating appropriate levels of authority to staff. Staff members have to utilize those resources, tools and authority in an effective and efficient manner, in accordance with the regulatory framework of UNIDO, if they are to achieve objectives and secure results. Staff members must take personal steps to inform themselves of organizational policies, procedures and standards as defined by the Organization. Furthermore, it is the duty of the individual staff member to exercise defined responsibilities appropriately, with a clear understanding of the consequences; in the ultimate analysis, s/he has to explain and justify the results achieved to the official who conferred the authority and report on the manner in which that authority was exercised. Individual staff members in UNIDO, regardless of their grades and functions, are accountable to the Organization in terms of the ethical and professional conduct

expected of them; they are also accountable to their managers for the manner in which they discharge the authority delegated to them.

C. Setting goals

Today, we are recognized as an agency with a relevant mandate, a focused contribution to achieving international development goals, a constructive role in furthering UN reform and coherence, [...] All key indicators are moving upwards ... (Director-General)

12. The activities of the Organization are carried out in accordance with the approved programme of work and budgets, pursuant to the requirements of its Constitution (Art. 13.1). The Organization's goals are aligned to its mandate and mission and set out in the policy documents approved by the policymaking organs. Those documents provide the framework for the Organization's activities, determine the strategy for and approach to fulfilling the mandate, set the long- and medium-term programmatic priorities and define the biennial programme of work (as contained in the strategic long-term vision 2005-2015, the MTPFs, programmes and budgets, and the strategic guidelines entitled *Towards improved UNIDO programme delivery*).

13. Following the introduction of RBM, key performance indicators are used to assess and report on progress towards objectives, as well as monitor outputs.

D. Commitment to competence

For a specialized agency like UNIDO, it is imperative to place the highest priority on investing in its human capital. The challenges ... can only be met by highly professional, specialized and motivated staff. (Director-General)

Skills

Particular attention must be paid to sustaining staff quality, motivating staff through career development and securing continuous improvements in the level and relevance of their skills. (Director-General)

14. In line with the provisions of the Constitution, Article 11.5, the "paramount consideration in the employment of the staff and in determining the conditions of service [are] the necessity of securing the highest standards of efficiency, competence and integrity." The Organization recruits individuals who not only have the skills and competence required to carry out their functions, but are also versatile and committed to the Organization's core values. In 2008, the Organization overhauled its recruitment

process and introduced new tools for the better assessment of candidates. The procedure continues to aim at selecting persons meeting the highest standards of competence, integrity and efficiency, while ensuring a competitive selection process that is both simple and transparent. The goal is to ensure that the placement and recruitment processes become flexible mechanisms that respond to the changing requirements of the Organization. Furthermore, faced with the challenge posed by a significant percentage of its staff retiring over the next few years, the young professionals programme was launched in 2008 to secure a steady flow of talented and motivated young professionals into the Organization and so facilitate succession planning and knowledge retention.

Learning

I shall assign maximum priority to investing in the human resources of UNIDO; skilled staff and good morale are the Organization's most treasured asset. (Director-General)

15. The Organization's philosophy in respect of learning is that the most important resource is its staff as well as the knowledge and technical expertise embodied in them (Policy on Learning (DGB(M).117) issued on 12 April 2010). By developing and maintaining the competence and skills of its human resources, the Organization is able to provide a high-quality service through increased responsiveness to the needs of its clients. This enables UNIDO to maintain and enhance its status as a centre of excellence for industrial development. This philosophy is underpinned by the following principles:

- a) *Learning is more than training.* Learning is both a process and an outcome. It includes formal and informal approaches to developing knowledge, skills and behavioural patterns. The organizational environment should allow for learning on a continuous basis;
- b) *Learning is strategic.* Learning is an essential investment that enhances the Organization's ability to meet its strategic goals and objectives;
- c) *Learning is a shared responsibility.* The Organization, line managers and individual staff members share the responsibility of participating in the learning process and effectively applying the results;
- d) *Learning should be accessible.* All staff members have the right of access to appropriate internal and external learning opportunities for career development, subject to the exigencies of service;
- e) *Learning should be effective.* Learning should have a positive impact on work; the linkage between learning efforts, performance management and career development practices has to be recognized. Learning is thus clearly linked to

the overall goals of the Organization. All formal learning activities are evaluated to ensure effectiveness.

16. The Organization has a process of assessing learning needs on an annual basis and translating them into a learning plan. Once approved, the plan is implemented across the Organization to tackle complementary aspects of staff needs and those of the Organization. Training is provided in the following broad categories: upgrading staff members' technical skills; strengthening managerial competence; promoting knowledge-sharing and a culture of continuous learning; familiarizing staff on a continuing basis with the Organization's administrative rules and processes (such as the induction programme, training on the operation of the financial performance control system (FPCS), project management and procurement). If they are to be authorized to procure goods and services for the Organization, staff members at headquarters and in the field must have successfully completed the procurement training programme, the first of which was held in 2008. Advanced training on procurement has also been introduced; it covers such issues as preparing technical specifications and terms of reference, evaluating offers, procurement ethics and fiduciary oversight.

Measuring performance

In all of [our] efforts, performance measurement will be key. [...] This is why results-based management (RBM) in all its dimensions [...] will remain a priority for me. I anticipate a full mainstreaming of RBM throughout UNIDO by the end of the next biennium. (Director-General)

17. The Organization appraises staff performance according to results achieved during a reporting period which is normally 1 January to 31 December. At the beginning of the reporting period, the goals to be achieved by each individual staff member are identified. The aim is to foster an environment of continuous learning and dialogue between managers and their staff. The current system is designed as a tool to help staff plan their work, set objectives, monitor and report on their performance. Managers are also reminded of the need to review job profiles and so ensure that they reflect properly the staff member's duties.

18. The process of evaluation requires continuous dialogue throughout the cycle in order to discuss, as appropriate, the goals and main assignments and the progress achieved. A meeting is held at the end of the reporting period to discuss the final appraisal as well as new goals and assignments planned for the period thereafter. Staff members also have the opportunity to comment on the supervisor's mode of appraisal

and the effectiveness of the coaching given during the review period. The process is to be concluded preferably within the last month of the reporting period.

E. Quality assurance

My motto: programmatic continuity and growth with quality. (Director-General)

19. The quality assurance system in place in the Organization aims at increasing overall the impact of the programmes and activities of UNIDO. It encompasses all levels and aspects of the work of the Organization and falls under the responsibility of entities and bodies specifically appointed for that purpose. Policies, programming and management issues are under the purview of the Executive Board, which is composed of the highest level of management: the Director-General, the Deputy to the Director-General and Managing Directors (MDs). The Programme Approval Committee (PAC) reviews and approves the programmes and projects of UNIDO within the parameters set by the Executive Board. In its work, the PAC is assisted by the Quality Assurance Unit (QUA) which reviews all programme and project proposals and advises whether programme and project submissions comply with established quality criteria (relevance, efficiency, effectiveness, impact and sustainability). The Bureau for Programme Design and Knowledge Management (PTC/PKM) is responsible for ensuring that the sectoral, functional and thematic technical cooperation programmes and projects designed and implemented by UNIDO adopt a multidisciplinary approach and meet the quality standards set by the Organization.

20. All programmes and projects are reviewed in the light of the guidelines on the technical cooperation programme and project cycle designed, inter alia, to contribute to: improving the management of technical cooperation programmes and projects; facilitating the process flow; simplifying procedures; and standardizing formats with a clear identification of the distribution of tasks, responsibilities, authority and accountability throughout the programme/project cycle. The guidelines take into account the principles of RBM, thus ensuring that: (a) internal processes have a positive impact on organizational performance; and (b) the financial resources available to the Organization are used efficiently and effectively to fund priority activities that yield clearly identifiable and measurable results.

F. Ethical values of staff management

Ethics and accountability are not optional – they are the overarching principles governing the way we act, wherever we operate. (Director-General)

21. According to the Constitution, the Staff Regulations and Rules, the Standards of the International Civil Service and the code of ethical conduct, as amplified by specific administrative circulars, staff members are to conduct themselves at all times in a manner befitting an international civil servant. This very general requirement includes placing the Organization's interests above any other considerations, devoting time and energy to the work of the Organization. Staff members, therefore, do not engage in outside activities (paid or unpaid) unless duly authorized nor do they hold interests or exercise duties in conflict with the interests or objectives of UNIDO (UNIDO policy for financial disclosure and declaration of interests).

22. To meet those requirements, the control framework in place encompasses: reviewing information upon recruitment (selection process and verification of information provided by candidates prior to recruitment); promulgating standards of conduct as benchmarks of behaviour for staff at large; monitoring staff members' performance and conduct during their careers with UNIDO (performance appraisal); addressing underperformance (Staff Regulations and Rules and relevant administrative issuances); and investigating misconduct (IOS charter, Staff Regulations and Rules, and administrative circular on disciplinary measures).

23. A Focal Point for Ethics and Accountability was set up by the Director-General in 2010 to foster a culture of ethics, transparency and accountability in the Organization. It will support the implementation of a set of ethics-related policies: the Code of Ethical Conduct (2010), the UNIDO Policy for Financial Disclosure and Declaration of Interests (2010), the Policy on Protection against Retaliation for Reporting Misconduct or Cooperating with Audits or Investigations (*Whistleblower Protection Policy*, 2010).

G. Organizational structure

24. The Organizational structure defines the key areas of authority and responsibility of UNIDO as follows (see also Annex 2, Governance structure of the Organization):

Governing bodies

25. *General Conference (GC)*: the GC is the decision-making body of the Organization. It determines the guiding principles and policies of the Organization, approves its budget and work programme. Every four years, the GC appoints the Director-General. The GC also elects the members of both the Industrial Development Board and the Programme and Budget Committee.

26. *Industrial Development Board (IDB)*: the IDB has the function of an executive body and makes recommendations to the GC. The IDB comprises 53 members, elected for a four-year term on a rotational basis from among all Member States. It reviews the implementation of the work programme and the use of funds under the regular and operational budgets (RB/OB). It makes recommendations to the GC on policy matters, including the appointment of the Director-General. The IDB meets once in GC years, and twice in other years.

27. *Programme and Budget Committee (PBC)*: the PBC has oversight among its functions. It consists of 27 members, elected by the GC for a two-year term. The PBC, which meets once a year, is a subsidiary organ of the IDB and provides assistance in the preparation and examination of the work programme, the budget and other financial matters.

UNIDO Secretariat

Management oversight entities

28. *Director-General*: The Director-General is appointed by the GC for a once-renewable term of four years. The Director-General is the chief administrative officer of UNIDO and is directly accountable to the Organization's policymaking organs (see paragraphs 25-27 above). Subject to the directives of these policymaking organs, the Director-General bears the overall responsibility for directing the work of the Organization. The Director-General is assisted by an executive office. As such, that office is responsible for determining the strategic positioning of UNIDO within the development cooperation community in general and the UN system in particular. It also maintains the Organization's external relations with its Member States and other stakeholders; it initiates and manages strategic partnerships between the Organization and those stakeholders. The Deputy to the Director-General assists and advises the

Director-General in matters pertaining to the overall management of the UNIDO Secretariat.

29. *The Executive Board (EB)*: a body established and chaired by the Director-General, the EB is a forum for the discussion and consideration of policy, programming and management issues, as well as decisions on related aspects of technical cooperation activities. The EB is mandated, inter alia, to: advise the Director-General on policy, programming and management issues; approve UNIDO-wide policies and programming strategies and priorities, as well as the thematic strategies that form the basis for the decision-making process in the PAC; approve funds mobilization strategies; approve biennial programmes of global forum activities; allocate programmable resources at the disposal of the Organization to various thematic areas; monitor progress of technical cooperation activities and determine corrective measures, whenever necessary; view key results of evaluations and related follow-up activities; review the work of the PAC so as to ensure that its deliberations and decisions are consistent with the policies, delegation of authority, programmes and funding strategies of UNIDO.

Independent internal oversight entities

30. *Internal oversight services (IOS)*: IOS is responsible for carrying out proactive and systematic audits and reviews of the Organization's entire operations in order to provide an independent and objective assessment of the rationale, adequacy, efficiency and effectiveness of management control systems, policies, regulations, rules and procedures, as well as administrative instructions, processes and systems. In so doing, IOS assists the Director-General and other managers at all levels to optimize the use of the resources available: its inputs contribute to the improvement of controls. IOS also conducts fact-findings in cases of alleged wrongdoings and/or fraud discovered by and/or reported to IOS. The Office also acts as the focal point within UNIDO for the JIU. IOS is guided by its charter (DGB(M).92/Rev.1 issued on 8 November 2005), and reports directly to the Director-General.

31. *Evaluation Group (ODG/EVA)*: ODG/EVA is responsible for the independent evaluation function of UNIDO in support of lesson learning and accountability. Evaluation is the assessment, as systematic and impartial as possible, of a project, a programme or a theme. Independent evaluation provides evidence-based information that is credible, reliable and useful, enabling the timely incorporation of findings, recommendations and lessons learned into the decision-making processes at corporate, programme and project level. ODG/EVA is guided by its charter (DGB(M).98 issued on 22 May 2006) and also provides substantive support for the promotion and UNIDO-wide adoption of a coherent and consistent approach to RBM.

Advisory bodies

32. *Office of Legal Affairs (LEG)*: LEG is responsible for ensuring that all the activities and programmes of UNIDO are in accordance with the external and internal aspects of its legal framework, as given by international law, its Constitution and, subsidiarily, by the regulations and directives emanating from its policymaking organs and the rules and instructions issued by or under the authority of the Director-General. Its core function consists of providing sound legal advice and expert legal assistance to the Organization in order to promote and develop the rule of law in all aspects of the Organization's activities, as well as defend the rights, positions and interests of UNIDO in contractual or litigation matters. LEG reports directly to the Director-General.

33. *Ethics function*: this function relates to the implementation, administration, and monitoring of recently approved additional policies, notably the UNIDO Policy for Financial Disclosure and Declaration of Interests and on Protection against Retaliation for Reporting Misconduct or Cooperating with Audits or Investigations (*Whistleblower Protection Policy*). Both policies outline obligations of personnel and the administration, review and monitoring processes, and sanctions for non-observance of requirements.

Management structure of UNIDO

34. *Programme Development and Technical Cooperation Division (PTC)*: the Division comprises the Office of the MD; the Agri-Business Development Branch; the Business, Investment and Technology Services Branch; the Trade Capacity-building Branch; the Energy and Climate Change Branch; the Environmental Management Branch; the Montreal Protocol Branch; the Bureau for Programme Design and Knowledge Management; and the Special Programmes and LDC Group. The Division is responsible for providing capacity-development support and technical cooperation services to enhance the capabilities of developing countries and transition economies to: process their agriculture-based raw materials, participate in international trade flows for manufactured goods; increase investment and technology flows; and develop entrepreneurship; while also promoting environmentally sustainable production techniques; developing renewable and rural energy for productive use; increasing energy efficiency; and supporting the implementation of major multilateral environmental agreements. In doing so, the Division develops, implements and monitors sectoral, cross-sectoral and thematic programmes and projects, and provides technical advisory and institutional and human capacity-building services.

35. *Regional Strategies and Field Operations Division (RSF)*: the Division comprises the Office of the MD; the Advocacy and Communications Group; the Development Policy and Strategic Research Branch; the Regional and Field Operations Branch containing five Regional Programmes for Africa, the Arab Region, Asia and the Pacific,

Latin America and the Caribbean, and Europe and the Newly Independent States (NIS), as well as the coordination functions for UN reform at the country level, security management, and the UNIDO field network. The Division also contains a Resource Mobilization and Quality Assurance Branch. Moreover, the UNIDO field network, comprising Regional and Country Offices, UNIDO Desks and UNIDO Focal Points, is under the substantive and administrative supervision of the Division. The Division is responsible for providing programmatic guidance and substantive support to the work of the Organization as well as alignment with its quality assurance framework. It provides Member States as well as other Divisions with state-of-the art analyses of the main determinants and trends of industrial development. On this basis, it advocates the role of industry as an instrument for poverty reduction and environmental sustainability and provides strategic advice to policy-makers at the national and regional levels. The Division is responsible for the identification and coordination of regional and country programmes and for managing the field structure of UNIDO. Furthermore, it is responsible for conceptualizing, developing and managing the Organization's relationships with donor governments and other existing and potential donor organizations. Finally, the Division acts as the focal point for security-related issues, both at headquarters and in the field.

36. *Programme Support and General Management Division (PSM)*: the Division comprises the Office of the MD and four subsidiary entities: The Human Resource Management Branch, the Financial Services Branch, the Information and Communication Management Services, and the Operational Support Services Branch. The Division formulates policies and procedures, and provides strategic guidance, direction and support to all entities of the Secretariat, including the offices away from Headquarters, in the five broad areas of human resources, finance and budgets, information and communication management, operational support (procurement of goods and services, assets management and related International Public Sector Accounting Standards (IPSAS), travel, transportation, shipments, etc.) and management of the common services entrusted to UNIDO (buildings management services and catering operations) on behalf of the Vienna-based Organizations (VBOs). Through these services, the Division provides effective support for the Organization's operational and programmatic activities within an appropriate framework of decentralization of authority, accountability and oversight.

Committees and working groups

37. In addition to the structure described above, the management is assisted in its work by committees whose establishment is required by the Organization's statutes or by other instruments of the regulatory framework. These committees are essential actors in the internal control framework.

38. Statutory committees include the Procurement Committee (Financial Rule 109.5.2), the Joint Advisory Committee (Staff Regulation 5.3), the Joint Appeals Board (Staff Regulation 12.1), the Classification Appeals Committees (Appendix L to the Staff Rules), the Advisory Board on Compensation Claims (Staff Regulation 8.2), the Compensation Claims Board (Staff Rule 108.07) and the UNIDO Staff Pension Committee (UNIDO/DGB(O).30 and Addendum 1).

39. Management Committees include the EB, the Board of Directors, the Committee for Change and Organizational Renewal (2010), the Results-based Management Steering Committee (2007), the PAC (UNIDO/DG/(P).96 issued on 3 March 2006), the QAU (ibid.), the Publications Committee (UNIDO/DGB/(O).102), the Performance Review Committee (DGAI 16), working groups on Delivering as One and the Property Survey Board (PSB) (Financial Rule 109.1.10 and DGB(O).47/Rev.2 of 21 January 2005).

UNIDO crisis management

40. In 2007, UNIDO prepared a crisis management plan (CMP). Derived from the United Nations Security Plan for Austria and the UNOV/UNODC CMP, it sets out the policies and organizational arrangements for managing a crisis situation at UNIDO. It identifies preventive measures that have to be in place prior to a crisis, as well as effective responses to be taken in the event of a crisis at varying levels of severity. The UNIDO CMP sets out individual roles, identifying the specific actions to be taken by Branches, Services and Sections/Units in response to a crisis. It establishes secure and direct lines of communication and allows senior managers to respond quickly and decisively to a crisis. It also identifies the physical and logistical elements that have to be in place in order to address crises of varying severity. The plan is based on a number of different threat scenarios and covers a wide range of crisis management and response issues, prepared in close coordination with a similar plan formulated by UNOV and in accordance with the recommendations of the UN Security and Safety Services.

41. As a complementary measure, each Division was required to develop and maintain a business continuity plan in which a strategy and plans were drawn up for various critical operational areas under the scenarios developed in the CMP.

III. RISK MANAGEMENT

A. Objective setting

42. UNIDO faces a variety of risks from external and internal sources. A prerequisite for effective risk assessment and risk response is the establishment of objectives. Objectives must be established before management can identify and assess risks to their achievement and take the necessary steps to mitigate those risks. Objectives are thus set first at a strategic level, on the basis of which operational, reporting and compliance objectives can be identified.

43. *Operational objectives* pertain to the effectiveness and efficiency of the Organization's operations, including performance goals and safeguarding resources against loss, as UNIDO identifies and defines them in: (a) the long-term vision statement, (b) the MTPFs and (c) the biennial programmes and budgets. The objectives are formulated in a manner that facilitates their being monitored.

44. *Reporting objectives* pertain to the reliability of reporting and include both financial and non-financial data. UNIDO attaches great importance to the programme progress reports that provide management accurate, complete and appropriate information. In addition to providing a summary of the funding situation and its impact on programme implementation, the programme progress reports also focus on innovations introduced and lessons learned. The Organization's financial position and its financial performance are reported via financial statements that comply with IPSAS (DGB(M).114 issued on 11 February 2010).

45. *Compliance objectives* pertain to adherence to relevant laws and regulations. In its efforts to support all developing countries and countries with economies in transition, UNIDO ensures that its activities are carried out strictly in accordance with its internal regulatory framework. The current mechanisms in UNIDO, which also involve IOS and LEG, contribute to ensuring that compliance.

B. Event identification

46. Internal and external events affecting the achievements of the Organization's objectives are identified in terms of risks and opportunities. Opportunities are

channelled back to the strategy or objective-setting exercise. In UNIDO, events are identified at two distinct levels: institutional and functional.

47. *Institutional level*: senior management initiated a process in 2009 whereby the top 20 events posing the most serious threats and offering the greatest opportunities are identified for the entire Organization. The methodology used follows a standard event catalogue adapted to the specifics of UNIDO. The catalogue categorizes events in terms of: (a) leading processes; (b) core processes; (c) supporting processes; and (d) external influences. Staff members both at headquarters and in the field contributed to the identification of events. This identification, one of the features of the Programme for Change and Organizational Renewal (PCOR), constitutes the first step towards establishing an overarching risk management process which will ultimately cascade down through the Organization.

48. *Functional level*: event identification is in place at the functional level. Tasks and responsibilities relating to risk management are embedded in the functional roles of the line managers within the Organization. The terms of reference of all organizational units, the managers and staff members' job profiles as well as the regulatory framework delineate the responsibility of each individual in relation to the identification and management of risks specific to their functions.

C. Risk identification and analysis

49. The process of identifying and analyzing risks to the achievement of the Organization's objectives ensues at four distinct levels: institutional, functional, operational and individual programmes/projects.

50. *At the institutional level*, the top 20 opportunities/risks (inherent and residual) relevant to UNIDO are assessed in terms of their likelihood and impact (see paragraph 47 above).

51. *At the functional level*, the Organization's regulatory framework and structure provides tools and specifically assigns risk assessment functions in order to identify and adopt appropriate mitigating measures.

52. *At the operational level* risk management is carried out throughout the Organization, irrespective of the level of operations.

53. *Risks affecting individual programmes/projects* are identified and assessed by the programme/project managers from the very outset. When drafting the programme/project documents, programme/project managers describe the objectives, the approach to be adopted, expected outcomes (immediate objectives), outputs and activities, timelines and associated risks. The documents are submitted for approval to the PAC which reviews them in terms of their adherence to the thematic priority areas and their compliance with the basic quality standards (relevance, efficiency, effectiveness, impact and sustainability). The PAC also determines the degree to which risk factors and critical assumptions have been identified.

54. The UNIDO guidelines on the technical cooperation programme and project cycle focus on three elements related to risk assessment:

- *Risk analysis*: an analysis or assessment of factors that affect or are likely to affect the successful achievement of a programme/project's objectives. It entails a detailed examination of the potential, unwanted or negative consequences to human life, property or the environment. A systematic process, risk analysis provides information relating to those undesirable consequences and quantifies the probability and expected impact of the risks identified.
- *Logical framework*: a management tool used to formulate, monitor and evaluate programmes and projects. It involves identifying strategic elements (inputs, outputs and outcomes (immediate objectives)) and their causal relationships, indicators, as well as the assumptions or risks that may influence success and failure. The framework thus facilitates the planning, implementation, monitoring and evaluation of programmes and projects.
- *Fiduciary responsibility*: an obligation to act in the best interests of another party on the basis of trust in each other's expertise. The management of resources in a manner consistent with the Organization's mission should be guided by the principles of fiduciary responsibility that have been or will be incorporated into the Organization's operations. Consistent with best

practice, these include: audit, evaluation and investigation functions, as well as the established hotlines and whistleblower protection.

D. Risk response

55. The risk response follows the pattern described in paragraphs 47-48 above. While risk response is part of the functional role of line managers and can be said to be coordinated at the Divisional level, risk response at the institutional level is still at an early stage of development. In that respect, the terms of reference of the offices of the three MDs include the direction, approval, coordination, assessment and monitoring of the work programmes of all branches in the respective Divisions. In fulfilling that function, they take into account: the strategic priorities, mandate and objectives of the Organization; recommendations put forward by the external and internal auditors; the parameters set by the decisions and resolutions of the policy-making organs; the risk assessments performed; and the need to coordinate activities within the Organization.

56. The risk management process is reviewed by IOS in the context of its audit function which encompasses the review and reliability of the process set in place. It establishes whether risks are appropriately identified and managed, and whether control mechanisms are in place and properly functioning (Financial Rule 109.1.15).

IV. CONTROL ACTIVITIES

57. Control activities are the policies and procedures established to address risks and achieve the objectives of UNIDO. If they are to be effective, control activities must be appropriate and function consistently according to plan throughout the period. They must also be cost-effective, comprehensive and reasonable and relate directly to the control objectives. Control activities occur throughout the Organization - at all levels and in all functions; they include a range of preventive and detective control mechanisms.

A. Authorization and approval procedures

58. The authorization of transactions and events and their subsequent execution is limited strictly to persons acting within the scope of their authority. Authorization is the principal means of ensuring that only valid transactions and events are initiated as intended by management. Authorization procedures include the specific conditions and terms under which authorizations are to be made. Conforming to the terms of an authorization means that staff members act in accordance with directives and within the limitations established by management or legislation.

Financial authorization

59. In UNIDO, the backbone of the authorization system is the financial authorization system: a hierarchical construction based on the concept of delegated authority.

60. The Financial Regulations and Rules of UNIDO provide that “Approval by the [General] Conference of the programme of work and corresponding regular budget shall constitute an authorization to the Director-General to incur obligations and to make payments for the purposes thus approved and within the appropriations approved therefore” (Financial Regulation 4.1). Similar authority is entrusted to the Director-General in respect of the operational budget, including extra-budgetary contributions.

61. Obligations for the current fiscal period or commitments for current and future fiscal periods can be incurred only after allotments or other appropriate authorizations have been made in writing under the authority of the Director-General (Financial Regulation 9.2). Furthermore, the Financial Rules re-emphasize that “no commitments, obligations or expenditures against any funds may be incurred without the written

authorization of the Director-General.” (Financial Rule 109.1.1 on Authority for Expenditure).

62. The Director-General exercises the above-defined authority through a decentralized financial authorization system, which was promulgated in the Director-General’s administrative instruction No. 6 (DGAI No. 6). The instruction is based on the management principle of decentralized financial control. In keeping with that principle, line, team and project managers must have the authority and flexibility needed to decide, within the guidelines established in the instruction, on the manner in which financial resources are used to achieve output, results and goals that meet the expectations of the Organization’s clients.

63. Financial resources are allotted to yield the output required to achieve objectives. The allotment and the objectives to be achieved should originate from the biennial programme and budgets or from an approved project document. Each allotment is approved by the Director-General or by an authorized official on his/her behalf.

64. The amount approved and references to its approval are recorded in a programme or project allotment document (PAD). Normally, programme allotments cover RB/OB funding and project allotments extra-budgetary funding. The PAD indicates the name of the allotment holder and the allotment account code or project number and itemizes the objects of expenditure under the allotment. The PAD also indicates the relevant programme or sub-programme in the programme and budgets, as well as the organizational unit of the allotment holder.

65. The allotment holder is normally the line, team or project manager who is fully responsible for the utilization of the allotment. The allotment holder is appointed by the Director-General or by an authorized official on his/her behalf and is explicitly named on the PAD. Allotment holders also act as certifying officers for the respective accounts. For RB/OB allotments other than the regular programme for technical cooperation (RPTC) and Special Resources for Africa (SRA), the allotment holder would normally be the Branch Director. In the case of project allotments and allotments for the RPTC and SRA, the project manager or the team leader would normally be the allotment holder.

66. In the absence of the allotment holder, the alternate allotment holder is fully empowered to act on the allotment holder’s behalf. The alternate allotment holder is

normally a member of the team drawing on the allotment. The alternate allotment holder is appointed by the allotment holder in writing and is explicitly named on the PAD.

67. The allotment holder attests by signature that the proposed obligation or expenditure is: (a) essential to achieving the objective for which the allotment was made; (b) in line with the specific purpose for which the allotment was issued; and (c) in accord with existing regulations, rules and instructions. The allotment holder further attests that the proposed obligation or expenditure can be met from the available balance of the allotment under the relevant account and object of expenditure, with due regard to foreseeable future obligations. This control activity is referred to as certification in the Financial Regulations and Rules; it is a mandatory step prior to committing funds of the Organization.

68. The allotment holder is personally responsible for the certification action. The allotment holder initiates expenditures that are needed to achieve the objective for which the allotment was issued. The certification signature of the allotment holder constitutes the authority to enter into commitments on behalf of the Organization by officers so authorized.

69. The Director-General may issue allotments that require additional authorization by a senior official. In the case of such allotments, one of two conditions must be met: (a) either the PAD should indicate the requirement for additional authorization, the name of the person, whom the Director-General has entrusted with the task of authorizing the proposed obligation or expenditure, and a reference to the document in which criteria for the additional authorization are spelled out; or (b) an appropriate DGAI should indicate the object of expenditure for which additional authorization is always required, the list of staff whom the Director-General has entrusted with the task of authorizing the proposed obligation or expenditure and the criteria to be applied during authorization.

Approval of obligations and expenditures

70. Every obligation or proposal for incurring expenditure has to meet both of the following requirements: certification by a certifying officer before the expenditure is actually incurred (see paragraphs 59-69 above) and subsequent recording of the obligation by an authorized official (approving officer) designated for that purpose by the MD/PSM, after examining the validity of the obligation.

71. The role of the approving officer is to ensure the correct recording of the obligation or expenditure in the accounts; hence, the scope of the approval is determined by the accounting analysis prescribed for the specific obligation. The approving officer does not share the responsibility of the allotment holder (certifying officer); their functions do not overlap.

72. Apart from the employment of staff under an authorized staffing table and consequential recurring commitments under the Staff Regulations and Rules, no contract, agreement or undertaking of any nature for an amount exceeding € 2,000 can be entered into, until credits have been reserved in the accounts, through the recording of an obligation, to meet any expenditures that may accrue in the fiscal period. Additionally, unless the amount of the change in the credits reserved exceeds € 2,000, no adjustment need be made to the amount previously obligated. In cases where the change exceeds € 2,000, the payment is to be made in accordance with a duly certified invoice when the goods have been delivered or the services rendered.

73. If the conditions stipulated above have not been met, the recording of the obligation is conditional on a full justification being provided by the certifying officer and cleared by the Division Head. Such obligations will require the specific approval of the Director, PSM/FIN, before being recorded in the accounts. Furthermore, all responsibility and accountability in connection with entering into commitments on behalf of UNIDO without prior reservation of credits in the accounts will rest with the official concerned.

Employment of staff and consultants

74. Staff and consultants may be engaged only with the written authority of the Director-General, the Director of the Human Resource Management Branch (PSM/HRM) or other officials to whom such authority has been delegated by the Director-General, and within the allotments or other limits approved by the Director-General. For this purpose, the MD/PSM maintains a staffing table showing the current occupancy of all established posts.

75. The Director, PSM/HRM, or other officials to whom such authority has been delegated, is responsible for ensuring that the terms of employment of staff or consultants conform to the terms of the Staff Regulations and Rules.

76. For the engagement of regular staff, PSM/HRM collates and analyzes the requests received from the Divisions/Bureaux and obtains financial authorization from the allotment holder in order to ensure that budgetary provision has been made for the request. PSM/HRM thereafter presents the consolidated request(s), with the comments of the allotment holder, to the Director-General for approval. Upon the approval of the Director-General, PSM/HRM informs managers of the approved position(s) as they relate to their respective organizational units and initiates the recruitment process.

77. Upon appointment, each staff member receives a letter of appointment signed by the Director-General or by an official in the name of the Director-General. The letter of appointment contains expressly or by reference all the terms and conditions of employment.

78. In the case of consultants, based on the programme or project manager's request for recruitment and appropriate financial authorization, PSM/HRM prepares, approves and issues the contract to the candidate selected in the form of a special service agreement (SSA) or other contractual instrument.

Contracts and purchases

79. Unless otherwise directed by the Director-General, the MD/PSM is accountable to the Director-General for all procurement functions of UNIDO. The MD/PSM may further delegate procurement authority to staff at headquarters and other locations, as may be appropriate. All delegations of procurement authority are kept on record.

80. Procurement of goods and services are made only against requisitions authorized by the allotment holders (certifying officers) or, in their absence, by their alternates. Signature of a requisition shall be followed by certification of an obligation before a purchase order or contract can be issued.

81. Centralized and decentralized procurement of goods and services for UNIDO requirements encompasses the solicitation and evaluation of offers, selection of the best offer, negotiations and entering into contracts with the selected suppliers for services and works, rental of real property and purchase of goods. It is performed by authorized officials (Financial Rule 109.5.2 (a)). This procurement authority is delegated on an individual basis by the MD/PSM, unless otherwise directed by the Director-General.

82. With respect to centralized procurement, authorized officials are Contracts and Procurement Officers/Assistants (known as procurement officials) of the Procurement Services Unit (PSM/OSS/PRS). The procurement authority is delegated in the form of an interoffice memorandum, signed by the MD/PSM, which contains the names of the procurement officials and financial limits of delegation.

83. With respect to decentralized procurement, authorized officials are normally project allotment holders and UNIDO Representatives (URs) to whom procurement authority is delegated on an individual basis by the MD/PSM pursuant to the financial authorization system (paragraphs 31 and 44 of the DGA No.6 dated 13 May 1998). In addition, the MD/PSM may delegate authority to perform decentralized procurement to other UNIDO officials at headquarters and elsewhere. Delegation of procurement authority must be in writing and contain the name of the authorized official, financial limits of delegation and the period of delegation.

84. For commitments to a single supplier in respect of a single or related requisitions totalling less than €70,000, the decision to award a contract is made by the procurement official concerned (with the exception of contracts of €20,000 or more approved by the MD/PSM for direct procurement) in compliance with the selection criteria defined in the relevant financial rules and within the limits of authority delegated to him/her by the MD/PSM.

85. For commitments to a single supplier in respect of a single requisition or related requisitions totalling €70,000 and more, the approval of a contract award is granted by the MD/PSM, upon advice and recommendation of the Procurement Committee after review of the submission made by PSM/OSS/PRS.

86. Contracts may only be signed by the authorized procurement officials within the limits of the authority delegated to them by the MD/PSM.

87. The limits on the delegation of authority for decentralized procurement are currently at the following levels: (i) for the procurement of goods and services, not more than € 20,000 in total for intended commitment to a single supplier per a single transaction, whether for a single item or for a series of related items, within a twelve-month period from the date of the first such commitment. It is not permissible to split

the transaction with the same supplier for the same series or series of related items into several smaller transactions; the threshold of € 20,000 shall not be exceeded; (ii) in addition, procurement of non-industrial goods and services (furniture, cars, office equipment, telephone services, etc., mostly for field offices, but also in some cases for project offices) in the range from € 20,000 up to € 70,000 may be undertaken by UNIDO Field Offices locally subject to the prior authorization of each individual case by the MD/PSM.

88. Any requirements for industrial goods and services intended commitments of more than €20,000 shall normally be procured through PSM/OSS/PRS.

Authority to travel

89. Before travel is undertaken, a written authorization is required. In exceptional cases, staff members may be authorized to travel on oral instructions. That oral authorization, however, requires subsequent written confirmation. A staff member is personally responsible for ascertaining that he or she has the proper authorization before commencing travel. Chapter IX of the Staff Rules defines the applicable conditions.

90. One step in the travel authorization process is certification by the allotment holder. The following categories of official travel require additional authorization, as follows:

Person(s) travelling	Authorization by
MD(s)	Director-General
Branch Director(s)	Respective MD
Project manager or other member of implementing team	Respective Branch Director
More than two staff members to the same destination at the same time for the same purpose	Joint supervisor of all travellers
Staff members who have accumulated 60 travel days over the past 12 consecutive months	Director-General

Organization of training programmes, workshops, seminars, conferences and other meetings

91. While component activities, such as procurement of goods or services and appointment of consultants required for the organization of training programmes, workshops, seminars, conferences and other meetings follow the normal authorization process, the following additional approvals are required under certain circumstances.

92. All communications, particularly aide-memoires and notes for participants that commit UNIDO financially in any way, must be approved by PSM/FIN prior to distribution. A mandatory prerequisite for attending such programmes and meetings is the issuance of an authorization by the allotment holder in the form of a specific communication to each participant, together with documentation (aide-memoire and notes for participants) giving all the administrative and financial details.

Hospitality

93. Within available allotments, the Director-General, MDs or managerial staff of equal rank, as well as Branch Directors and UNIDO Liaison Office Directors may authorize hospitality events and expenditures to be incurred by staff members who, in the performance of their official functions, offer hospitality to members of delegations to UNIDO, members of governments, intergovernmental organizations, individuals in the private sector, non-governmental organizations or members of the public, but not UNIDO staff members. In each case, it is the responsibility of the authorizing official to satisfy him/herself that the expenditures are reasonable and necessary.

94. Hospitality events within the context of technical cooperation projects may be authorized by the project manager (allotment holder) for a clearly defined function, usually marking a specific stage in the course of a project or activity. Prior additional authorization is required by the PSM/FIN, documented by recording an appropriate obligation in the project accounts.

95. Prior approval in accordance with the above paragraphs should always be obtained for hospitality events.

Publications

96. The Publications Committee is responsible for implementing the UNIDO publications policy. To facilitate planning, the Publications Committee prepares a two-year rolling publications programme, updated in the first quarter of each calendar year and submitted to the EB for approval. The Publications Committee, in cooperation with the substantive units and established offices of UNIDO, ensures that all UNIDO publications meet the Organization's quality criteria and corporate identity requirements. Only publications that have been vetted and approved by the Publications Committee will be issued as official UNIDO publications.

97. The Publications Committee is also responsible for recommending to the EB which publications should not be made available online free of charge at the time of publication. It also decides whether a charge should be made for printed copies of a particular publication.

Approval of payments

98. Only those officials designated by the Director-General as approving officers may approve payments on behalf of the Organization. In addition, all authorizations, whether by electronic fund transfer or by letter, to effect payments at another duty station are to be issued and signed by the Director-General or by those officials who have been duly designated by the Director-General to do so.

99. Payments can only be made on the basis of duly certified supporting vouchers and other documents, which indicate that the goods or services have been received in accordance with the documents establishing the obligation. An approving officer must also verify that no previous payment has been made and that the supporting documents do not contain any irregularities indicating that the payment is not properly due. An approving officer must not approve a payment if any other information known to him or her would bar that payment. In this regard, for payments less than € 2,000, for which credits do not need to be reserved in advance by recording an obligation, the supporting documentation indicating that payment is due must be certified by a certifying officer in accordance with the financial authorization system, before the payment may be approved.

100. In addition to payments authorized under Financial Rule 109.5.8 on advance payments and the above paragraph notwithstanding, the Director-General may, in the

interest of the Organization, authorize progress payments (see also Financial Rule 107.1.4 on cash advances).

Ex gratia payments

101. *Ex gratia* payments may be made in cases where, although in the opinion of the Legal Adviser there is no legal liability on the part of the Organization, the moral obligation is such as to make payment desirable in the interest of the Organization. The personal approval of the Director-General is required for *ex gratia* payments when either: (i) the amount exceeds € 5,000; or (ii) the recipient is a staff member of UNIDO receiving a salary equivalent to, or higher than that of, the lowest level and step of the Professional category. In other cases, the Director-General may delegate authority for the approval of *ex gratia* payments.

Disbursement of funds

102. All disbursements are made by written bank instruction, except to the extent that the Director-General authorizes cash disbursements. Written instructions are signed by two authorized officials included in the bank signatory panels designated by the Director-General; however, the Director-General may, when deeming that adequate safeguards are provided, authorize the signature of cheques by one signatory only or authorize the use of facsimile signatures. Other electronically transmitted instructions may be drafted and dispatched only by an authorized Treasury official, who ensures that the outgoing instruction is signed by two authorized signatories.

Custody of funds

103. The Director-General designates the bank or banks in which the funds of the Organization are kept, bearing in mind the need to minimize the number and scale of foreign exchange transactions. The Director-General or those officials authorized by him/her establish those official bank accounts as may be required for the transaction of UNIDO business and designate signatories to operate those accounts. A bank account that is no longer required for the operations of UNIDO is to be closed by the authorized officials.

The receipt of funds

104. An official receipt for all funds received is to be issued within five business days of receipt. Only officials duly designated by the Director-General are authorized to issue

such receipts. In cases where officials other than those authorized to issue official receipts receive moneys intended for the Organization, they are to transmit such moneys immediately and in full to the Treasurer or any other official authorized to issue an official receipt.

Investment of funds

105. The Director-General may invest moneys that are not needed immediately. The investment of moneys standing to the credit of any trust fund, reserve or special account within the operational budget is subject to the directives of the appropriate authority in respect of each such fund or account and having regard to the particular requirements as to the liquidity of funds in each case. The Director-General may make both short- and long-term investments, subject always to the provisions of the appropriate regulations, rules, terms or conditions relating to the respective funds and accounts. The authority to make investments includes the authority to purchase, sell or exchange investment securities.

106. The number of financial institutions in which investments are placed and the maximum limits for each institution is approved by the Director-General on the recommendation of Financial Services, based on prevailing market conditions. Long-term investments are those made for a term of more than twelve months. Before making a long-term investment, the Director-General receives and considers the written advice of an investment committee. That committee is chaired by the Director, PSM/FIN, and has as its members the Deputy to the Director, PSM/FIN and the Chief PSM/FIN/APT and meets as required.

107. To ensure competitiveness of investments, rate quotations from at least three authorized banks should be obtained. All securities are deposited either in the custody of duly appointed bankers or in safe deposit vaults maintained by a recognized financial institution designated by the Director-General, or in the UNIDO safes under the Treasurer's direct control. The withdrawal of securities from the custody of bankers and access to such safe deposit vaults require the authorization and signature of two officials designated for that purpose by the Director-General.

The exchange of currencies and hedging

108. Officials responsible for the operation of UNIDO bank accounts or for holding UNIDO cash or negotiable instruments are authorized to exchange one currency for another, to the extent necessary for the conduct of official business. Exchange of

currency cannot be undertaken for speculative purposes. Hedging of currencies or other financial instruments is only permitted with the express approval of the Director-General, subject to the provision of appropriate justifications. Hedging cannot be undertaken for speculative purposes.

Cash advances

109. Advances may be made to officials designated by the Director-General. Cash advances can only be made through the banking systems of UNIDO under the provisions stipulated in Financial Rule 107.1.8. The Director-General defines the amount and purposes of each advance, and the amount advanced shall not exceed the approved limits. In addition, the Director-General or authorized officials may approve other cash advances as permitted by the Staff Regulations and Rules and administrative instructions or on specific approval. Cash advances carried by hand may not exceed € 2,500, unless specifically approved by the Director, PSM/FIN.

Remittances to imprest fund accounts and petty cash

110. In the absence of a special authorization from the Director-General, remittances to imprest fund accounts cannot exceed the amount required to bring the cash balance of the office concerned to the estimated cash requirements for the following two and a half months. Excess liquidity in the imprest account can be invested for a maximum of one month only with the same imprest bank in call- or time-deposit products. The imprest account is subject to monthly reporting, including interest income earned and replenishment of disbursements.

111. Purpose-specific advance funds for petty cash shall be released only on the approval of PSM/FIN. Such advances may not exceed € 800 at any given time. Replenishment of funds will be made solely on submission of supporting documents for the previous advance.

B. Segregation of duties

112. To reduce the risk of error, waste, or wrongful acts and the risk of not detecting such problems, no single individual or team controls all key stages of a transaction or event. Rather, duties and responsibilities are assigned systematically to a number of individuals to ensure that effective checks and balances exist. Key duties include authorizing and recording transactions, processing and reviewing or auditing transactions.

113. In UNIDO the control functions described above are normally segregated among different organizational units or at least among different individuals. The overall concept involves the segregation of the respective roles of: programme/project managers (allotment holders, certifying officers); approving officers for obligations; officials authorized to enter into commitments on behalf of the Organization; approving officers for payments; approving officers for disbursement of funds; and authorized signatories for banking instructions.

Written banking instructions to be signed by two authorized signatories

114. Written instructions are to be signed by two authorized officials included in the bank signatory panels designated by the Director-General; however, the Director-General may, when deeming that adequate safeguards are provided, authorize the signature of cheques by one signatory only or authorize the use of facsimile signatures.

115. Other electronically transmitted instructions may be drafted and dispatched only by an authorized Treasury official, who ensures that the outgoing instruction is signed by two authorized signatories. In order to ensure adequate internal control, the authorized bank signatories cannot exercise approving functions on the same transactions, unless a division of duties is not practicable.

C. Access to resources and records

116. Access to resources and records is limited to authorized individuals who are accountable for the custody and/or use of the resources. Accountability for custody is evidenced by the existence of receipts, inventories or other records assigning custody and recording the transfer of custody. Restricting access to resources reduces the risk of unauthorized use or loss to the organization and helps to increase the measure of adherence to management directives. The degree of restriction depends on the vulnerability of the resource and the perceived risk of loss or improper use; it should be periodically assessed. When determining an asset's vulnerability, its cost, portability and exchangeability should be considered.

Property records

117. The following controls relating to UNIDO property are in place at UNIDO in order to achieve the above control objectives (Financial Rules 109.1.5-109.1.10). The

MD/PSM is responsible for the overall management of the property of UNIDO, including all systems governing its receipt, recording, utilization, safekeeping, maintenance and disposal, including by sale. The MD/PSM designates the officials responsible for performing property management functions.

118. Complete and accurate records are to be maintained of supplies, equipment and other property purchased, received, issued, transferred, sold or otherwise disposed of and remaining on hand. Such records are maintained both for headquarters and for offices and projects away from headquarters; they show under separate headings the supplies, equipment and other property belonging to UNIDO and/or entrusted to the charge of UNIDO. The MD/PSM determines the articles for which records are to be maintained and establishes the nature and extent of the records in compliance with the purpose of the Financial Rules.

119. All supplies, equipment or other property received by the Organization are immediately inspected to ensure that their condition is satisfactory and in accordance with the terms of the related purchase contract. A receiving report is issued for all items received and the details are entered immediately into the appropriate property records. All transactions related to supplies, equipment or other property should be supported by appropriate vouchers and evidence of receipt.

120. The issue to individuals of equipment or other property for their official use funded from the RB (for example, laptops, tools and cameras) are recorded in the property records as 'issued on loan'. A receipt from the individual concerned shall support the records and attest to personal responsibility for the property loaned. Such receipts are renewed every year, until the property is safely returned. In the event that the individual is transferred to another organizational unit or separates from service, the property is returned to stock and the loan record cancelled.

121. Physical inventories are taken of supplies, equipment or other property belonging to UNIDO or entrusted to the charge of UNIDO at least once during a fiscal period to ensure adequate control over such property. Officials authorized by the MD/PSM assume the responsibility for ensuring the conduct of such physical inventories and the selection of items to be inventoried.

122. The responsible official immediately notifies the MD/PSM through the Secretary of the PSB of any shortages and surpluses of and damage to supplies, equipment or other

property that come to light as the result of stock-taking, an inventory check or other means. Property that becomes surplus to operating requirements or unserviceable through obsolescence or normal wear and tear is reported by the responsible official to the Secretary of the PSB.

123. The PSB examines and reports on the cause of any shortages, and surpluses of and damage to supplies, equipment or other property and the action to be taken thereon. The PSB also determines the disposal of supplies, equipment or other property that has become surplus to the operating requirements of the Organization or unserviceable through obsolescence or normal wear and tear.

124. The recommendations of the PSB determine, in each instance, the level of responsibility, if any, attributable to any staff member of the Organization for shortages, surpluses or damages.

125. The recommendations of the PSB are submitted to the MD/PSM. Recommendations for recovery from staff members or others are transmitted by the MD/PSM to the Director-General for approval. Other recommendations may be approved by the MD/PSM. Should the MD/PSM not agree with a recommendation of the PSB any dissenting views of the MD/PSM is to be recorded in writing (the Property Management Manual (PSM/AI.1) issued on 17 July 2007).

The Organization's records and archives

126. Records are defined as any type of information, generated by UNIDO or addressed to UNIDO within the framework of its official activities. Files contain records in written, electronic and all other forms. Records management relates to setting up, using and maintaining current records in a systematic manner. Archiving deals with the preservation and maintenance of non-current records on a temporary or permanent/indefinite basis in accordance with an established retention schedule.

127. UNIDO records are the property of the Organization. They cannot be destroyed, except in accordance with established guidelines or with the approval of and in consultation with the management of the originating office.

128. At UNIDO headquarters, custody and monitoring of archived, permanent and non-permanent records is the responsibility of PSM. Records management and systematic file maintenance (according to established procedure) are the responsibility of each headquarters unit. In field offices, the URs are responsible for ensuring that records management and archiving procedures are properly implemented.

129. The accounting and other financial and property records and all supporting documents are retained for a period of six years or such other periods as determined by PSM/FIN and agreed with the external auditors. On the expiry of the retention periods, the destruction of records and documents shall be carried out on the approval of PSM/FIN (Financial Rule 110.7.6).

130. In carrying out their activities and responsibilities, staff members of IOS shall enjoy full, free, unrestricted and prompt access to all records (in both paper and electronic format), property, personnel, operations and functions within the Organization which, in the opinion of IOS, are relevant to the matter under review. In accordance with the information and communication technology (ICT) policy of UNIDO, rights of access to electronic records may be granted to IOS by the Director-General upon request and upon presentation of a full justification by the Director, IOS.

131. The External Auditor and his/her staff also enjoy free access at all convenient times to all books, records and other documentation which are, in the opinion of the External Auditor, necessary for the performance of the audit. Information classified as privileged and which the Director-General (or his designated senior official) agrees is required by the External Auditor for the purposes of the audit and information classified as confidential shall be made available on application. The External Auditor and his/her staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit. The External Auditor may draw the attention of the GC or the IDB to any denial of information classified as privileged which in his opinion was required for the purpose of the audit.

Access to personnel records

132. With respect to handling of official status files and personal files, administrative circular UNIDO/ADM/HRM/AC.1 provides the applicable control framework. Official status files and personal files of staff members are kept and maintained in the personnel records unit of PSM/HRM/SSR. Access to official status files and personal files is only granted to those officials who have legitimate reason to view the contents of those files

by virtue of their official functions. Staff members of the personnel records unit are the only persons authorized to release such files, add documents thereto or remove documents therefrom.

133. The following officials have access to official status files: the Director-General, staff of PSM/HRM, the internal and external auditors, as well as the staff member (exclusively for his or her own file). Staff members of LEG are granted access to official status files upon authorization by PSM/HRM.

134. The following officials have access to personal files containing correspondence related to any civil matter brought to the attention of the Organization and involving a staff member: the Director-General, the staff member (for his or her own file), the Director, PSM/HRM, the PSM/HRM officer directly authorized to handle the matter on behalf of PSM/HRM. Staff members of LEG are granted access to personal files upon authorization by PSM/HRM. Personal files must be viewed in the offices of the personnel records unit, under the supervision of its staff.

D. Verification

135. Transactions and significant events are verified before and after processing. For example, when goods are delivered, the number of goods supplied is checked against the number of goods ordered (two-way matching). Afterwards, the number of goods invoiced is verified against the number of goods received and ordered (three-way matching). The inventory is further verified by performing stock takes.

136. The allotment holder is responsible for arranging the receipt and inspection of the goods or services procured. S/he is also responsible for the certification of their acceptance or rejection and for the preparation of the receiving report in the case of goods being delivered to locations other than UNIDO headquarters. Goods and services that have been received, inspected and accepted or rejected shall be so certified on a corresponding supplier invoice, enclosing supporting documents (such as shipping documents, delivery notes, and acts of acceptance of goods and services).

137. The allotment holder in consultation with the procurement official concerned may decide to use a surveillance company to perform the inspection of the delivered goods. A surveillance company is an independent third party representing UNIDO, which verifies that upon receipt the goods tallied with the packing lists, were undamaged and

in good condition (or otherwise). The use of such surveillance companies should be considered for goods of a sensitive nature, such as sophisticated equipment, computers, vehicles and goods of similarly high value.

138. No payment is effected for goods or services that have been rejected, provided such rejection takes place prior to a UNIDO obligation to pay under the terms and conditions of the contract. However, UNIDO cannot unduly withhold inspection of the delivered goods and services in order to delay payment. The inspection is thus performed as soon as possible after delivery in keeping with the terms and conditions of the contract, as it marks the commencement of the payment obligation.

139. In line with the regulatory documents, General Support Services (PSM/OSS/GES) maintains inventory records and controls movement and disposal of all recorded non-expendable and special property items that were procured with RB/OB funds or project funds. All inventory records are kept in the Agresso fixed assets module of the computerized property management and inventory control system (PMICS), which is an integral part of the FPCS.

140. Inventory records are entered into the PMICS by PSM/OSS/GES as follows:

- For non-expendable property and special items delivered to locations outside UNIDO headquarters, entries are based on: (a) the notification issued by the procurement official(s) concerned after signature of the purchase order/contract, giving the purchase order number/contract number, a full description of each item, the value of each item in the currency of purchase and estimated delivery time; and (b) disbursement reports generated by the FPCS and receiving reports prepared upon receipt of the items and submitted by the allotment holder(s) concerned;
- For non-expendable and special property items delivered to UNIDO headquarters, entries are based on the delivery notes issued by the UNIDO receiving area enclosing specifications that indicate the value of the non-expendable property.

141. The purpose of a physical inventory is to verify the accuracy of the property and inventory control records through actual inspection of the property and adjusting any discrepancies that are discovered. Physical inventories in UNIDO are scheduled and organized as follows.

142. PSM/OSS/GES ensures that (a) physical inventories are conducted every two years of all UNIDO non-expendable property items, including non-expendable property items located in the different store rooms maintained by Buildings Management Services (PSM/OSS/BMS), and (b) spot checks are conducted annually of up to 300 special items selected at random. In addition, special inventories may be conducted as necessary in cases where property records require verification or a selected number of items have to be accounted for.

143. PSM/OSS/GES is responsible for: planning, organizing and scheduling physical inventories at UNIDO headquarters; coordinating the related activities with UNIDO Branches and offices; and consolidating the inventory data collected during the physical inventory process.

144. In respect of project or field office inventories, physical inventories/verifications are scheduled and organized as follows. Allotment holders arrange for annual physical inventories/ verification of all non-expendable and special property items purchased under their respective projects. Prior to the start of the annual physical inventory/verification, PSM/OSS/GES provides allotment holders with lists of the non-expendable and special property items corresponding to their projects as recorded in the PMICS.

145. The physical inventory/verification process is conducted as follows: the allotment holder concerned arranges for inspection/verification of the location of non-expendable property and special items specified on the lists provided by PSM/OSS/GES. The allotment holder reports to PSM/OSS/GES on any non-expendable and special items of property that have been located during physical inventory/verification, but were not previously recorded in the PMICS. The allotment holder ensures that any non-expendable and special item of property that is not available during the physical inventory/verification (such as property under repair or property being used for work at home or on mission assignment) is duly accounted for.

E. Reconciliation

146. This control objective foresees that records are reconciled with the appropriate documents on a regular basis; for example, the accounting records relating to bank accounts are reconciled with the corresponding bank statements. Financial Rule 107.1.11 prescribes that each month, unless the Director-General authorizes an exception, officials who do not take part in the receipt or disbursement of funds (see also paragraphs 112-113) shall undertake the reconciliation of bank accounts. The purpose of this exercise is to verify whether bank statements reflect exactly the transactions as recorded in the accounts. Any discrepancy found must be investigated and resolved.

147. It is the responsibility of allotment holders, with the assistance of PSM/FIN, to reconcile obligations and disbursement reports on a regular basis. In accordance with Financial Rule 109.2.4, certifying officers or their alternates review outstanding obligations periodically. Obligations that in the opinion of certifying officers are no longer valid are cancelled forthwith.

148. Special care must be exercised by imprest account holders in respect of reconciliation. First, once an imprest bank account has been established, arrangements should be made with the local bank for the provision of monthly statements covering all transactions soon after the month-end, normally not later than the fifth day of the succeeding month. The original bank statements should accompany the original signed monthly imprest account reports submitted to PSM/FIN; PSM/FIN will reconcile the two independent reports. For this reason, all disbursements other than petty cash items should be paid by cheque or via a bank transfer.

149. Imprest account holders, except those who record transactions directly in the FPCS, should utilize the imprest account reporting pack (IARP) which uses Excel for the purposes of recording transactions and reporting thereon to UNIDO headquarters. The imprest account holder is responsible for ensuring that the completed IARP spreadsheets as well as the original signed imprest reports are forwarded promptly to UNIDO headquarters within 10 working days of the succeeding month. One essential element of the IARP is the cash reconciliation report.

150. The purpose of the physical inventory reconciliation process is to resolve any discrepancies found during the physical inventory and to adjust the inventory records accordingly. The reconciliation of the physical inventory data is to be conducted as

follows. PSM/OSS/GES is responsible for inventory control in terms of reconciling and resolving any discrepancies between the physical inventory count and the existing inventory records in the PMICS. When reconciliation of the discrepancies requires the approval of the MD/ PSM, (discrepancies resulting from shortages and surpluses of non-expendable and special property items), the cases are submitted by PSM/OSS/GES to the PSB for its recommendation to the MD/PSM. In such cases reconciliation of the relevant inventory records are made only after approval by the MD/PSM. The Heads of Branches, offices and staff members concerned are responsible for reviewing the list of discrepancies and providing the necessary explanations and supporting documents as may be required for submission to the PSB.

F. Authorization and approval procedures for the conclusion of international agreements

151. A treaty or international agreement to be concluded by UNIDO may, depending on its nature and purpose, take the form, inter alia, of a formal agreement, a memorandum of understanding, an exchange of letters constituting an agreement or a working arrangement. DGB/(E).53/Rev.1 issued on 20 November 2006 regulates the procedures and formalities within the Secretariat with respect to treaties or international agreements governed by international law to which UNIDO is a party, including the negotiation, preparation, clearance, conclusion, safekeeping, registration, and certification of such agreements.

Internal clearances

152. No commitment may be made on behalf of UNIDO to sign or otherwise become a party to an international agreement, before (a) the necessary internal clearances and approvals have been obtained, and, if required, (b) the IDB has approved the draft text of the agreement or, where applicable, authorized its conclusion.

153. The negotiation of international agreements to which UNIDO is to become a party is normally coordinated and conducted by the initiating office, which is also responsible for obtaining the clearances required. All international agreements of UNIDO must be drawn up in conformity with international law and with the Organization's Constitution and applicable decisions, regulations, rules and practices.

154. It is the responsibility of LEG to ensure compliance with those requirements in order to protect the interests of the Organization. It does so by assisting with drafting and by providing advice on legal matters arising from the content of proposed agreements and on the formalities of conclusion, including the final clauses, authority to sign and whether the draft agreement should be submitted to the IDB for prior approval. To that effect, LEG is consulted at an early stage of negotiation and drafting.

155. International agreements require advance clearance by PSM/FIN when they bear financial implications or include provisions of a financial nature. They require clearance by another office of the Secretariat when the international agreements address issues for which that office is responsible (for example, IOS and ODG/EVA for audit and evaluation clauses respectively).

156. As soon as a negotiated text has been established, it is cleared by LEG and submitted for final approval to the Director-General or the MD holding delegated authority. If so required, arrangements are made to submit the text to the IDB for approval in coordination with the Policymaking Organs Secretariat.

Conclusion of international agreements

157. International agreements may be signed either at specially arranged signing ceremonies or via correspondence. Only the Director-General or an official of UNIDO duly authorized by full powers emanating from the Director-General are empowered to sign international agreements on behalf of UNIDO. Basic cooperation agreements, country and regional office agreements, and relationship and cooperation agreements with intergovernmental organizations are normally signed by the Director-General.

Safekeeping of international agreements

158. Following the conclusion of an international agreement, the original retained by UNIDO is provided for safekeeping to LEG, which acts as the repository of the original texts of international agreements to which UNIDO is a party. The originals of trust fund agreements are kept by PSM/FIN, with a copy transmitted to LEG.

Registration, reporting and certification

159. All international agreements to which UNIDO is a party and which are kept in LEG are recorded in an electronic register established and maintained by LEG. The register is publicly accessible. LEG also prepares the list of international agreements to which UNIDO becomes a party for the annual report of the Organization. Certified copies of international agreements can be provided by LEG upon request.

160. Pursuant to Director-General's Bulletin UNIDO/DGB(E).57 issued on 27 July 1988, LEG is responsible for taking the necessary steps to effect registration, filing and recording, or, when required, deposit of the international agreements of UNIDO with the Secretariat of the United Nations, as required by Article 102 of the Charter of the United Nations and Articles 4(2) and 10 of the General Assembly regulations to give effect to Article 102 of the Charter.

Model agreements

161. The following model agreements have been established: the standard basic cooperation agreement between Governments and UNIDO; procedures relating to agreements for services to be provided by UNIDO in respect of projects funded by the International Bank for Reconstruction and Development (IBRD) loans or Industrial Development Association credits to Governments; and model agreements and related guidelines for projects financed from trust funds, special purpose contributions to the Industrial Development Fund (IDF), the general pool of the IDF or the RB.

G. Review of operations, processes and activities

162. Independent internal and external bodies provide assurance to the Director-General, the governing bodies and other stakeholders that a functional and effective system of internal controls is in place. The assessment of compliance, effectiveness and efficiency of operations, processes and activities falls within the purview of the entities described below. The review process can thus be seen to be an integrated and comprehensive undertaking starting at internal supervisory levels closest to the Organization and extending to external bodies more remotely located from UNIDO. The process covers all activities of the Organization; it operates at the preventive and detective levels and addresses internal and external factors alike.

Management supervision

163. *The Director-General:* s/he is responsible for the operations of UNIDO. S/he is accountable to the governing bodies for all phases and aspects of the management and

implementation of UNIDO activities, including accountability for the funds administered by UNIDO.

164. Competent supervision helps to ensure that internal control objectives are achieved. Assigning, reviewing, and approving a staff member's work calls for clear communication of duties, responsibilities and accountabilities to each staff member. In UNIDO, this is achieved through updated and complete job profiles for each post and clear definitions of the organizational units' terms of reference. In addition, the performance review system provides for a continuous dialogue between staff and their respective supervisors in the course of which objectives are set, performance/progress monitored and overall results ultimately assessed (see paragraphs 18-18) The Organization applies a system of hierarchical reviews and clearances designed to ensure an effective assessment of all activities and outcomes at critical points.

165. Managers also provide their staff with the necessary guidance; they are responsible for ascertaining that learning opportunities are accessible to their staff and, in the ultimate analysis, that management directives are understood and achieved. As already emphasized, the delegation of work does not diminish the accountability of the person delegating it.

Advisory organizational units

166. *Legal advisory function:* as a preventive control, this function independently reviews and advises on: compliance with the external and internal aspects of the legal environment in which the Organization operates; and all matters requiring the safeguarding and defence of the legal positions, rights and interests of the Organization. Its control role is built into the processes applicable to projects/programmes, procurement, human resource, clearance of financial and other agreements. LEG is responsible for ensuring that all activities and programmes of UNIDO are in accordance with the external and internal aspects of its legal framework, as given by international law, the Constitution of UNIDO and, subsidiarily, by the regulations and directives emanating from its policymaking organs and the rules and instructions issued by or under the authority of the Director-General.

Internal independent oversight bodies

167. *Internal oversight function:* pursuant to Financial Rule 109.1.15, the internal oversight function audits financial and other transactions to determine and report independently on whether those transactions are in compliance with the resolutions and

decisions of the policymaking organs of UNIDO, policies, regulations, rules, procedures and administrative instructions in place in the Organization. As described earlier, IOS also audits the reliability and integrity of management control mechanisms, appraising whether risks are appropriately identified and managed, and whether control mechanisms are in place and properly functioning. IOS is also mandated to carry out fact-finding missions, report on irregularities identified and make appropriate recommendations. IOS operates according to internationally recognized standards. For audits, it adheres to the international professional practices framework issued by the Institute of Internal Auditors as adopted in June 2002 by the representatives of the Internal Audit Services of the United Nations, Multilateral Financial Institutions and Other Associated International Organizations; for investigations, it observes the Uniform Principles and Guidelines laid down by the Conference of International Investigators.

168. The scope of the oversight function also includes evaluating the policy framework, the efficient utilization of resources and adherence to professional and ethical standards. This also acts as a deterrent to fraud and malpractice. Thus, as part of its mission and scope of work, IOS reviews all systems, processes, operations, functions, and activities, including projects implemented by the Organization, both at headquarters and in the field. In so doing, it provides the Director-General with independent, objective assurance, findings of its systematic reviews as well as advice designed to add value to and improve programme design, delivery and operations of UNIDO. The objectives of its audits/reviews of selected programmes, services, systems, procedures and operations funded from all sources of funds, both at headquarters and in the field, are to assess, inter alia, the inputs made the objectives achieved and the outputs yielded.

169. *Evaluation function:* In line with the Evaluation Policy, evaluations are carried out to determine the relevance, impact, effectiveness, efficiency and sustainability of the interventions of UNIDO. They focus on the analysis of expected and achieved accomplishments, examining the results-chain, processes, contextual factors and causality, in order to ascertain the degree of achievement. Evaluations assure accountability by reporting on UNIDO activities to: the governing bodies of UNIDO; partner governments; donors that have (co-)financed activities; and to other stakeholders of UNIDO. Evaluations provide recommendations to project managers, team leaders and UNIDO management at all levels, in both the technical branches and country offices, at headquarters and in the field, as well as to UNIDO counterparts and donors. The UNIDO evaluation policy complies with the norms and standards for evaluation in the United Nations system.

170. In terms of the roles and responsibilities relating to evaluations in UNIDO, and beyond those of the ODG/EVA, the key actors are:

- *Project/programme managers* who, as the immediate clients, are accountable for the preparation, execution and follow-up of evaluations;
- *UNIDO line managers* (MDs and Directors) who, inter alia, are responsible for the preparation of management responses and follow-up to recommendations in their areas of responsibility;
- *The appraisal and approval bodies* which ensure that projects/programmes comply with established quality criteria by taking evaluation findings and recommendations into account when reviewing new programmes and projects;
- *The Director-General and the EB* who, further to approving the ODG/EVA work programmes, ensure the Group's functional independence and effectiveness and may request ad-hoc evaluations; and
- *The IDB* which, under the biennial programming cycle, receives from the Secretariat a report on evaluation activities of the Organization and may likewise request ad-hoc evaluations on specific subjects.

Independent external oversight bodies

171. *The external auditors of the accounts of UNIDO*: in accordance with Article XI of the Financial Regulations, the external auditors conduct independent audits and submits, through the PBC to the IDB in accordance with directions given by the GC, a report on: (a) the audit of the financial statements and relevant schedules relating to the accounts of UNIDO for the financial period; and (b) compliance of transactions with the Financial Regulations and Rules and other legislative authority. Furthermore, the external auditors determine whether the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereon (Annex to Financial Regulations and Rules). The Director, IOS, and the external auditors share information and coordinate their activities so as to ensure a wide and effective coverage of the Organization's activities, as well as minimize duplication of effort, with due regard for each other's mandate and responsibilities. The external auditors perform as many audits of the accounts of the Organization, including all trust funds and special accounts, as they deem necessary

172. The external auditors also provide, as part of their review, such information as deemed necessary with regard to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organization. The GC, IDB or PBC may request the external

auditors to undertake certain specific reviews and submit separate reports on their findings.

173. *The JIU*: the oversight roles and responsibility of the JIU are set forth in General Assembly resolutions 2150 (XXI) of 4 November 1966 and 2360 (XXII) of 19 December 1967. They were extended thereafter under General Assembly resolutions 2735 (XXV) A of 17 December 1970 and 2924 (XXVII) B of 24 November 1972. The JIU became a subsidiary organ of the IDB pursuant to decision IDB.1/Dec.22. The JIU inspectors “provide an independent view through inspection and evaluation aimed at improving management and methods and at achieving greater co-ordination between organizations. ... The Unit shall satisfy itself that the activities undertaken by the organizations are carried out in the most economical manner and that the optimum use is made of resources available for carrying out these activities.” (Article 5.2 and 5.3, Statute of the JIU).

Governing bodies

174. *General Conference*: Article 8.3(c) the Constitution delegates the overall oversight responsibility to the GC which “... supervise[s] the effective utilization of the financial resources of the Organization.” Accordingly, the GC reviews the reports submitted to it by the Secretariat and the IDB on all financial and operational activities of the Organization, for decision.

175. *Industrial Development Board*: in accordance with the roles and functions defined in the Constitution (Article 9.4), the IDB reviews the implementation of the work programme and the regular and operational budgets. It makes recommendations to the GC on policy matters, including the appointment of the Director-General. The IDB, in effectively exercising its own accountability and oversight responsibilities at the strategic level, requires independent objective assurances and reports confirming that decisions made at the policy level are being implemented, resources are being properly and ethically used for the purposes provided, and management is meeting the objectives set by the policymakers.

176. *The Programme and Budget Committee*: the PBC meets once a year to assist the IDB in the preparation and examination of the work programme, RB/OB and other financial matters (Constitution, Articles 10 and 14). The PBC examines the financial statements and audit reports and submits recommendations to the IDB, which forwards them to the GC with such comments as it deems appropriate. Its review is mandatory

and no decision in respect of anticipated expenditures may be made by the GC and IDB, unless previously reviewed by the PBC.

Compliance review built into the project/programme approval and authorization processes

177. During the programme/project cycle, as described in the guidelines for the technical cooperation programme and project cycle, a number of control points are set up to ensure compliance with the applicable regulatory framework (Guidelines for the Technical Cooperation Programme and Project Cycle (DGAI.17 Rev.1) issued on 24 August 2006). These include:

- *Screening*: all programme and project proposals, as well as proposed project/budget revisions are screened in terms of their completeness and compliance with established guidelines.
- *Adherence to the thematic priorities*: prior to their approval, programmes and projects of UNIDO are reviewed in relation to the parameters set by the EB and in terms of their compliance with established quality criteria (relevance, efficiency, effectiveness, impact and sustainability).
- *Financial review*: all financial matters (ranging from the issuance of allotments, financial processing of budgetary revisions; payments to consultants, experts, suppliers and contractors, authorization of obligations and payments to the field, processing of field inter-office vouchers, accounting, reporting, reviewing and recommending deviations from the standard level of reimbursement for programme support and administrative services to trust fund agreements) are reviewed to ensure compliance with the Financial Regulations and Rules, related procedures and directives.
- *Human resources review*: the recruitment and management of consultants and experts are similarly reviewed to ensure compliance with Staff Regulations and Rules.
- *Information and communication*: an information infrastructure (InfoBase) has been set up that allows all parties involved to upload and share information, as well as monitor the timely delivery of reports.
- *Procurement*: equipment is procured and subcontracts entered into are reviewed in terms of their compliance with the Procurement Manual; and
- *Legal review*: financial agreements are reviewed to ensure compliance with legal provisions.

H. Information and communication technology control

178. Regardless of the type of working relationship with UNIDO, the ICT policy of UNIDO (ICT Policy issued on 22 April 2005) governs the conduct of each individual utilizing internal ICT resources: i.e. resources not explicitly provided for public use. Such individuals are referred to as ‘users’ in those policies.

a. General controls (structure, policies and procedures)

Entity-wide security programme planning and management

179. Entity-wide security programme planning and management is the key role of the Information and Communication Management Services (PSM/ICM). Accordingly, PSM/ICM is responsible for: introducing the control mechanisms needed to ensure the integrity of the systems and databases; setting standards, policies and procedures relating to the development and application of information systems and tools that take into account the Organization’s goals and priorities so as to ensure their consistent application and their usefulness for information purposes; ensuring the security and administration of all ICT facilities, including controlling access and preparing necessary system documentation, to ensure integrity of the data; and safeguarding the Organization’s interests and confidentiality of the information/data, as and when required.

180. The control objective of the policy is manifold. The aim is to: provide UNIDO ICT users with a framework that clearly explains their rights, responsibilities, limitations, and expected conduct pertaining to ICT resources and their access; help ensure safe, reliable, secure and available ICT resources for all staff members at their desks; ensure the security, availability and continuity of all ICT systems supporting the business processes of the Organization; and permit an auditable flow of information and data so as to fulfil the requirements of the external auditors, the JIU and others.

Access controls

181. UNIDO provides ICT resources for the attainment of the Organization’s mandate, goals and objectives. Any other use may be prohibited, limited, restricted, controlled or otherwise not supported. User access to ICT resources is granted solely on the basis of that individual’s work-related requirements, as determined by his/her supervisor. Users

must not wilfully or knowingly seek access to the resources of the ICT infrastructure other than those to which they have been granted access, or assist others in gaining unauthorized access to the ICT resources of UNIDO. Users of the ICT infrastructure are personally responsible for any and all actions performed using their credentials.

182. In the case of serious, immediately dangerous or repeated violations of policy by a user, the operations manager or Head of IT is authorized to block that user's access to relevant systems. In that event, a written note shall be provided to explain the nature of the violation, along with a copy of the relevant policy. For access to be reinstated, the user shall sign a statement acknowledging that policy.

183. All log-in accounts for computer systems, except those required for mandatory system accounts and automated functions, identify individual, real persons. PSM/ICM discloses passwords to account owners only. Since PSM/ICM never asks a user to disclose his/her password, users are to report any such attempt to the PSM/ICM security incident reporting centre. Users must not disclose their password to other users. In cases where a user needs to delegate rights to another user, for example to a colleague covering a leave period, appropriate access rights can be assigned by the user or PSM/ICM. For the creation of an account, a set of predefined data must be available. For staff members, the personnel database maintained by PSM/HRM is considered the authoritative source for the above data. For others, written authorization must be received from the account holder's supervisor of appropriate rank (Professional or Director). By this authorization, the supervisor confirms the correctness of the data submitted and assumes responsibility for enforcing the user's compliance with ICT policies.

184. Accounts of staff members are automatically extended based on updates received from via the personnel database maintained by PSM/HRM. Other accounts are extended following a request by the account holder, confirmed by the supervisor. Account holders receive an e-mail informing them of the extension so completed and requesting them to review and agree to the ICT policies. All computer accounts are set to expire after one year or upon expiry of the user's current assignment, whichever date is earlier. For staff members, the expiry date is updated automatically from the personnel database maintained by PSM/HRM on a daily basis. If a non-staff user's assignment is terminated before the expiry date specified at the time the account was set up, the responsible supervisor immediately requests PSM/ICM to disable all associated accounts. Requests to disable an account are only accepted from the respective user's supervisor, whose identity is verified. The request is logged in the incident tracking system.

185. Accounts not logged into for a period exceeding three months are locked so that access is denied, even if a valid password is presented. The incident is logged in the incident tracking system. A user account may only be unlocked by the network administrators at the request of the account holder. The account holder's identity is verified. The request is logged in the incident tracking system. All account holders must change their passwords at least every 60 days. The systems administrator enforces this policy by configuring the operating system parameters. Successive log-in failures result in the corresponding account being locked out for a period of time, thus preventing further log-in attempts even if a valid password is presented. The incident shall likewise be logged in the incident tracking system.

186. Users are responsible for 'locking' desktop computers (i.e. putting them into a state where the operating system requires that a password be entered for continued access). When leaving the office for longer periods (lunch breaks), users are advised to activate the lock manually. In addition, users should set up automatic locking upon inactivity of no more than 30 minutes. Privileged users, i.e. users with elevated access rights, such as network administrators, are required to lock their office or room so that unauthorized persons are physically separated from any computer where a privileged user is logged in. Where this is not possible or practical, privileged users must log out instead of merely locking the computer. Combining both measures is strongly recommended.

187. The UNIDO firewall shall permit access from valid Internet addresses to servers in the 'demilitarized zone (DMZ)', i.e. those sub-networks connecting servers that can be accessed from the public Internet. The operations manager is responsible for the correct and policy-compliant implementation of firewall rule-sets and configurations. Upon detection of any intrusion, the firewall shall be immediately disconnected from both external and internal/DMZ networks. Any intrusion shall be logged in the incident reporting system.

188. The provisions of the above firewall policy shall be reviewed at least every six months by the Chief, PSM/ICM, together with the operations manager. Audits and penetration tests will be used to determine the firewall's operational effectiveness and compliance with policies. The scope and frequency of tests are to be set by the Chief, PSM/ICM.

189. Network wall sockets are only enabled as needed/requested. Any device connected to the network must be registered in a central database that lists, inter alia, the Media Access Control Address, Internet Protocol Address, and user (if applicable). Unregistered devices may not be connected to the internal network. Where necessary,

such devices may be connected to a 'visitor' network that only provides controlled access to the Internet.

190. Any device to be connected to the network must have been either set up or inspected by PSM/ICM. Inspection ensures the absence of virus, worm or other hostile programmes on the device, the presence of a working, up-to-date antivirus programme, installation of necessary security updates, compatibility with configuration (for example, Dynamic Host Configuration Protocol or Duplex communication system) and compliance with policy.

191. User computers on the network have access to services published on internal servers as well as openly available external services (see paragraph 187 above). User computers do not offer services on the network, except for those configured by PSM/ICM for monitoring purposes. User computers are configured not to scan the network for resources and/or services except via the server message block browsing mechanism. Repeated attempts to gain access to restricted or non-existent services are regarded as malicious acts, incurring the potential risk of disconnection.

192. Remote access to the internal network is only granted to staff members who have a demonstrated need for access to the Organization's computer systems from off-site locations. The request must be made by the staff member's supervisor and cleared by the Chief, PSM/ICM. External support personnel may enjoy remote access to information or are granted access to the Organization's systems only after positive verification of their identity and authorization to perform such services. Establishing a connection between a computer and the telephone network via such a device as a modem or ISDN adapter requires written authorization by the Chief, PSM/ICM. Such devices may not be set up in a way that permits incoming connections to the network.

193. Connecting wireless devices to the network requires authorization by the Chief, PSM/ICM, and the related PSM/ICM service. Such devices may not be attached directly to the internal network, but must be restricted to a 'wireless' sub-net. Any access to internal services to traverse a wireless network must be through additional, end-to-end-encryption protocol software (virtual private network software). Any workstation used for teleworking purposes and connected through anything other than a dial-up modem must connect to the Internet through an address-translating or firewalling router; this ensures that unsolicited connection attempts coming from the Internet are rejected.

194. Network servers, switches, routers and related network equipment are to be kept in restricted, locked rooms or appropriate metal cabinets, to which only authorized staff members of PSM/ICM have access. All other persons are to be accompanied, at all times, by an authorized staff member when in a restricted room or near an open restricted cabinet.

195. Access to physically restricted areas requires explicit permission by the IT operations manager or by the Chief/ICM. Steps must be taken to guard against the unauthorized removal of keys or other access tokens (such as chip-cards and transponders) permitting entry into rooms or facilities with limited access. Locked furniture provides insufficient protection. Wiring closets shall be kept locked at all times; only authorized technical support staff shall have access thereto.

System software controls

196. Systems administrators ensure that, wherever possible, operating systems are so configured as to be consistent with all pertinent security policies and procedures. As soon as they become available, updated security patches for operating systems and application software are installed by the systems administrators. If this policy conflicts with the operation of mission-critical production systems, those updates should be performed as soon as practicable.

197. A record of log-in and log-out events is kept on the file servers. The identity of the user storing a file on the servers is recorded in the directory. For files of special importance, the identity of the user accessing the file along with the date and success of that access may be recorded. The firewall and proxy servers keep detailed access logs including internal computer addresses, access target URL, date, time, request status, transfer volume and user ID (if applicable). The firewall log files are replicated daily on an internal server to guard against modification, should the firewall itself be compromised. This replication is initiated from the internal server. The firewall logs are archived to protected or write-once media; they are retained indefinitely.

198. The firewall logs and traffic statistics are reviewed regularly for repeated access violations, abnormal traffic patterns and other indications of compromise or intrusion. Responsibility for and frequency of log reviews are established by the Chief, PSM/ICM and documented in the backup procedures. PSM/ICM operates a system that monitors availability and performance of network components and services.

Segregation of duties

199. Segregation of duties in respect of ICT control activities is implemented by granting systems administration rights exclusively to PSM/ICM staff, with the exception of the administrator of the PSM/FIN financial performance control system.

200. Within PSM/ICM itself, roles and duties are further segregated to the extent practicably possible in terms of exercising administrator rights over infrastructure components, database management and application control. All systems administration actions are logged.

Service continuity

201. PSM/ICM is responsible for operating a backup system that duplicates all production data from direct-access server storage to secondary storage. Individual workstation disks are not included in this backup schema. Users are responsible for ensuring that important data are kept on or regularly copied to network storage. PSM/ICM is solely responsible for the correct operation of the backup system. The backup system operates on a daily basis. The Chief, PSM/ICM defines backup classes, describing scope, amount of data and retention time for each distinct class of data. The Chief, PSM/ICM, also defines the related schedules for the backup procedures and definitions of media rotation/retention periods, which are then documented in the backup procedures.

202. PSM/ICM creates and maintains image copies of all production servers on write-once media along with the software needed to restore the image to a server disk. Such images contain data relating to such items as operating systems, backup software and client software, but they do not contain regular user data or databases. A list of servers and associated image update schedules are established by the Chief, PSM/ICM and documented in the backup procedures. The main backup facility is located in a building that is distinct from that housing the servers to be backed up. PSM/ICM has established a facility, located outside the Vienna International Centre (VIC), to keep in close proximity to UNIDO online backup copies of data. Schedules of data replication relating to backup classes are established by the Chief, PSM/ICM, and documented in the backup procedures. The off-site facility is equipped with an Internet connection and is able to fulfil the basic communications needs of the Organization in an emergency.

203. Duplicates of yearly backup media are stored outside the VIC. Schedules of media replacement and retention are established by the Chief, PSM/ICM and documented in the backup procedures. Data on backup media stored outside the VIC are encrypted. The encryption keys for these data are changed at least once a year. Copies of the encryption keys are deposited with trusted institutions (bank, notary public, sister organization) in at least two locations outside VIC that are different from any other off-site storage location or facility. Backup data are verified as to their readability and restorability on a regular basis. Schedules and requirements are established by the Chief, PSM/ICM, and documented in the backup procedures.

Development, maintenance and change of application software

204. PSM/ICM has established a standard suite of operating system and applications software ('standard workstation image') for installation on every desktop computer. The standard suite is reviewed at least twice a year. Current versions of antivirus software are installed and activated on every computer system. The software is set up for automatic update of pattern files, preferably on a daily, but at least on a weekly, basis. Those provisions apply to all desktop machines and laptops used to access UNIDO computer systems; they apply regardless whether the computer is UNIDO property or not.

205. PSM/ICM ensures the timely installation of security-relevant software updates on computers through a central mechanism. Other updates of software outside the release cycle of the standard software suite are kept to a minimum. PSM/ICM verifies that all new software, including problem fixes or upgrades are authentic and virus-free, regardless whether they be on physical media or obtained over the Internet. Application software made available to users is kept under version control: a control system operated centrally by PSM/ICM. Applications must not enter production status without having been properly commissioned by the PSM/ICM staff responsible for that task.

b. Application controls

206. The user account policies for individual applications are set by the system administrators of those applications, in close cooperation with PSM/ICM. For example, the responsibility for user accounts on the financial performance control system lies with PSM/FIN.

207. Specific application controls and the manner in which information flows through information systems are defined and documented in the respective application documentation and user manuals. The following general principles apply.

208. Data input can only be effected by authorized users, and only through data entry facilities offered by the application software. Direct data input into a database requires specific authorization by the systems administrator. Data must be entered into the application documentation and software manuals in an accurate, complete and timely manner. Application software facilitates this control objective by automatically verifying key data against master files. Wherever possible, applications usually offer value selection from predefined lists and verify data input based on built-in rules.

209. It is the systems administrator's responsibility to ensure that applications process data in a proper manner and files are updated correctly. Before making any application available as part of the production environment, extensive testing must be carried out and documented. No testing is allowed in the production environment unless it is unavoidable and hence specifically authorized by the Chief, PSM/ICM. Any indication of an application error must be investigated and corrected without delay. The investigation and correction must also cover the scope and impact of wrongly processed data.

210. It is the responsibility of users to satisfy themselves that files and reports generated by the application (a) record transactions or events that actually occurred and (b) accurately reflect the results of processing. To this effect, users must be proactive in their use of application functions offered for that purpose and reconcile application reports with other independent sources of data. Any discrepancy must be immediately investigated and resolved.

V. INFORMATION: DOCUMENTATION REQUIREMENTS AND COMMUNICATION

Reports containing operational, financial and non-financial and compliance- related information

211. By its very nature, the work of UNIDO is multilateral, decentralized, cross-sectoral and demand-driven. RBM is applied in all its dimensions to technical cooperation programmes/projects, headquarters support functions and staff performance appraisals. While efforts are still underway to mainstream RBM fully throughout UNIDO, rigorous oversight reporting is already in place to: (a) support the effective management, monitoring and reporting of technical cooperation programmes/ projects; (b) provide UNIDO management and policymaking organs with performance data for accountability purposes, organizational learning and decision-making; and (c) provide the substantive basis for communicating the results and outcomes of UNIDO programmes/projects to the Director-General, policymaking organs and other stakeholders.

Statutory reports

212. Specific standing items and reporting requirements are essential to: (i) decisions to be taken at the GC; and (ii) recommendations and/or decisions to be adopted at sessions of the IDB. The reports and related requirements are listed below:

At the level of the GC

- The annual reports of the Director-General on the activities of the Organization and such other reports or items as the Director-General may deem necessary to submit to the GC;
- The report of the IDB on its activities since the preceding regular session of the GC and such other reports or items as the IDB may submit to the GC;
- Reports from subsidiary organs of the GC and any items proposed by them;
- All resolutions, reports and agenda items which the United Nations and United Nations organs have referred or proposed to the Organization in accordance with the agreement establishing the relationship between the Organization and the United Nations;

- Reports from specialized and related agencies and other intergovernmental organizations with which UNIDO has concluded a relationship agreement pursuant to Article 19.1 (a) of the Constitution, and items proposed by them, where the agreement establishing the relationship with the organization concerned so provides;
- Any report to be submitted to the United Nations requiring approval by the GC;
- The programme of work and budget proposals for the next financial period, as adopted by the IDB;
- Report by the IDB on the audited accounts of the Organization for the preceding financial period; and
- Recommendations of the IDB for the establishment of the scale of assessments.

At the level of the IDB

- All items which the IDB has previously decided to include in the provisional agenda or which have been referred to the IDB by the GC;
- All reports submitted to the IDB or items proposed by: the PBC; any other subsidiary organ of the IDB, such as the JIU; any Member whether or not that Member is represented on the IDB; the Director-General; the United Nations; an appropriate United Nations body: a specialized or related agency or an intergovernmental organization with which UNIDO has concluded a relationship agreement pursuant to Article 19.1 (a) of the Constitution, including all items referred to the IDB through the Director-General in accordance with such relationship agreement;
- The draft programme of work and corresponding budget proposals for the next financial period, prepared by the Director-General, together with any recommendations thereon from the PBC;
- Any drafts prepared by the PBC for the establishment of the scale of assessments;
- Any other financial matters which under the Constitution or the Financial Regulations require the attention or action of the IDB or which the Director-General may deem necessary to place before the IDB, including any advice or proposals on such matters submitted to the IDB by the PBC;
- Any applications for admission to membership in the Organization;
- Any proposed amendments to the Constitution.

Operational reports

213. A certain measure of operational reporting is required under the Organization's regulatory framework. The guidelines for the technical cooperation and project cycle identify the financial thresholds and/or conditions for such reporting. The reports and related requirements are listed below:

- *Six-monthly review reports:* Every six months, the team leader, team members, Regional Programmes, RSF/MD, PTC/MD, RSF/RQA and administrative services are required to undertake a joint review of overall progress and discuss common implementation problems and remedial measures. A report on this is prepared by the Regional Programmes / team leader for submission through the RSF/MD to the PAC(s) and/or EB. Similarly, based on the review by the Regional Programmes of the activities during coordination meetings for those countries where a collection of stand-alone projects exist (for example cases similar to the former CSF countries), a report shall be prepared by the Regional Programmes for submission through the RSF/MD to the EB.

- *Six-monthly progress report:* This is prepared by the project manager. While it is a requirement agreed to with donors for virtually all externally funded projects, a six-monthly progress report should also be prepared for all projects lasting longer than one year and/or involving a budget of more than \$100,000. Progress reports prepared under donor agreements should be sent to RSF/RQA who will formally submit the report to the donor, according to a predefined format. This format may be adjusted and expanded depending on the situation and the donor requirements. Reports for UNIDO programmable funds should be submitted to the PAC. All progress reports should be copied to the Regional Programmes. For shorter or smaller projects only a terminal report is required.

- *IP review reports:* A mandatory review and update of all integrated programmes (IPs) must be undertaken by team leaders/Regional Programmes after the first two years from the date of approval of the IP and annually thereafter. The purpose of this is to establish the continued validity of a programme or a component and requires the submission of a report by the team leader/Regional Programmes through the MD/RSF on the status of the programme to the respective PAC for consideration, as well as to the EB for information.

- *Annual self-evaluation reports:* These are prepared by the team members and consolidated by the team leader (for IPs) and the project manager (for stand-alone projects).
- *Terminal reports:* These mark the closure of a project and are usually submitted to the final tripartite review meetings. Such reports are prepared by the team leader in consultation with the team or the project manager, they generally serve as a report to donors, where needed.

Internal control system: recording and classification

214. The FPCS is the business system applied by UNIDO to facilitate the processing of the payment cycle and financial and management reporting related to both technical cooperation projects and RB programmes.

215. In 2009, steps were taken to upgrade the FPCS and so facilitate the integration of programme objectives, knowledge assets and budgetary and financial data into one technology-assisted process. The system is also being equipped with web features to support, inter alia, business process re-engineering (BPR) at headquarters and connectivity to UNIDO field offices.

216. Furthermore, the PCOR aims at, inter alia, strengthening the internal control mechanism, improving the quality of programme/project implementation, complying with donor requirements, increasing the focus on results and impacts and better linking Headquarters and the field. The PCOR also encompasses the aspects of people and organizational culture, RBM, knowledge management and risk management in the Organization. The Programme will be implemented over the period of 2010 – 2013. To ensure the effective management of this comprehensive exercise, an appropriate governance structure has been set up.

Communication

217. *Internal communication:* communication processes normally follow the hierarchical structure of the Organization: issues are reported and/or referred to the upper echelons of management, whose members are held accountable for their

decisions. The committees mentioned in paragraphs 38 and 38 are essential forums for relaying key information throughout the Organization.

218. The UNIDO Intranet serves the Organization both as a source of information and as a forum for discussion and collaboration among staff at headquarters and in the field. Full details of the Organization's regulatory framework are available on the Intranet, including a complete set of Staff Regulations and Rules, Financial Regulations and Rules, administrative issuances and other basic legal documents. The system also provides detailed information on the functions of each Division/Branch and Section, including related processes, procedures and policies. It describes those entities' ongoing activities and is a source of other relevant information that enables staff members to pursue individual objectives. The proceedings of the governing bodies and of statutory and management committees are available on line to keep staff aware and up-to-date in respect of on-going discussions and decisions. Intranet is set up in such a way that all users, including those in the field, can log in directly via the web browser and contribute to the discussion process: for example, by adding or editing pages and uploading documents.

219. InfoBase, which is a component part of the Intranet, is a large database in which operational data are stored. It contains current information and reports on technical cooperation delivery and programme performance. It was developed to facilitate the work of both the EB and the PAC, as well as provide team leaders, project managers and other stakeholders with current information. Such reports include executive reports on technical cooperation, which contain yearly and monthly comparisons, details of integrated programmes and related reports, as well as monthly reports by source of fund, region and Division/Branch. Similarly, data on the status of programmable resources are provided in the form of a drill-down table by source of funds. Standard reports that are used in the UNIDO annual report to the policy-making organs are also posted on InfoBase, together with information on technical cooperation funds (overall and broken down by group of funds). Once adopted, project approval decisions and minutes of meetings of the EB and PAC are also posted; they can thus be consulted by all staff members.

220. PSM/ICM is responsible for leading the development and implementation of information systems, supporting the business processes and goals of the Organization through the prudent use of ICT and effective knowledge management. PSM/ICM is also responsible for introducing the control mechanisms needed to ensure the integrity of the systems and databases. The ICT Policy explains in detail all the rules governing the use of computers and the related networks from the standpoint of both the user and the Organization (see paragraphs 178-210).

221. The Organization has also set up a series of help lines run by the services concerned. These are complemented by hotlines that are used to report emergencies (financial system hotline: finance@unido.org or ICT helpdesk: helpdesk@unido.org) and/or irregularities (oversight-hotline@unido.org or the wrongdoing reporting tool: <http://www.unido.org/wrongdoing>).

222. *Communication with external parties* is more specifically under the responsibility of the following organizational units/offices. The UNIDO Correspondence Guidelines (UNIDO/GOV/AI/1/Rev.5 issued on 1 March 2010) provide details on the drafting, typing and handling of the various communications.

- a) *The Policymaking Organs Secretariat*: the Secretariat is primarily responsible for providing substantive, technical and logistical support to the policymaking organs of UNIDO. It establishes and maintains official contacts with Member and non-Member States, regional groups and IGOs/NGOs. The Secretariat serves as the main channel of communication and interaction between Member States and the UNIDO Secretariat.
- b) *Organizational Strategy and Coordination Group*: The Group is responsible for providing guidance and support on the strategies, policies and priorities of the Organization, and on the strategic positioning of UNIDO within the multilateral context including within the UN system. In this context the Group is also responsible for maintaining the Organization's strategic relations with its Member States, and for establishing and managing strategic links with potential partners within the UN system and relevant stakeholders within the wider development community.
- c) *The UNIDO Offices in Brussels, Geneva and New York*: The main responsibility of these Offices is to ensure the effective promotion and representation of UNIDO's interests in Brussels, Geneva and New York. As such, they maintain close contact and communication with missions of Member States in their respective locations; raise awareness of and support for UNIDO's programmes and activities; represent UNIDO in meetings of intergovernmental and inter-agency bodies; promote partnerships and cooperation with UN system organizations, civil society and the private sector; and report on major trends and developments of strategic importance

for the work of the Organization. The Brussels Office is also responsible for enhancing UNIDO's cooperation with the European Union.

- d) *The Advocacy and Communications Group*: the Group is responsible for enhancing the visibility and public image of UNIDO, and promoting the Organization to an external audience, comprising the full range of the Organization's stakeholders (including governments, private sector firms and institutions, academia, civil society organizations, and the multilateral and bilateral development cooperation community), as well as the general public. In this connection, the Group communicates and promotes the Organization's global mandate, policy priorities and programmes, and also disseminates the results of its technical cooperation, strategic research, normative and convening activities. In fulfilling its responsibility, the Group draws on all relevant public information and advocacy techniques, including media relations, strategic communication materials, and an effective presence on the internet and at high-profile international events on issues related to the Organization's mandate and activities. The Group is also responsible for overseeing the Organization's strategic communications with other related entities of the United Nations system, and ensuring coherence on common communications challenges with these entities through inter-agency platforms such as the United Nations Communications Group. The Advocacy and Communications Group provides advocacy support to high-profile global and regional UNIDO conferences.

VI. MONITORING

223. Monitoring is an essential management function that is used to verify the achievement of results and assess performance based on verifiable data. Monitoring is a continuous function that aims at providing management with indications of the quality, quantity, and timeliness of progress towards delivering intended outcomes and outputs. Where appropriate, the information so generated constitutes a basis for reporting to stakeholders. The function also includes the monitoring of compliance with UNIDO regulatory frameworks, policies and procedures. Effective monitoring is contingent upon the availability of the policies, procedures, tools and skills needed to achieve results at the individual and unit levels, as well as for the Organization as a whole. Through effective monitoring managers can address recurrent and systemic issues and ultimately incorporate lessons learned into future activities.

224. In order to guarantee the continuity of internal control at all levels and across the Organization as a whole and to ensure the effectiveness of the internal controls over time, UNIDO monitors activities on a continuous basis and conducts separate evaluations, as appropriate. In addition to internal monitoring, the external auditors and the JIU constitute the external monitoring mechanisms applicable to UNIDO.

Internal monitoring mechanisms

225. In keeping with the guidelines for internal control standards for the public sector, the continuous monitoring of internal controls is built into the normal, recurring operating activities of the Organization and includes regular management and supervisory activities. Ongoing monitoring activities cover each of the internal control components and involve action against irregular, unethical, uneconomical, inefficient and ineffective internal control systems.

Managers and supervisors

226. Within UNIDO, monitoring internal controls on a continuous basis is part and parcel of the line managers' regular management and supervisory functions. As mentioned in earlier paragraphs, monitoring activities related to compliance, effectiveness, information and communication also include reviewing the implementation of recommendations resulting from the reporting, evaluation and audit exercises provided for in the regulatory framework of the Organization. These relate primarily to performance appraisals of individual staff members, financial reviews at the Branch and Division levels, and purpose-specific audits and evaluations.

Internal oversight

227. The role of IOS also includes improving the reliability, integrity and effectiveness of the Organization's internal control framework and risk management. IOS is also entrusted with the task of ensuring that control and governance processes are adequate and fully functional. Control should be so exercised as to ensure that: (a) risks are appropriately identified and managed; (b) significant financial, managerial and operating information is accurate, reliable and timely; and (c) actions are in compliance with UNIDO policies, standards of conduct, procedures and applicable regulations and rules. IOS communicates its activity report to the Director-General; it includes the monitoring of actions taken on IOS recommendations.

228. The control mechanisms should establish whether: (a) quality and continuous improvement are fostered in the Organization's control processes; (b) interaction with the various governance groups ensues as required; and (c) significant legislative or regulatory issues affecting the Organization are duly recognized and addressed properly.

Evaluations

229. The follow-up to independent evaluations is carried out by ODG/EVA. The Director, ODG/EVA transmits the evaluation report together with a management response sheet. That sheet is tracking tool for each recommendation, itemizing: the comments made in respect of acceptance or non-acceptance of evaluation recommendations, deadlines and action taken by those responsible for follow-up. UNIDO line managers ensure that the information contained in the management response sheet is kept up-to-date. ODG/EVA monitors the information in the management response sheets and compiles periodical reports on the status of implementation of follow-up activities for the attention of UNIDO management.

230. In addition, building on the programme and project reviews and its monitoring of recommendations, ODG/EVA also attempts to draw general lessons from specific cases. It makes those lessons available to all those who might benefit from the findings, both within UNIDO and without. The findings thus serve three purposes; they are used to improve the services of the Organization, guide managerial decisions and develop innovative approaches.

External monitoring mechanisms

231. *The external auditors of the accounts of UNIDO:* A summary of the audits performed during the first year of a biennium is provided by the External Auditor in a report to the Secretariat on the interim accounts; the report contains the main findings and recommendations arising from the audit. The report is completed by 1 June following the calendar year to which it relates, and is submitted to the PBC. In consultation with the Divisions concerned and IOS, PSM coordinates the preparation of a reply for consideration by the Director-General. The MDs are accountable to the Director-General for taking corrective action within the agreed time-frame. Interdivisional coordination essential to the implementation of the accepted recommendations is provided by PSM.

232. IOS maintains a data bank on all observations and recommendations of the External Auditor, monitors their implementation, and advises the Director-General on any items which, in its opinion, should be brought to his attention.

233. *The JIU:* Article 12 of the JIU statute stipulates that executive heads of organizations ensure that the recommendations of the Unit approved by their respective competent organs are implemented as expeditiously as possible. In addition, in the follow-up procedure, the role of Inspector(s) who authored the report(s), assisted by the research staff, is prominent. A system has been established to facilitate this process.

234. A pilot scheme for follow-up to JIU recommendations was outlined in document IDB.24/18 and subsequently approved in decision IDB.24/Dec.11. In accordance with the provisions therein, one regular IDB session per year considers JIU reports (except in certain specified cases). In the final quarter of each year, the JIU requests from UNIDO, along with other organizations, pertinent information on recommendations issued in the previous three years, including status of acceptance (accepted by executive heads/approved by legislative bodies, rejected, under consideration), status of implementation (not started, in progress, implemented) and impact. The JIU then presents the aggregate outcome in its yearly activity report to the General Assembly. Given its internal audit and oversight function, IOS acts as the focal point for all JIU activities within the Organization. It should be noted that UNIDO is one of the 'best practice' organizations mentioned by the JIU with regard to the status and consideration given to its reports by the governing bodies.

Glossary of terms³

A

Access control

In information technology, controls designed to protect resources from unauthorized modification, loss or disclosure.

Accountability

- The process whereby public service bodies and the individuals within them are held responsible for their decisions and actions, including their stewardship of public funds and all aspects of performance.
- Duty imposed on an audited person or entity to show that he/it has administered or controlled the funds entrusted to him/it in accordance with the terms on which the funds were provided.

Application

Computer program designed to help people perform a certain type of work, including specific functions, such as payroll, inventory control, accounting, and mission support. Depending on the work for which it is designed, an application can manipulate text, numbers, graphics, or a combination of these elements.

Application controls

- The structure, policies, and procedures that apply to separate, individual application systems and are designed to cover the processing of data within specific applications software.

³ Source: (a) Guidelines for Internal Control Standards for the Public Sector, International Organization of Supreme Audit Institutions, and (b) UNIDO.

- Programmed procedures in application software, and related manual procedures, designed to help ensure the completeness and accuracy of information processing. Examples include computerized edit checks of input data, numerical sequence checks and manual procedures to follow up on items listed in exception reports. (COSO 1992)

Audit

Review of a body's activities and operations to ensure that these are being performed or are functioning in accordance with objectives, budget, rules and standards. The aim of this review is to identify, at regular intervals, deviations which might require corrective action.

B

Budgetary control

Control by which an authority which has granted an entity a budget ensures that this budget has been implemented in accordance with the estimates, authorizations and regulations.

C

Compliance

- Having to do with conforming with laws and regulations applicable to an entity. (COSO 1992)
- Conformity and adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements. (IIA)

Control

- 1. A noun, used as a subject, e.g. existence of a control – a policy or procedure that is part of internal control. A control can exist within any of the five components. 2. A noun, used as an object, e.g. to effect control – the result of policies and procedures designed to

control; this result may or may not be effective internal control. 3. A verb, e.g. to control – to regulate; to establish or implement a policy that affects control. (COSO 1992)

- Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved. (IIA)

Control activity

Control activities are the policies and procedures established to address risks and to achieve the entity's objectives. The procedures that an organization puts in place to treat risk are called internal control activities. Internal control activities are a response to risk in that they are designed to contain the uncertainty of outcome that has been identified.

Control environment

The control environment sets the tone of an organization, influencing the control consciousness of its staff. It is the foundation for all other components of internal control, providing discipline and structure.

D

Detective control

A control designed to discover an unintended event or result (contrast with preventive control) (COSO 1992)

Documentation

Documentation of the internal control structure is the material and written evidence of the components of the internal control process, including the identification of an organization's structure and policies and its operating categories, its related objectives and control activities. These should appear in documents such as management directives, administrative policies, procedures manuals, and accounting manuals.

E

Effective

Refers to the accomplishment of objectives or the extent to which the outcomes of an activity match the objective or the intended effects of that activity.

Effectiveness

- The extent to which objectives are achieved and the relationship between the intended impact and the actual impact of an activity. (INTOSAI auditing standards)
- Extent to which the stated objectives have been attained in a cost-effective way.

Efficient

Refers to the relationship between the resources used and the outputs produced to achieve the objectives. It means that minimum resource inputs are used to achieve a given quantity and quality of output, or a maximum output with a given quantity and quality of resource inputs.

Efficiency

- The relationship between the output, in terms of goods, services or other results, and the resources used to produce them. (INTOSAI auditing standards)
- Use of financial, human and material resources in such a way as to maximize output for a given amount of resources, or to minimize input for a given quantity or quality of output.

Ethical

Relates to moral principles.

Ethical values

Moral values that enable a decision maker to determine an appropriate course of behaviour; these values should be based on what is “right,” which may go beyond what is legally required. (COSO 1992)

External audit

Audit carried out by a body which is external to and independent of the auditee, the purpose being to give an opinion on and report on the accounts and the financial statements, the regularity and legality of operations, and/or the financial management.

I**Inherent risk**

The risk to an entity in the absence of any actions management might take to alter either the risk’s likelihood or impact. (COSO ERM)

Internal auditor(s)

Examine and contribute to the ongoing effectiveness of the internal control system through their evaluations and recommendations, but they do not have primary responsibility for designing, implementing maintaining and documenting it.

Internal control

Internal control is an integral process that is effected by an entity’s management and personnel and is designed to address risks and provide reasonable assurance that in pursuit of the entity’s mission, the following general objectives are being achieved: executing orderly, ethical, economical, efficient and effective operations, fulfilling accountability obligations, complying with applicable laws and regulations and safeguarding resources against loss, misuse and damage.

M

Monitoring

Monitoring is a component of internal control and it is the process that assesses the quality of the internal control system's performance over time.

P

Preventive control

A control designed to avoid unintended events or results (contrast with detective control). (COSO 1992)

Procurement

Procurement of goods and services for UNIDO requirements encompasses the solicitation and evaluation of offers, selection of the best offer, negotiations and entering into contracts with the selected suppliers for services and works, rental of real property and purchase of goods.

R

Residual risk

The risk that remains after management responds to the risk.

Risk

The possibility that an event will occur and adversely affect the achievement of objectives. (COSO ERM)

Risk assessment

Risk assessment is the process of identifying and analyzing relevant risks to the achievement of the entity's objectives and determining the appropriate response.

Risk evaluation

Means estimating the significance of a risk and assessing the likelihood of the risk occurrence.

S**Segregation (or separation) of duties**

To reduce the risk of error, waste, or wrongful acts and the risk of not detecting such problems, no singular individual or team should control all key stages (authorizing, processing, recording, reviewing) of a transaction or event.

Service continuity control

This type of control involves ensuring that when unexpected events occur, critical operations continue without interruption or are promptly resumed and critical and sensitive data are protected.

Stakeholders

Parties that are affected by the entity, such as shareholders, the communities in which the entity operates, employees, customers and suppliers. (COSO ERM)

Supreme Audit Institution

The public body of a State which, however designated, constituted or organized, exercises by virtue of law the highest public auditing function of that State. (INTOSAI auditing standards & IFAC)

System software

Software primarily concerned with coordinating and controlling hardware and communication resources, access to files and records, and the control and scheduling of applications.

System software controls

Controls over the set of computer programs and related routines designed to operate and control the processing activities of computer equipment.

List of abbreviations

AC	Administrative Circular
AI	Administrative Instruction
BMS	Buildings Management Services
BPR	Business Process Reengineering
CMP	Crisis Management Plan
CSF	Country Service Framework
DGAI	Director-General's Administrative Instruction
DGB	Director-General's Bulletin
DHCP	Dynamic Host Configuration Protocol
DMZ	Demilitarized zone
EB	Executive Board
ERP	Enterprise Resource Planning
EVA	Evaluation Group
FIN	Financial Services Branch
FPCS	Financial Performance Control System
GC	General Conference
GES	General Support Services Unit
HRM	Human Resource Management Branch
IARP	Imprest Account Reporting Pack
IBRD	International Bank for Reconstruction and Development
ICF	Internal Control Framework
ICM	Information and Communication Management Services

ICT	Information and Communication Technology
IDB	Industrial Development Board
IDF	Industrial Development Fund
IDOs	Industrial Development Officers
IGO	Intergovernmental Organization
INTOSAI	International Organization of Supreme Audit Institutions
IOS	Office of Internal Oversight Services
IP	Integrated Programmes
IPSAS	International Public Sector Accounting Standards
ISDN	Integrated Services Digital Network
JIU	Joint Inspection Unit
LDC	Least Developed Countries
LEG	Office of Legal Affairs
MAC	Media-Access-Control
MD	Managing Director
MTPF	Medium-term Programme Framework
NGO	Non-governmental Organization
NIS	Newly Independent States
OB	Operational Budget
OSS	Operational Support Services Branch
PAC	Programme Approval Committee
PAC Unit	Public Advocacy and Communications Unit
PAD	Programme/Project Allotment Document
PBC	Programme and Budget Committee
PCOR	Programme for Change and Organizational Renewal

PKM	Bureau for Programme Design and Knowledge Management
PMICS	Property Management and Inventory Control System
PRS	Procurement Services Unit
PSB	Property Survey Board
PSM	Programme Support and General Management Division
PTC	Programme Development and Technical Cooperation Division
QUA	Quality Assurance Unit
RBM	Results-based Management
RB	Regular Budget
RPTC	Regular Programme for Technical Cooperation
RQA	Resource Mobilization and Quality Assurance Branch
RSF	Regional Strategies and Field Operations Division
SRA	Special Resources for Africa
SSA	Special Service Agreement
TC	Technical Cooperation
UNDP	United Nations Development Programme
UNOV	United Nations Office in Vienna
UR	UNIDO Representative
VIC	Vienna International Centre
VPN	Virtual Private Network

Annex I – Regulatory and strategic frameworks of the UNIDO ICF

I. Regulatory framework

Title	Document reference	Issuance date
Constitutional requirements		
Constitution of UNIDO	UNIDO	8 April 1979
Staff Regulations and Staff Rules	DGB(G).26	28 July 1988
Financial Regulations and Rules	DGB(G).50/Rev.1	18 Aug 2006
Standards of Conduct for the International Civil Service	ICSC	2001
Policymaking organs		
Rules of Procedure of the General Conference	UNIDO/2	9 Dec 1985
Rules of Procedure of the Industrial Development Board	UNIDO/3/Rev.1	10 Dec 1985 & 18 October 1988
Rules of Procedure of the Programme and Budget Committee	UNIDO/4	12 May 1986 & 10 April 1989
Director-General bulletins (DGB)		
Standards for the Preparation of Director-General's Bulletins	DGB(G).1/Rev.1	2 Oct 1996
UNIDO Management Principles	DGB(G).2	20 Nov 1995
Classification of Circulars	DGB(G).52	20 Sep 1989
Secretariat Procedures with Regard to International Agreements	DGB(E).53/Rev.1	20 Nov 2006

Model agreements and related guidelines for projects financed from trust funds, special purpose contributions to the Industrial Development Fund, the general pool of the Industrial Development Fund, or the regular budget	DGB(E).54	15 May 1992
Secretariat Procedures for the Establishment of Relations between UNIDO and Other Organizations	DGB(E).55	7 Mar 1986
Procedures of the Secretariat concerning the registration, filing and recording, and publication of treaties and international agreements	DGB(E).57	27 Jul 1988
Procedures relating to agreements for services to be provided by UNIDO in respect of projects funded by IBRD loans or IDA credits to Governments	DGB(E).63	17 May 1989
Guidelines on Voluntary Contributions	DGB(E).74	25 Sep 1997
UNIDO Joint Advisory Committee (Terms of Reference)	DGB(O).15/Amend.2	9 Sep 1998
UNIDO Joint Advisory Committee (Revised Terms of Reference)	DGB(O).15/Amend.3	17 Oct 2000
Establishment of the UNIDO Staff Pension Committee and Advisory Board on Compensation Claims	DGB(O).30	11 Nov 1985
Establishment of the UNIDO Staff Pension Committee and Advisory Board on Compensation Claims - Corrigendum	DGB(O).30/Corr.1	13 Dec 1985
Joint Disciplinary Committee and Joint Appeals Board	DGB(O).31	22 Jan 1986
Classification Appeals Committee for Professional posts and General Service posts	DGB(O).34	2 Feb 1995
UNIDO Property Survey Board	DGB(O).47/Rev.2	21 Jan 2005
Terms of Reference of the Procurement Committee	DGB(O).48/Rev.2	16 Oct 2006
Special Task Force on Decentralization to the Field	DGB(O).91	11 Sep 2000
UNIDO Secretariat Structure 2010	DGB(O).95/Add.7	26 Feb 2010
Establishment of a UNIDO Publications Policy and Publications Committee	DGB(O).102	12 Mar 2007
Classification Appeals Committee for Professional Posts and Classification Appeals Committee for General Service Posts	DGB(O).104	5 Dec 2007
Strengthening the strategic response capacity of UNIDO	DGB(O).111	10 Jul 2009
Programme Approval Committee and the Quality Advisory Group	DGB(P).96	3 Mar 2006

UNIDO Sales Publications	DGB(M).21	16 Jan 1992
Responsibilities of the Secretariat staff with regard to the External Audit	DGB(M).71	31 Jul 1997
Internal Audit Group Charter	DGB(M).92/Rev.1	8 Nov 2005
Policy on Fraud Awareness and Prevention	DGB(M).94	6 Jun 2005
Field Mobility Policy (as amended)	DGB(M).97/Amend.1	27 May 2010
Evaluation Policy	DGB(M).98	22 May 2006
Management of staff members assigned to the field as Industrial Development Officers (IDOs)	DGB(M).108	20 Mar 2009
Policy on Gender Equality and the Empowerment of Women	DGB(M).110	21 Apr 2009
UNIDO Policy Manual for International Public Sector Accounting Standards (IPSAS)	DGB(M).114	11 Feb 2010
Code of Ethical Conduct	DGB(M).115	1 March 2010
Protection against Retaliation for Reporting Misconduct or Cooperating with Audits or Investigations	DGB(M).116	1 March 2010
Policy on Learning	DGB(M).117	12 April 2010
UNIDO Policy for Financial Disclosure and Declaration of Interests	DGB(M).118	4 May 2010

Director-General's administrative instructions (DGAI)

Emergency Measures and Mechanisms	DGAI.1	9 Jan 1998
Emergency Measures and Mechanisms	DGAI.1/Add.1	26 Jan 1998
Internal Correspondence with the Director-General	DGAI.2	26 Jan 1998
Extension of Fixed-Term Appointments	DGAI.3	30 Jan 1998
Rationalization of Committees and Director-General's Bulletins	DGAI.5	11 Mar 1998
Rationalization of Committees and Director-General's Bulletins	DGAI.5/Add.1	17 Apr 1998
New Financial Authorization System	DGAI.6	13 May 1998
New Financial Authorization System	DGAI.6/Amend.1	16 Dec 1998

Decentralization and Delegation of Authority to UNIDO's Field Offices	DGAI.7	14 May 1998
Staff Career Development System	DGAI.8	14 May 1998
Staff Career Development System	DGAI.8/Corr.	10 Mar 1999
New Management Framework, Service Management Cycle and Cost Accounting	DGAI.9	21 Oct 1998
New Management Framework, Service Management Cycle and Cost Accounting, Framework for the Recruitment and Management of Consultants and Short-Term Experts Recruited under Special Service Agreements (SSA) and Service Agreement (SA)	DGAI. 9/Annex 4 Add.2	25 Mar 2002
Framework of the Staff Career Development System, Corrigendum	DG AI.10	10 Mar 1999
Staff Performance Appraisal System	DG AI.10, Annex 4 Add.1	29 Jan 2001
Staff Development, Training and Learning	DG AI.10, Annex 5	19 Feb 2001
Decentralization and Delegation of Authority to UNIDO's Field Offices - Location of Regional Offices	DGAI.12	8 Oct 1999
Human Resource Management Framework	AI/2010/01	25 May 2010
Performance Management	DGAI.15	6 Nov 1998
Guidelines for the Technical Cooperation Programme and Project Cycle	DGAI.17 Rev.1	24 Aug 2006

Administrative circulars

Handling of official status files and personal files	UNIDO/ADM/HRM/AC.1	03 Feb 2003
Paternity leave	UNIDO/PSM/HRM/AC.1	05 Sep 2006
Mobility and hardship scheme	UNIDO/PSM/HRM/AC.2	10 Jan 2008
Mobility and hardship scheme	UNIDO/PSM/HRM/AC.2/ Amend.1	28 Jan 2009
Young Professionals Programme	UNIDO/PSM/HRM/AC.5	12 Sep 2008
Job classification of General Service posts - General Service Staff Career Development	UNIDO/FOA/HRM/AC.6	06 Oct 2000
Job classification of General Service posts	UNIDO/FOA/HRM/AC.7	16 Aug 2001

Extension of contract beyond retirement age	UNIDO/FOA/HRM/AC.9	24 Sep 2001
Travel procedures	UNIDO/FOA/HRM/AC.10	09 Oct 2001
Travel procedures	UNIDO/FOA/HRM/AC.10/ Amend.1	20 Feb 2002
Introduction of the euro	UNIDO/FOA/HRM/AC.11	19 Dec 2001
Guidelines and Procedures for the Recruitment by UNIDO Field Representative of Short-term and ad hoc local consultants	UNIDO/FOA/AI.4	14 May 1998
Guidelines and Procedures/Delegation of Authority for the Recruitment and Administration of National Experts	UNIDO/FOA/AI.4/Add.1	26 Nov 1999
Definitions of dependency and benefits	UNIDO/DA/PS/AC.56	03 Mar 1989
End-of-service allowance for staff members in the General Service and related categories	UNIDO/DA/PS/AC.58	11 Aug 1989
Reimbursement for travel by car	UNIDO/DA/PS/AC.59	01 Dec 1989
Attendance and leave recording	UNIDO/DA/PS/AC.62	27 Mar 1990
Standard of accommodation, travel time and rest stopovers	UNIDO/DA/PS/AC.65	25 Jul 1990
Part-time employment	UNIDO/DA/PS/AC.67	18 Oct 1990
Employment of spouses	UNIDO/DA/PS/AC.68	19 Oct 1990
Outside activities	UNIDO/DA/PS/AC.69	17 Dec 1990
Obligations of staff members after separation from service	UNIDO/DA/PS/AC.70	17 Dec 1990
Personnel payroll clearance action	UNIDO/DA/PS/AC.71	18 Dec 1990
Request for rectification of date of birth or of other personal data	UNIDO/DA/PS/AC.72	20 Dec 1990
Guidelines for the determination of grade and step in the recruitment of staff for the P category	UNIDO/DA/PS/AC.74	21 Dec 1990
Submission of claims for compensation in the event of death, injury or illness attributable to service	UNIDO/DA/PS/AC.75	28 Jan 1991
Special leave	UNIDO/DA/PS/AC.77/ Amend.1	09 Jun 2000
Compensation for loss of or damage to personal effects	UNIDO/DA/PS/AC.79	03 Mar 1991

Facilities to be provided to staff representatives	UNIDO/DA/PS/AC.80	28 Mar 1991
Disciplinary measures	UNIDO/DA/PS/AC.87	28 May 1992
Acceptance of payments from governments to supplement UNIDO emoluments	UNIDO/DA/PS/AC.89	21 Apr 1993

Administrative instructions

UNIDO Correspondence Guidelines	UNIDO/GOV/AI/1/Rev.5	01 Mar 2010
Classification of Posts in the General Service and Professional and higher categories	UNIDO/PSM/HRM/AI.1	20 Mar 2009
UNIDO Property Management Manual	UNIDO/PSM/AI.1	17 Jul 2007
UNIDO Procurement Manual	UNIDO/PSM/AI.2	31 Jan 2008
Guidelines for temporary appointments of project personnel at headquarters under the 200 series staff rules	UNIDO/PSM/AI.3	06 Aug 2008
Guidelines and Procedures for the Recruitment by UNIDO Field Representative of Short-Term Ad Hoc Local Consultant	UNIDO/FOA/AI.4	14 May 1998
Guidelines and Procedures/Delegation of Authority for the Recruitment and Administration of National Experts and Local General Service Project Personnel	UNIDO/FOA/AI.4 Add. 1	26 Nov 1999
Guidelines and Procedures/Delegation of Authority for the Recruitment and Administration of National Experts and Local General Service Project Personnel	UNIDO/FOA/AI.4 Add. 2	13 May 1990
Representation allowance and official hospitality	UNIDO/ADM.67	21 Apr 1986

Information circulars

Conduct of staff in their relations with government representatives	UNIDO/DA/PS/INF.1295	07 Nov 1996
Basic Security in the Field: Staff Safety, Health and Welfare	UNIDO/ADM/HRM/INF.35	24 Sep 2003
Standards of Conduct, personal behaviour of staff	UNIDO/ADM/HRM/INF.57	27 Oct 2005
Advanced Security in the Field	UNIDO/PSM/HRM/INF.75	26 Jan 2007

Staff Safety and Security - Online Security Clearance and Tracking System (ISECT)	UNIDO/PSM/HRM/INF.76	29 Jan 2007
Staff Safety and Security	UNIDO/PSM/HRM/INF.82	01 Aug 2007
Appointment of a Staff Counselor	UNIDO/PSM/HRM/INF.87	29 Oct 2007
Introduction of an Exit Interview Questionnaire and Knowledge Transfer Notes	UNIDO/PSM/HRM/INF.107	01 Sep 2009

Other operational instructions

ICT Policy, ICT Manuals (Intranet, E-Mail, Scanning and Printing, Web Publishing)	Interoffice Memorandum, Intranet	22 Apr 2005
Handbook on Recruitment and Selection in UNIDO	Intranet	Sep 2008
Project Personnel Manual	Intranet	
Field Office Manuals	Intranet	
Streamlining Travel Procedures and Arrangements	UNIDO/PSM/FOA/AI.10	13 Apr 2000
Standard of accommodation, travel time and rest stopovers	UNIDO/DA/PS/AC/65	25 Jul 1990
Transportation of privately owned cars	UNIDO/DA/PS/AC.83	21 Jun 1991
Transportation of privately owned cars	UNIDO/DA/PS/AC.83/ Amend.1	26 Nov 1991
Transportation of personal effects and household goods: shipping and insurance procedures	UNIDO/DA/73	25 Jul 1990
Preparation and processing of travel claims	UNIDO/ADM/FS.7	22 Jan 1981
Procedures for the financial preparation and implementation of training programmes, seminars, workshops, conferences, consultations and other meetings financed from technical assistance funds	UNIDO/ADM/FS.10	28 Feb 1984
Guidelines and procedures for the implementation and administration of UNIDO fellowships and study tours by UNIDO field representatives	UNIDO/PSM/FOA/AI.5	14 May 1998
UNIDO Financial Services Branch Imprest Account Instructions	(PSM/FIN)/Instructions	Jan 2007
FPCS Access	(PSM/FIN)/Instructions	01 Mar 2006

Official Hospitality	(PSM/FIN)/Instructions/No. 5 Rev.4/Amend 3	08 May 2006
Cash Advances	Intranet	

II. Strategic framework of the Organization's activities

Title	Reference	Date
The corporate strategy of UNIDO	V.03-87010	Aug 2003
Strategic Guidelines: Towards improved UNIDO programme delivery	IDB.26/15	15 Nov 2002
Strategic long-term vision statement	GC.11/8 and Add.1	25 May 2005
Medium-term programme framework, 2010-2013	IDB.35/8 and Add.1	9 July 2008
Business Plan on the Future Role and Functions of UNIDO	IDB/S.7/Dec.3	20 May 1997

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION



SECRETARIAT

UNIDO/DGB/(P).120

31 May 2010

Distribution: All staff members at Headquarters
and established offices

DIRECTOR-GENERAL'S BULLETIN

Revised System for the Screening, Appraisal and Approval of Technical Cooperation Programmes and Projects

1. The present bulletin establishes a revised system for the screening, appraisal and approval of technical cooperation programmes/projects and therefore supersedes Director-General's Bulletin "Programme Approval Committee and Quality Advisory Group" of 3 March 2006 (DGB/(P).96), as well as those sections in Director-General's Administrative Instruction No. 17 of 24 August 2006 (DGAI.17/Rev.1) that refer to the operation of the Programme Approval Committee (PAC) and the Quality Advisory Group (QAG).
2. The revised system aims at enhancing the design quality and development impact of UNIDO's technical cooperation programmes, projects and related services. It introduces a more rigorous and consistent review process and provides for a fine tuning of the assignments and responsibilities of the existing mechanisms. The main changes in respect of the current system are as follows:
 - Separation of the screening from the approval function (currently both vested in the PAC).
 - Formalization of the PTC Directors' Review Seminars into a Screening and Technical Review Committee (STC), for the purpose of screening all concepts - Service Summary Sheets (SSSs), Programme Screening Forms (PSFs), Project Identifications Forms (PIFs), etc. - and clearing them for further development. The terms of reference and composition of the STC are provided in Annex I.
 - Upgrading of the QAG – to be renamed as Appraisal Group (AG) – for the purpose of appraising thematic issues and assessing the overall quality of fully fledged programme/project documents after they have been technically cleared by the submitting divisions and before transmission to the AMC. The terms of reference and composition of the AG are provided in Annex II.
 - Refocusing of the PAC – to be renamed as Programme Approval and Monitoring Committee (AMC) – on the approval of programmes/projects and the release of UNIDO freely programmable resources, with the added tasks of reviewing compliance with reporting requirements and providing programmatic advice to the Executive Board (EB). The terms of reference and composition of the AMC are provided in Annex III.
3. The new system is based on two decision-making bodies (STC and AMC), each (i) with focused responsibilities and (ii) anchored in one division but with cross-organizational membership. This will

contribute to strengthening the checks and balances of the review process and facilitating the achievement of higher quality.

4. Within the framework of the existing Guidelines for the Technical Cooperation Programme and Project Cycle (TC Guidelines) and the established quality criteria, the STC, AMC and AG will define – in close consultation with each other - their internal rules of procedure, develop specific review checklists and adopt flexible review tracks, depending on the nature/type of submissions. The Chairs of the STC and AMC will hold regular meetings and organize joint sessions of both Committees in order to maintain an appropriate level of coordination and review the smooth application of the new system.

5. The decisions of the STC and AMC will be documented and made available on the UNIDO Intranet, to ensure transparency of the review process.

6. Since the Logical Framework (LogFrame) and the underlying intervention chain approach will be used as a key tool for reviewing concepts and programme/projects at the STC, AG and AMC levels, a special training workshop will be organized in June 2010 for the members/advisors of those bodies; the workshop will also provide an appropriate platform for a joint discussion on, and subsequent harmonized definition of, the rules of procedure, specific checklists and tracks mentioned in paragraph 4. above.

7. A set of basic criteria for prioritizing the allocation of UNIDO programmable resources (RTPC and SRA) will be introduced as outlined in Annex IV.

8. The requirement introduced in 2008 that all Expert Group Meetings (EGMs) and related activities be approved by the EB shall be discontinued, since the new system will offer adequate mechanisms for a coordinated review of the various EGM proposals.

9. Concepts, in the form of SSSs, PIFs, etc., may be developed by any part of UNIDO, but – in order to be eligible for screening by the STC - will have to be endorsed and signed by both the Director of the lead substantive Branch and the relevant UNIDO Representative (or by the Director of RSF/RFO if the concept is of a regional/interregional/global nature or relates to a country not covered by a UR). However, because of their special nature, PSFs will continue to be developed and submitted by RSF/RFO. Prior to submission to the STC, each concept shall be assigned a pipeline number by RSF/RQA/QUA.

10. Once developed, programme/project documents will be forwarded by the Director of the lead substantive Branch to the AG for appraisal and further submission to the AMC. The memorandum transmitting each programme/project document will be cleared by the relevant Managing Director, who will certify in writing that all key technical/substantive dimensions of the programme/project approach have been carefully reviewed and found in line with best practices/established standards.

11. Strict measures for the enforcement of existing programme/project development and monitoring requirements will be introduced, as outlined in Annex V.

12. With the exception of the provisions described in the preceding paragraphs, the existing TC Guidelines will continue to apply, until a new TC cycle is introduced as a result of the process re-engineering currently under way within the framework of the Programme for Change and Organizational Renewal. It is understood that the mechanisms and measures described in the present bulletin may need to be further refined or updated depending on the final structure of the TC cycle.

13. The revised system for the screening, appraisal and approval of TC programmes and projects will become operational with effect from 14 June 2010.

ANNEX I

TERMS OF REFERENCE OF THE SCREENING AND TECHNICAL REVIEW COMMITTEE

Purpose

1. To ensure that only viable project ideas/requests are cleared for further development and that a shared agreement is reached on the collective response and multidisciplinary approach to be provided by UNIDO.

Mandate

2. The Screening and Technical Review Committee (STC) shall:
 - Screen all concepts (SSSs, PIFs, PSFs, etc.) and - when in line with established quality criteria - clear them for further development;
 - Endorse requests for preparatory assistance (PA) or other specific assessments (environmental/economic/social, as per GEF Fiduciary Standard B.1) and clear the relevant terms of reference;
 - Approve PA funding within the framework authorized by the Executive Board and report on the allocation of resources;
 - Transmit all other cleared concepts that involve financial commitments for UNIDO to the AMC for approval of funds; and
 - Ensure that the thematic dimensions of the programmes/projects to be developed are adequately considered and assign responsibilities for project formulation.

Operational Modalities

3. A summary of the key issues discussed and the decisions made will be prepared by the secretariat, cleared by the Chair and communicated to the submitters for further action/posted on the Intranet for general information.

Composition

4. The STC is composed as follows:

Chair

- Dmitri Piskounov, Managing Director , PTC
(*Alternates:* Ranko Vujacic, Deputy to the Managing Director, PTC; a PTC Director, to be nominated by the Managing Director, PTC)

Members

- PTC Directors and Director, RSF/DPR

(Alternates: Deputies to the above-mentioned Directors)

- Grzegorz Donocik, Chief, RSF/RFO/EUR

(Alternate: Victor Hinojosa Barragan, Chief, RSF/RFO/LAC)

- Albertus Van Burik, Deputy to the Director, RSF/RQA

(Alternate: Jean-Paul Landrichter, Resource Mobilization Officer, RSF/RQA/RMU)

- George Anestis, Senior GEF Coordinator, PTC/OMD

(Alternate: Dolf Gielen, Chief, PTC/ECC/IEE)

Advisers

- Peter Loewe, Senior Evaluation Officer, ODG/EVA

(Alternate: Johannes Dobinger, Evaluation Officer, ODG/EVA)

- Claudio Scaratti, Chief, RSF/RQA/QUA

(Alternate: Andrey Volodin, Senior Programme Officer, RSF/RQA/QUA)

Secretariat

PTC/PKM

ANNEX II

TERMS OF REFERENCE OF THE APPRAISAL GROUP

Purpose

1. To ensure that assessed information on the overall quality, as well as on specific thematic aspects of programme/projects documents is available to the AMC for appropriate decision-making.

Mandate

2. The Appraisal Group (AG) shall advise the AMC by:
 - Reviewing the completeness of programme/project documents and checking their compliance with established design and quality standards (with particular regard to efficiency, effectiveness and sustainability);
 - Conducting, whenever appropriate, an appraisal of the economic, financial, social, institutional and gender aspects of programmes/projects;
 - Assessing the consistency of the LogFrame/intervention logic and the appropriateness of the indicators and monitoring/evaluation requirements; and
 - Assessing the consistency and coordination of programmes/projects with UNIDO country/regional frameworks, as well as with UN related frameworks (UNDAF, One UN, etc.).

Operational Modalities

3. A standardized appraisal summary will be prepared for each programme/project and attached to the document for submission to the AMC with a copy to the submitters.

Composition

4. The AG is composed as follows:

Chair

- Andrey Volodin, Senior Programme Officer, RSF/RQA/QUA
(*Alternate:* Emilio Vento, Chief, PTC/TCB/CIU)

Members

- *Economic/financial aspects:* Robert Novak, Industrial Development Officer, PTC/BIT/ITU
(*Alternate:* Cristina Pitassi, Industrial Development Officer, PTC/AGR/RES)
- *Social/institutional aspects:* Natascha Weisert, Industrial Development Officer, PTC/BIT/CBL

(*Alternate:* Gabriele Ott, Industrial Development Officer, PTC/AGR/RES)

- *Environmental aspects:* George Anestis, Senior GEF Coordinator, PTC/OMD

(*Alternate:* Marina Ploutakhina, Focal Point for Energy Policy and Partnerships, PTC/ECC/OD)

- *Country/regional/UN frameworks:* Klaus Billand, Senior Coordinator for UN System Coherence, RSF/RFO/OD

(*Alternate:* Kay Lisengard, Field Coordinator, RSF/RFO/OD)

- *Project design/LogFrame:* Massoud Hedeshi, Programme Officer, RSF/RQA/QUA

(*Alternate:* Evert Kok, Programme and Knowledge Management Officer, PTC/PKM)

Advisers

- Halima Ahmed, Associate Gender Focal Point, ODG/ODG
- Eric Appiateng, Senior Procurement Officer, PSM/OSS/PRS
- Johannes Dobinger, Evaluation Officer, ODG/EVA
- Paul Hesp, RSF/RQA/QUA

Secretariat RSF/RQA/QUA

ANNEX III

TERMS OF REFERENCE OF THE PROGRAMME APPROVAL AND MONITORING COMMITTEE

Purpose

1. To ensure that all programmes/projects endorsed for further submission to donors or approved for funding from UNIDO resources meet established quality criteria and are in line with international standards/best practices.

Mandate

2. The Programme Approval and Monitoring Committee (AMC) shall:
 - Endorse programme/project documents for submission to donors and approve projects for funding from UNIDO resources;
 - Validate programme/project LogFrames and monitoring requirements;
 - Approve implementation responsibilities (including team leader/members where appropriate);
 - Approve allocation/release of UNIDO freely programmable resources;
 - Approve programme/project budget revisions exceeding established thresholds;
 - Ensure compliance with programme/project reporting requirements and alert line managers on critical gaps;
 - Monitor compliance with AMC decisions/recommendations by team leaders/project managers; and
 - Analyze challenges and trends, undertake portfolio monitoring by thematic priority/region/country/source of funds and provide programmatic advice to the Executive Board.

Operational Modalities

3. A summary of the key issues discussed and the decisions made will be prepared by the secretariat, cleared by the Chair and communicated to the submitters for further action/posted on the Intranet for general information.

Composition

4. The AMC is composed as follows

Chair

- Wilfried Luetkenhorst, Managing Director, RSF
(*Alternates:* Akmel Akpa, Deputy to the Managing Director, RSF; Adrie De Groot, Director, RSF/RQA)

Members

- Ranko Vujacic, Deputy to the Managing Director, PTC
(*Alternate:* Sergio Miranda da Cruz, Director, PTC/PKM)
- Paul Makin, Deputy to the Managing Director, PSM
(*Alternate:* Peter Ulbrich, Officer-in-Charge, PSM/FIN)
- Amita Misra, Senior Adviser to the Director-General, ODG/ODG
(*Alternate:* Ole Lundby, Special Adviser to the Director-General, ODG/ODG)
- Akmel Akpa, Deputy to the Managing Director, RSF
(*Alternate:* Chin-Pen Chua, Deputy to the Director, RSF/RFO)
- Adrie de Groot, Director, RSF/RQA
(*Alternate:* Albertus Van Burik, Deputy to the Director, RSF/RQA)

Advisers

- Margareta de Goys, Director, ODG/EVA
(*Alternate:* Peter Loewe, Senior Evaluation Officer, ODG/EVA)
- Behrouz Moradi, Chief, LEG
(*Alternate:* Andrew Michie, Legal Officer, LEG)
- Claudio Scaratti, Chief, RSF/RQA/QUA
(*Alternate:* Andrey Volodin, Senior Programme Officer, RSF/RQA/QUA)

Secretariat RSF/RQA/QUA

ANNEX IV

CRITERIA

FOR PRIORITIZING THE ALLOCATION

OF UNIDO FREELY PROGRAMMABLE RESOURCES

1. In addition to the priorities listed in the Programme and Budgets Document for 2010-2011, the following guiding principles and criteria will be adopted by the AMC with a view to optimizing the allocation of freely programmable resources - Regular Programme of Technical Cooperation (RPTC), Special Resources for Africa (SRA), etc.:

- A strict application of RBM indicators for determining whether a proposal is eligible for funding under a given thematic priority – the planned outcomes/outputs should clearly indicate what specific results are to be achieved with regard to Programme and Budgets targets for 2010-2011 as well as established international standards and targets (MDGs, etc.).
- Priority will be given to submissions that aim to address problems requiring a holistic approach and therefore (i) have been prepared together by PTC and RSF with the close involvement of UNIDO field offices and (ii) are to be implemented jointly by two or more branches, possibly in association with at least one of the relevant UNIDO Networks and Centres.
- The allocation of freely programmable resources to the three thematic priorities will be regularly monitored, to ensure a balanced development of UNIDO's portfolio.
- Special AMC sessions will be held at regular intervals (tentatively once a month) for a portfolio review of RPTC and SRA requests, thus allowing for a comparative assessment of the different proposals.

ANNEX V

MEASURES FOR THE ENFORCEMENT OF BASIC PROGRAMME/PROJECT DEVELOPMENT AND MONITORING REQUIREMENTS

1. A LogFrame, following the structure described in Annex 6 of the TC Guidelines, will have to be attached to all new programme/project submissions/revisions/extensions as of 14 June 2010. Failure to comply will render the submission not receivable by the AMC.
2. The LogFrame will be used by the AG and AMC as the key tool for appraising and reviewing programme/project proposals as of 14 June 2010.
3. Indicative work plans for the entire programme/project duration will have to be attached to all new programme/project submissions/revisions/extensions as of 14 June 2010. Failure to comply will render the submission not receivable by the AMC.
4. Annual work plans will have to be attached to the first budget revision request of the relevant year as of 1 July 2010. Failure to comply will prevent clearance of any budget revision for the concerned programme/project.
5. Progress reports according to the formats given in Annexes 14 and 15 of the TC Guidelines, for programmes and projects, respectively (or in other formats when so required by the donor) will have to be completed by team leaders/project managers for all programmes/projects that have been ongoing for at least six months as of 31 March 2010. The progress reports, converted into PDF format, will have to be submitted by 31 July 2010 to RSF/RQA/QUA for uploading onto the Infobase. Failure to comply will prevent clearance of any budget revision for the concerned programme/project.
6. RSF/RQA/QUA will prepare a compliance list for all programme/projects and submit it by 31 August 2010 to Branch Directors, Managing Directors and the AMC for appropriate follow-up. A freeze on the approval of new projects will be introduced in respect of project managers whose rate of progress report non-compliance exceeds 50% of their project portfolio.

Annex II - Governance structure of UNIDO

