



GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET

GEF/C.60/05
May 19, 2021

60th GEF Council Meeting
June 14 -18, 2021
Virtual Meeting

Agenda Item 04

**PROGRESS REPORT ON THE
INDEPENDENT THIRD PARTY REVIEW OF UNDP**

Recommended Council Decision

The Council, having reviewed document, GEF/C.60/05, *Progress Report on the Third Party Review of UNDP*, takes note of the report.

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BACKGROUND

1. This Progress Report summarizes the actions taken with respect to Council decisions on the review of UNDP's GEF-financed activities, including the current status of the Independent Third Party Review of UNDP's compliance with the GEF Minimum Fiduciary Standards (MFS).
2. In light of the available information in the audit report from UNDP's Office of Audit and Investigation (OAI) related to GEF-funded projects, the Council decided at its 59th meeting that UNDP should review and resubmit its self-assessment against GEF minimum fiduciary standards. In addition, the Independent Third Party Review of UNDP compliance with the standards their implementation should be undertaken on an accelerated schedule, for completion by 1 October 2021. Council requested that the Secretariat report the results of this Review at the 61st Council meeting in December 2021:

"i. In accordance with GEF Policy on Monitoring Agency Compliance with GEF Policy, but on an accelerated time frame, the Secretariat will initiate the steps for an independent, Risk-Based, Third-Party Review of compliance by UNDP with the GEF Policy on Minimum Fiduciary Standards. The Review will be completed by October 1, 2021.

*ii. The Review will be carried out by an independent expert or experts as per paragraph 9 of the Policy on Monitoring Agency Compliance, and follow the scope set out in paragraphs 10 – 12. As one input to this Review, UNDP will submit to the Secretariat an updated self-assessment of its compliance by May 1, 2021."*¹

SUMMARY OF PROGRESS:

3. **Third Party Independent Review:** The Secretariat has initiated the independent, Risk-based, Third-Party Review of compliance by UNDP, and work has commenced. The Secretariat entered into a contract with the independent reviewer, Mr. J. Graham Joscelyne, in March 2021 following a competitive selection process in accordance with World Bank procurement policy and procedure². The consultant has extensive experience in audit and accreditation issues as well as with the UN system, including UNDP. To date, the independent reviewer has reported very good cooperation from UNDP and has been provided access to all required background documents and staff as required. The reviewer is still in an information gathering phase; in this respect there are very few preliminary findings available at this time. Further detail is provided in the reviewer's preliminary report, attached as Annex 2.
4. **UNDP Updated Self-Assessment:** In light of the UNDP OAI report findings, Council requested UNDP to submit an updated self-assessment of compliance with the GEF Minimum

¹ Summary of the Chair, para 91.

² applicable to the Secretariat

Fiduciary Standards by May 1, 2021.³ This was submitted as requested by UNDP on April 30, 2021 and is being reviewed by the independent reviewer. The Secretariat has separately undertaken a preliminary review of the revised self-assessment for completeness, reasonableness and consistency with the self-assessments provided by all other GEF Agencies. This review was undertaken by the expert on minimum fiduciary standards engaged by the Secretariat throughout this process. This review has concluded that the revised self-assessment is complete and provides reasonable evidence of continued policy coherence.

5. With the exception of one Standard, UNDP re-confirmed its 2020 assessment of full policy alignment with the GEF Minimum Fiduciary Standards. The exception was for Standard I.2 (h) - Specific procedures, guidelines and methodologies of assessing the procurement procedures of executing entities are in place. UNDP also confirmed full compliance with the Standards, with a few exceptions related to action plan items already identified in the 2020 UNDP OAI audit, namely (I.1) project appraisal, (I.2) procurement, (I.3) monitoring, (II.2) financial management and control frameworks and (II.3) oversight of executing entities. For these items, target dates in June and September 2021 have been identified. For Standards rated as partially compliant, UNDP has linked these to OAI GEF 2020 audit action plan items.

6. A summary of the UNDP revised self-assessment is attached as Annex 1. The review by the Independent Third-Party Reviewer will further assess supporting documentation, implementation capacity and related issues.

7. **UNDP Monthly reporting:** The Council requested UNDP to provide regular (monthly) progress reports on the implementation of high-risk recommendations of the OAI's audit report to the GEF CEO and that the CEO update Council on implementation recommendations and identify any concerns or delays in their implementation.⁴ As of end-April 2021 UNDP had provided four such monthly reports, covering January, February, March and April 2021. These reports have been circulated to Council members separately by e-mail by the GEF CEO. UNDP is also providing regular information via its transparency website: <https://www.undp.org/gef-audit-transparency>. No concerns or delays in implementation have been observed and according to UNDP's OAI, over two-thirds of the identified actions have been implemented as at end-April 2021.

8. **Secondary Project Screening:** The GEF Council decided at its 59th meeting that all UNDP projects included in the December 2020 Work Program are to be circulated to Council prior to CEO endorsement/approval:

"In light of the recent audit report by the UNDP Office of Audit and Investigations (OAI) of UNDP GEF Management, all projects [below] included in the Work Program implemented by UNDP shall be circulated by email for Council review at least four weeks prior to CEO endorsement/approval. This shall take place as actions of the

³ https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.59.05.Rev._02_Report_Agency_Compliance_GEF_Minimum_Fiduciary_Standards.pdf

⁴ Summary of the Chair, para 91.

Management Action Plan that address the OAI recommendations are being implemented, as well as the independent, risk-based third-party review of compliance by UNDP with the GEF Policy on Minimum Fiduciary Standards is being completed. Project reviews will take into consideration the relevant findings of the external audit and the management responses and note them in the endorsement review sheet that will be made available to Council during the 4-week review period.”⁵

9. The Secretariat and UNDP developed an OAI Audit screening checklist for this purpose, to be completed by UNDP prior to submission, based on the UNDP OAI audit Action Plan. A copy of the template checklist used is attached as Annex 2.

10. UNDP has confirmed that it will ensure that the agreed checklist is submitted for all projects pending GEF CEO endorsement/approval, in addition to all new PIFs that UNDP may submit in 2021. The checklist is signed by the highest UNDP authority in the respective country (i.e. UNDP Resident Representative), the Deputy Bureau Director of the relevant UNDP Regional Bureau and the GEF Executive Coordinator. It is designed to provide a confirmation from senior level representatives at UNDP that relevant action plan items that may have bearing on the specific project proposed are being implemented and taken into consideration in the project design. Narrative descriptions and links to relevant documents are also included. These are reviewed by Secretariat staff for completeness and reasonableness in the process of project/program reviews, prior to circulation of the project/program to Council for its 4-week review. As at end-April 2021, UNDP had submitted over 55 such checklists and expects to submit a total of 170 during the year 2021.

NEXT STEPS:

11. The Secretariat will continue to facilitate the work of the independent third party reviewer, while preserving the required independence. The screening of UNDP projects, both at the PIF and endorsement stages, will continue through the 61st Council meeting and completion of the UNDP independent third party review. The Secretariat will continue to provide regular updates to Council based on information provided by UNDP and the Independent Third Party Reviewer, and flag any issues that may arise.

⁵ Summary of the Chair, GEF/C.59/Summary, para 59.

ANNEX 1: SUMMARY OF UNDP REVISED SELF-ASSESSMENT

Summary of Initial Review of the UNDP Worksheets Submitted 30 April 2021

RATINGS = Fully compliant, Partially compliant, Non-compliant

| GMFS REFERENCE | GMFS SUBJECT <i>(completed where there are specific comments on the standard in other columns)</i> | POLICY ALIGNMENT RATING (RE-CONFIRMED) | CAPACITY AND COMPLIANCE RATING | DOES SUPPORTING STATEMENTS/EVIDENCE LOOK REASONABLE YES / NO <i>(EVIDENCE NOT REVIEWED IN DETAIL)</i> | COMMENTS |
|---|--|---|---------------------------------------|---|--|
| I. Project/Activity Processes and Oversight Criteria | | | | | |
| Standard I.1 Project Appraisal Standards | | | | | |
| I.1 (a) | Project appraisal process | FULL | FULL | YES | Related 2020 GEF audit action plan point reported as completed, currently under review by OAI. |
| I.1 (b) 1 st bullet | Risk assessment | YES | YES | YES | As above |
| I.1 (b) 2 nd bullet | Technical review for GEF criteria | FULL | FULL | YES | As above |
| I.1 (c) | Project and/or activity development objectives and outcomes key performance indicators ;with | FULL | FULL | YES | As above |

| GMFS REFERENCE | GMFS SUBJECT <i>(completed where there are specific comments on the standard in other columns)</i> | POLICY ALIGNMENT RATING (RE-CONFIRMED) | CAPACITY AND COMPLIANCE RATING | DOES SUPPORTING STATEMENTS/EVIDENCE LOOK REASONABLE YES / NO <i>(EVIDENCE NOT REVIEWED IN DETAIL)</i> | COMMENTS |
|---|--|---|---|---|--|
| | baseline and targets | | | | |
| I.1 (d) | Fiduciary oversight to ensure adequate monitoring | FULL | Partially compliant until related OAI Audit recommendations are completed end September 2021. | YES | As for I.1(a) above. Several related GEF 2020 audit action plan items confirmed by OAI as completed, others in progress. |
| Standard I.2 Procurement Processes | | | | | |
| I.2 (a) | Procurement policies and guidelines meeting minimum requirements | FULL | Partially compliant until related OAI Audit recommendations are completed end September 2021. | YES | Several related GEF 2020 audit action plan items confirmed by OAI as completed, others in progress. |
| I.2 (b) | Specific procurement guidelines in place | FULL | FULL | YES | UNDP cite OAI audits and action plan implementation which support compliance rating |
| I.2 (c) | Security and confidentiality | FULL | FULL | YES | As above |
| I.2.(d) | Bidder protest | FULL | FULL | UNDP notes that "Due to the Single Audit | |

| GMFS REFERENCE | GMFS SUBJECT <i>(completed where there are specific comments on the standard in other columns)</i> | POLICY ALIGNMENT RATING (RE-CONFIRMED) | CAPACITY AND COMPLIANCE RATING | DOES SUPPORTING STATEMENTS/EVIDENCE LOOK REASONABLE YES / NO <i>(EVIDENCE NOT REVIEWED IN DETAIL)</i> | COMMENTS |
|-----------------------|--|---|---|--|--|
| | | | | Principle, UNDP may not be able to share sample procurement protest, but we can assure that all bid protests have been well addressed in line with the policy outlined above especially as they are escalated to HQ if the bidder is not satisfied with the response at the Country Office level.” | |
| 1.2 (e) | Dispute resolution | FULL | FULL | YES | |
| 1.2 (f) | Anti-fraud clauses in bid docs and contracts | FULL | FULL | YES | Vendor sanction committee statistics support compliance rating |
| 1.2 (g) | Sustainability concepts | FULL | FULL | YES | |
| 1.2 (h) | Assessment of executing entity capacity | Partially compliant | Partially compliant until related OAI Audit recommendations are completed end September 2021. | YES | Related GEF 2020 audit action plan items reported as in progress |

| GMFS REFERENCE | GMFS SUBJECT <i>(completed where there are specific comments on the standard in other columns)</i> | POLICY ALIGNMENT RATING (RE-CONFIRMED) | CAPACITY AND COMPLIANCE RATING | DOES SUPPORTING STATEMENTS/EVIDENCE LOOK REASONABLE YES / NO <i>(EVIDENCE NOT REVIEWED IN DETAIL)</i> | COMMENTS |
|--|--|---|---|---|---|
| 1.2 (i) | Monitoring of performance in projects | FULL | Partially compliant until related OAI Audit recommendations are completed end September 2021. | YES | Related GEF 2020 audit action plan items reported as in progress |
| 1.2 (j) | Procurement records | FULL | FULL | YES | |
| Standard I.3 Monitoring and Project-at-Risk Systems | | | | | |
| 1.3 (a) | Monitoring policy/procedures consistent with GEF requirements | FULL | Partially compliant until related OAI Audit recommendations are completed end June 2021. | YES | Several related GEF 2020 audit action plan items confirmed by OAI as completed, others in progress. |
| 1.3 (b) | Roles and responsibilities | FULL | Partially compliant until related OAI Audit recommendations are completed end June 2021. | YES | Several related GEF 2020 audit action plan items confirmed by OAI as completed, others in progress. |

| GMFS REFERENCE | GMFS SUBJECT <i>(completed where there are specific comments on the standard in other columns)</i> | POLICY ALIGNMENT RATING (RE-CONFIRMED) | CAPACITY AND COMPLIANCE RATING | DOES SUPPORTING STATEMENTS/EVIDENCE LOOK REASONABLE YES / NO <i>(EVIDENCE NOT REVIEWED IN DETAIL)</i> | COMMENTS |
|--|--|---|--|---|---|
| I.3 (c) | Monitoring reports | FULL | Partially compliant until related OAI Audit recommendations are completed end June 2021. | YES | Several related GEF 2020 audit action plan items confirmed by OAI as completed, others in progress. |
| I.3 (d) | Project at risk system | FULL | FULL | YES | Related GEF 2020 audit action plan items confirmed by OAI as completed. |
| I.3 (e) | Oversight of risk assessments and follow up | FULL | FULL | YES | Related GEF 2020 audit action plan items confirmed by OAI as completed. |
| Standard I.4 Project Completion and Financial Closure | | | | | |
| I.4 (a) | Procedures in place | FULL | FULL | YES | Related 2020 GEF audit action plan point confirmed as completed by OAI. |
| I.4 (b) | Project results publicly available | FULL | FULL | YES | Public disclosure according to UNDP's transparency policies |
| Standard I.5 Evaluation Function | | | | | |
| I.5 (a) | | FULL | FULL | YES | UNDP Evaluation Policy and reports publicly available |
| I.5 (b) | | FULL | FULL | YES | |
| I.5 (c) | | FULL | FULL | YES | |
| I.5 (d) | | FULL | FULL | YES | |

| GMFS REFERENCE | GMFS SUBJECT <i>(completed where there are specific comments on the standard in other columns)</i> | POLICY ALIGNMENT RATING (RE-CONFIRMED) | CAPACITY AND COMPLIANCE RATING | DOES SUPPORTING STATEMENTS/EVIDENCE LOOK REASONABLE YES / NO <i>(EVIDENCE NOT REVIEWED IN DETAIL)</i> | COMMENTS |
|---|--|---|---------------------------------------|---|--|
| II. Governance Framework Criteria | | | | | |
| II.1 External Financial Audit | | | | | |
| II.1 (a) | | FULL | FULL | YES | Board of Audit annual financial audit reports and management letters, and AAC and Executive Board reports publicly available. |
| II.1 (b) | | FULL | FULL | YES | |
| II.1 (c) | | FULL | FULL | YES | |
| II.1 (d) | | FULL | FULL | YES | |
| II.1 (e) | | FULL | FULL | YES | |
| II.1 (f) | | FULL | FULL | YES | |
| II.1 (g) | | FULL | FULL | YES | |
| II.2 Financial Management and Control Frameworks | | | | | |
| II.2 (a) | Existence of control framework | FULL | FULL | YES | Related 20201 GEF audit action plan points confirmed as completed by OAI |
| II.2 (b) | Scope of control framework | FULL | FULL | YES | |
| II.2 (c) | Defined roles and responsibilities pertaining to accountability of fiscal agents and | TBD | TBD | TBD | UNDP noted that UNDP does not have fiscal agents and fiduciary trustees and therefore this worksheet was not completed. See Ref: December 2020 Report (GEF/C.59/05/Rev.02) para 20 |

| GMFS REFERENCE | GMFS SUBJECT <i>(completed where there are specific comments on the standard in other columns)</i> | POLICY ALIGNMENT RATING (RE-CONFIRMED) | CAPACITY AND COMPLIANCE RATING | DOES SUPPORTING STATEMENTS/EVIDENCE LOOK REASONABLE YES / NO <i>(EVIDENCE NOT REVIEWED IN DETAIL)</i> | COMMENTS |
|-----------------------|--|---|---|---|--|
| | fiduciary trustees. | | | | |
| II.2 (d) | Risk assessment | FULL | FULL | YES | |
| II.2 (e) | Financial management framework | FULL | FULL | YES | Current clustering project and system upgrading will strengthen compliance with financial management policies. |
| II.2 (f) | Financial management controls | FULL | Partially compliant until OAI Audit recommendations noted are completed end September 2021. | YES | Several related 2020 GEF audit action plan points confirmed as completed by OAI. Others not yet due reported as in progress. |
| II.2 (g) | Anti-fraud control framework | FULL | FULL | YES | Related 2020 GEF audit action plan points confirmed as completed by OAI. |
| II.2 (h) | Segregation of implementation and execution of GEF projects | FULL | Partially compliant until OAI Audit recommendations are completed end June 2021. | YES | Several related 2020 GEF audit action plan points confirmed as completed by OAI. Others not yet due reported as in progress. |

| GMFS REFERENCE | GMFS SUBJECT <i>(completed where there are specific comments on the standard in other columns)</i> | POLICY ALIGNMENT RATING (RE-CONFIRMED) | CAPACITY AND COMPLIANCE RATING | DOES SUPPORTING STATEMENTS/EVIDENCE LOOK REASONABLE YES / NO <i>(EVIDENCE NOT REVIEWED IN DETAIL)</i> | COMMENTS |
|-----------------------|--|---|---|--|--|
| II.2 (i) | Segregation of financial management functions | FULL | FULL | YES | Current clustering project and system upgrading will strengthen compliance with financial management policies. |
| | | II.3 Oversight of Executing Entities | | | |
| II.3 (a) | Executing entity capacity assessment | FULL | Partially compliant until related OAI Audit recommendations are completed end September 2021. | YES – although related OAI rec will not be fully implemented by end of TP Review, UNDP could provide examples showing it has applied this in recent cases, to demonstrate capacity | Action plan items on OAI recommendations aim to move UNDP to more widespread compliance. |
| II.3 (b) | Public information on funding agreements | FULL | FULL | YES | Public disclosure according to UNDP's transparency policies. |
| II.3 (c) | Monitoring of grants | FULL | Partially compliant until OAI Audit recommendations are completed end September 2021. | YES – although related OAI rec will not be fully implemented by end of TP Review, UNDP could provide examples showing it has applied this in recent cases, to demonstrate capacity | Action plan items on OAI recommendations aim to move UNDP to more widespread compliance. |

| GMFS REFERENCE | GMFS SUBJECT <i>(completed where there are specific comments on the standard in other columns)</i> | POLICY ALIGNMENT RATING (RE-CONFIRMED) | CAPACITY AND COMPLIANCE RATING | DOES SUPPORTING STATEMENTS/EVIDENCE LOOK REASONABLE YES / NO <i>(EVIDENCE NOT REVIEWED IN DETAIL)</i> | COMMENTS |
|--|--|---|---------------------------------------|---|---|
| II.3 (d) | Response to misuse of GEF funds | FULL | FULL | YES | |
| II.4 Financial Disclosure/ Conflict of Interest | | | | | |
| II.4 (a) | | FULL | FULL | YES | UNDP policies and Ethics Office reports including results of annual disclosure processes publicly available. |
| II.4 (b) | | FULL | FULL | YES | |
| II.4 (c) | | FULL | FULL | YES | |
| II.4 (d) | | FULL | FULL | YES | |
| II.4 (e) | | FULL | FULL | YES | |
| II.5 Code of Ethics/Conduct | | | | | |
| II.5 (a) | | FULL | FULL | YES | UNDP Code of Ethics, related UN regulations, Ethics Office reports to the Executive Board and reporting channels publicly accessible. |
| II.5 (b) | | FULL | FULL | YES | |
| II.5 (c) | | FULL | FULL | YES | |
| II.6 Internal Audit | | | | | |
| II.6 (a) | | FULL | FULL | YES | OAI Charter, all OAI audit reports and its reports and presentations to the Executive Board, results of external quality assurance review and BOA findings publicly accessible. |
| II.6 (b) | | FULL | FULL | YES | |
| II.6 (c) | | FULL | FULL | YES | |
| II.6 (d) | | FULL | FULL | YES | |
| II.6 (e) | | FULL | FULL | YES | |
| II.6 (f) | | FULL | FULL | YES | |
| II.6 (g) | | FULL | FULL | YES | |

| GMFS REFERENCE | GMFS SUBJECT <i>(completed where there are specific comments on the standard in other columns)</i> | POLICY ALIGNMENT RATING (RE-CONFIRMED) | CAPACITY AND COMPLIANCE RATING | DOES SUPPORTING STATEMENTS/EVIDENCE LOOK REASONABLE YES / NO <i>(EVIDENCE NOT REVIEWED IN DETAIL)</i> | COMMENTS |
|-----------------------|--|--|---------------------------------------|---|---|
| II.6 (h) | | FULL | FULL | YES | |
| II.6 (i) | | FULL | FULL | YES | |
| | | II.7 Investigation Function | | | |
| II.7 (a) | | FULL | FULL | YES | OAI Charter, Investigation Guidelines and OAI and AAC reports to the Executive Board (including information on the investigation function) publicly accessible. |
| II.7 (b) | | FULL | FULL | YES | |
| II.7 (c) | | FULL | FULL | YES | |
| II.7 (d) | | FULL | FULL | YES | |
| ii.7 (e) | | FULL | FULL | YES | |
| II.7 (f) | | FULL | FULL | YES | |
| | | II.8 Hotline and Whistleblower Protection | | | |
| II.8 (a) | | FULL | FULL | YES | Hotline information, whistleblower protection policies, complaint statistics via Ethics Office and OAI and AAC reports publicly available. |
| II.8 (b) | | FULL | FULL | YES | |
| II.8 (c) | | FULL | FULL | YES | |
| II.8 (d) | | FULL | FULL | YES | |
| II.8 (e) | | FULL | FULL | YES | |
| II.8 (f) | | FULL | FULL | YES | |
| | | II.9 Anti-Money Laundering and Combating the Financing of Terrorism* | | | |
| | | * Not reviewed in 2020, but was self-assessed in 2019. 3 rd column shows 2019 self-assessment | | | |
| II.9 (a) | | FULL | FULL | YES | UNDP noted that it is consolidating its existing AML-CFT policies into one stand-alone policy expected to complete by June 30, 2021 |
| II.9 (b) | | FULL | FULL | | |
| II.9 (c) | | FULL | FULL | | |

ANNEX 2: UNDP PROJECT CHECKLIST TEMPLATE

UNDP Check list to be used for projects when submitted to the GEF for CEO endorsement/approval

Background:

Reference is made to the OAI Audit report in relation to UNDP's management of GEF-supported projects (issued on 1 December 2020). Any actions undertaken in relation to the project shall require strict adherence to all recommendations and associated management actions plans set out in the OAI report. Pursuant to the decisions of the GEF Council during the 59th GEF Council meeting, UNDP is required by GEF Council, at the time of seeking CEO Endorsement/approval, to demonstrate that this project design meets all of the 2020 OAI audit recommendations as a prerequisite for further consideration and review by the GEF Secretariat. The project proposal will also be subject to 2nd review and approval by Council as a condition for CEO endorsement/approval. Consequently (and contrary to earlier practices), please note that funding is not assured unless and until these preconditions have been met and duly confirmed and submitted to the GEF Secretariat.

Checklist:

| Project address all concerns raised in the OAI report, based on below assessment. | | | UNDP Assessment | |
|---|-----|----|--|----|
| | | | YES | NO |
| UNDP to indicate Yes or No and provide additional information: | Yes | No | Additional information <i>(please include a page reference in the PRODOC and/or a link to supporting documents)</i> | |
| Internal Control Framework (ICF) | | | | |
| Please indicate when the Internal Control Framework of your Country Office has been validated by the Regional Bureau. Indicate when this will be reviewed again. | | | Date of ICF review by RBX: Future date of ICF review: Do not add text only dates. | |
| Country Office (CO) Capacities | | | | |
| Please clarify if the CO is equipped to provide proper implementation (oversight) and financial management of the project in line with UNDP rules and regulations and GEF policies? | | | 250 words maximum | |
| Please provide evidence of CO capacities including the list of subject matter experts to support oversight and provide execution support/procurement (when the latter has been approved by GEF) | | | List names and functions of staff who will provide oversight covered by the GEF Fee List names and functions of staff who will provide execution support covered by PMC | |
| Has the CO put in place the necessary protocols to conduct | | | | |

| | | | |
|--|--|--|---|
| annual field missions (monitoring visits) for project oversight support? | | | |
| <p>Please indicate when the latest internal OAI audit of the Country Office took place? Were there any qualifications and are there any outstanding recommendations? Is there an Action Plan in place?</p> <p>Please indicate if any other audits (BOA, DIM audits, special audits, etc.) have taken place in relation to the CO during the last 3 years.</p> | | | <p>Date last OAI Country Office audit:</p> <p>Qualification:</p> <p>List outstanding audit recommendations:</p> |
| Has Prodoc clearly outlined roles and responsibilities of UNDP Country Offices and implementing partners for the oversight of this project | | | No explanation needed if answer is Yes. |
| Has Prodoc clearly outlined roles and responsibilities of the project boards? | | | No explanation needed if answer is Yes. |
| Oversight and execution | | | |
| Where execution support services have been agreed with GEF Secretariat, Specify if the LOA with the Government to provide CO support has been duly completed, cleared by BPPS, and signed by the relevant parties and included as Annex to the UNDP-GEF project document before signature by the Implementing Partner, Government Coordinating Agency and UNDP. Please provide the link to the LOA. Also, please indicate what provisions have been taken to ensure that a proper separation of functions between staff providing oversight of the Implementing Partner executing the project and execution on | | | |

| | | | |
|--|--|--|--|
| behalf of the Implementing Partner is in place at the CO level. | | | |
| Have governance structures, staffing and/or operational measures been put in place in this specific project to ensure proper oversight of this project and effective separation between oversight and execution? | | | 250 words maximum |
| Implementing Partner Capacities | | | |
| Please indicate the risk rating outlined in the Partner Capacity Assessment Tool (PCAT) and HACT/ micro assessments. Indicate the year the HACT assessment was undertaken. | | | PCAT: year undertaken and risk rating Will the PCAT be updated at mid term review of this project? HACT: year undertaken and risk rating When will the HACT be updated? |
| Please indicate the date of the most recent HACT/NIM audits have been conducted of the selected Implementing Partner. What measures have been put in place to respond to the audit findings? When available, provide a link to the management response | | | |
| Are there any outstanding HACT/NIM audit recommendations that haven't been addressed? What is the Net Financial Misstatement? | | | |
| Please specify what capacities the office has in place to conduct periodic spot checks and monitoring of the IP's capacities | | | |
| Has the capacity assessment for implementing partners, including a strengthening of the focus within the capacity assessment tools of procurement capabilities, been | | | |

| | | | |
|--|--|--|-----------------------------------|
| done and documented in the ProDoc? | | | |
| Procurement | | | |
| Has the procurement plan been elaborated and validated in coordination with the operation team/procurement unit? Please include the minutes of the validation meeting. | | | |
| Does the UNDP office have an established protocol to identify and manage conflict of interest in general, and more specifically those arising in procurement decision-making processes at project level? | | | 250 words maximum |
| Risk Management | | | |
| Has the CO conducted a proper risk analysis based on the project document? Does the risk register fully align with the risks outlined in the project document | | | |
| List the frequency the risks will be monitored, and by whom. Explain how risks are monitored by the CO. | | | |
| Has risk assessment and management been done with identified mitigating measures documented in the Prodoc? | | | Prodoc reference: Risk Management |
| Cofinance | | | |
| Please indicate how the CO will monitor and report back on the realization of co-financing included in the UNDP GEF Project Document | | | |
| Time tracking | | | |
| Please specify if you currently have a system in place to trace time dedicated to providing oversight of this project and separately execution support. | | | |

Signature/Clearance: UNDP Resident Representative

Signature/Clearance: Regional Bureau Deputy Director

Signature/Clearance: UNDP GEF Executive Coordinator

ANNEX 3: THIRD PARTY INDEPENDENT REVIEWER PROGRESS REPORT

Third-Party Review of United Nations Development Programme (UNDP) Compliance with GEF Minimum Fiduciary Standards

Preliminary Report

May 19, 2021

1. Background

Under the GEF Policy on Monitoring Agency Compliance with GEF Policies (ME/PL/02, October 2016), GEF Agencies responsible for project implementation (the "Agencies") carry out self-assessments of their compliance with relevant GEF policies and report findings to the GEF Council once per GEF Replenishment cycle (i.e., every four years), starting in the final year of the seventh replenishment of the GEF Trust Fund (GEF-7), i.e., in 2022.

The relevant policies fall under two broad categories: i) GEF Minimum Fiduciary Standards, and ii) environmental and social safeguards, including gender. The Terms of Reference for this review cover the GEF Minimum Fiduciary Standards only and focus on a single Agency – the United Nations Development Programme (UNDP) and its compliance with the GEF Minimum Fiduciary Standards.

In late 2020, UNDP's Office of Audit and Investigation issued a performance audit report on UNDP Global Environment Facility Management that sought to answer two questions: "(1) Has UNDP established adequate governance arrangements to successfully discharge its role as a GEF Agency, including providing adequate oversight and support to GEF-funded projects?, and (2) Have UNDP Country Offices established effective and efficient mechanisms to ensure successful implementation of the GEF-funded projects?"

The overall conclusion of the audit was that: (1) "Generally, the Country Offices appreciated the support being provided by the GEF Principal and Regional Technical Advisors (RTAs). Further. The UNDP Bureau for Policy and Programme Support (BPPS)/GEF Team kept all Country Offices abreast of the new GEF requirements and change in policies". (2) "The BPPS/GEF Team in headquarters did not establish adequate governance arrangements including adequate oversight by the RTAs". And finally, "that Regional Bureaux/Country Office management did not put in place adequate controls or arrangements to provide oversight over project implementation." OAI rated the audit as "partially satisfactory/major improvement needed." Additionally, it made 12 recommendations, of which 5 were high priority and 7 medium priority.

In response to the audit, UNDP management accepted all the recommendations and immediately set about addressing these 12 and other lower-risk issues raised by OAI by establishing an "inter-bureau task force to address all recommendations and initiate immediate remedial actions." In addition, management insisted on tight completion deadlines.

As part of this exercise, the UNDP identified 31 OAI management actions. UNDP reported to the GEF Council (29 April 2021) that 22 of the 31 actions were completed, with the balance either close to completion or still under implementation.

In response to the OAI report, UNDP reviewed its self-assessment of compliance with the GEF Minimum Fiduciary Standards and made revisions to multiple sub-Standards showing they were in 'partial compliance' with GEF Minimum Fiduciary Standards. UNDP management devised an action plan for each non-fully compliant sub-standard. The GEF Secretariat reviewed the revised self-assessment and communicated to UNDP where it thought more work was needed to meet the expectations of this third-party review or where the expert reviewer might expect updated information and data that was not yet available at the time.

UNDP's inter-bureau task force created multiple workstreams to address the residual issues both in headquarters and in the field. So far as compliance in the field is concerned, UNDP commissioned EY to undertake a comprehensive compliance review. Also, it commissioned BDO to do the same for purposes of Green Climate Fund reaccreditation. The final results of EYs work is expected shortly, and BDO's sometime after that.

Progress on UNDP's plan of action has been communicated to the GEF Secretariat routinely and to the GEF Council monthly.

2. Scope of Work

Per paragraphs 10-12 of the GEF Policy on Monitoring Agency Compliance with the GEF Policies, the expert reviewer will:

- i. Identify, assess and verify cases where the UNDP reports changes to the policies, procedures, or capabilities based on which the UNDP was found to comply with relevant GEF policies and concludes it remains in compliance with those policies. The expert reviewer will document and verify whether – in light of the changes identified, the supporting information provided, and other relevant information – the UNDP continues to have adequate policies, procedures, standards and guidelines in place, as well as sufficient, demonstrated project implementation and monitoring and supervision capacity, to comply with the relevant GEF policies.
- ii. Review available information and decided on the level of risk of non-compliance by the UNDP with a relevant GEF policy, independently of the findings of the UNDP's self-assessment. In determining whether there is a risk of non-compliance by the UNDP with a GEF policy based on factors other than the UNDP's self-assessment, the expert reviewer will assess the UNDP's track record of implementing the policies, procedures and guidelines on the basis of which it was found to comply with a GEF policy, as well as audits, evaluations, and other external reports that provide information regarding the UNDP's compliance.

In particular, the third-party review will:

- iii. Review the revised UNDP self-assessment for the adequacy of its policies, procedures, standards and guidelines to implement the GEF Minimum Fiduciary Standards effectively.
- iv. Review the UNDP's revised self-assessment of its implementation capacity and effectiveness to comply with relevant GEF policies and effectively implement GEF projects and programs.
- v. Review the UNDP audit reports, management action plans, evaluations and other relevant internal and external reports, identify areas where the risk of non-compliance with GEF policy has been identified.
- vi. Review the adequacy of UNDP Action Plans and other measures to address any gaps or risks of non-compliance with GEF Minimum Fiduciary Standards, including UNDP policy and its implementation capacity.
- vii. Identify and consult directly with relevant UNDP representatives and other parties as suitable for the review.
- viii. Prepare reports detailing the review's findings, including assessments against each of the GEF Minimum Fiduciary Standards, to be made available to the GEF Secretariat and Council.

3. Nature of Review

As the objectives of the GEF Minimum Fiduciary Standards are 'to strengthen financial and programmatic accountability of the GEF', this third-party review will provide the GEF Council with 'reasonable assurance of effectiveness' that UNDP has policies and practices in place that meet the GEF Minimum Fiduciary Standards and that these are in effect across the organization.

To this end, the expert reviewer will base judgements on information provided or obtained from multiple sources for each Fiduciary Standard. Relevant information from both Headquarters (top-down) and the field, including Regional Bureaux (bottom-up), will be gathered for the review.

The 17 Minimum Fiduciary Standards are comprised of 78 sub-Standards that are, in many cases, interlinked by design. UNDP self-assessed – and revised its compliance with each of the sub-Standards. The third-party review follows the same process of assessing each sub-Standard and taking into account any linkage to other sub-Standards, before deciding on compliance with any individual Minimum Fiduciary Standard.

The expert reviewer will consider whether and to what extent the views of compliance with the Minimum Fiduciary Standard from headquarters align with those obtained from the field. The UNDP engaged the services of consultants (i.e., EY and BDO) to help confirm if this is the case. The expert reviewer will take their work into account and any gaps uncovered by the consultants when deciding a risk-based sample of country offices to underpin the third-party review results.

As noted above, the expert reviewer has designed the review of UNDP compliance with GEF Minimum Fiduciary Standards on a reasonable assurance basis. The review will not be a forensic audit. The expert reviewer will apply professional judgement throughout. He will use comparisons where, from experience, he knows that good practices exist outside of UNDP. Finally, he will apply his mind to issues or gaps for the GEF Secretariat that might help it “*strengthen financial and programmatic accountability of the GEF*” and share these with the GEF Secretariat.

4. Detailed Evaluation Methodology

The proposed **Scope** and **Overall Approach** spelt out what steps were needed for this third-party review in the expert reviewer's Inception Report. The expert review confirms that the proposed approach is substantially sufficient to complete the task. Those tasks are as follows:

i. Preliminary Activities:

This review is not intended to be a forensic audit. From the outset, it has been made clear that the expert reviewer must apply professional judgement when assessing UNDP's application of the GEF Minimum Fiduciary Standards, temper this with common sense, and make use of comparisons where good practices exist outside of UNDP.

- a. **Review documents provided to date:** Read the documentation supplied by UNDP as well as pertinent documentation available within the GEF Secretariat, and other publicly available documentation from other credible sources, to better understand the status quo and assess the trends, actions to date, and remaining gaps that flow from the information provided by the UNDP.
- b. **Interview key players:** Interview all the key players, both in the GEF Secretariat and UNDP headquarters, to obtain preliminary views on the status of UNDP efforts to comply with GEF requirements, issues that have arisen, plans to mitigate these, and timelines, etc.
- c. **Decide a risk-focused approach to detailed work:** From all that has been reviewed to this point, decide on an appropriate risk-based approach to direct attention to higher risk activities/areas/topics as seen by both the GEF Secretariat and UNDP management. This approach will ensure that all five regions and linked country offices are included and projects for which they are responsible.

ii. **Preliminary Review Report:** Draft this report using the information to hand and prepare a summary of observations to date and preliminary findings. Consider input from the GEF Secretariat to the preliminary report and finalize it for submission to the GEF Governing Council.

iii. **Detailed Review, Verification, and Validation of Observations:** To validate and verify information and evidence as to how UNDP ensures that GEF Minimum Fiduciary Standards are complied with across the

organization and are integrated to the extent that compliance will be sustained over time, the consultant will perform further interviews and document reviews as follows:

- a. **EY and BDO Reviews:** Mindful that the UNDP has engaged both EY and BDO to perform work pertinent to this assessment, the consultant will review the objectives and outcomes for both projects. The consultant will assess to what extent UNDP management has acted on the findings and recommendations. Finally, the consultant will determine the fieldwork done to see to what extent this might steer the selection of country offices and projects for this review or complement them.
- b. **Headquarters:** To assess and validate,
 - The extent to which management sustain appropriate oversight of GEF funds and GEF-funded projects.
 - The extent to which communication flows downwards and is received upwards confirming the quality, timeliness, and completeness of information, how well it is responded to, and how well follow-up activities occur.
- c. **Regional Offices:** To assess and validate, for all five offices:
 - The extent to which regional offices act per GEF Minimum Fiduciary Standards' requirements and how well – and consistently - they oversee country offices to ensure application of GEF standards for activities that make use of GEF funds.
 - The extent to which regional offices have appropriate systems and controls ensures consistent use in the way that GEF funds are managed and overseen by them.
 - The extent to which regional offices ensure that information flow to country offices and Headquarters is high quality, timely, and complete.
 - The extent to which regional offices act to identify and prevent risks in their GEF-funded portfolio and react when threats occur, and how well they keep Headquarters informed of regional actions to remedy risk issues.
 - The extent to which there is consistent use and management of GEF funds across all regional offices.
- d. **Country Offices:** To assess and validate,
 - The extent to which selected country offices act per GEF Minimum Fiduciary Standards' requirements and how well – and consistently - they oversee GEF-funded projects under their control to ensure application of GEF standards for activities using GEF funds.
 - The extent to which all selected country offices (across all regions) have appropriate systems and controls to ensure consistency in how GEF funds are used, managed and overseen.
 - The extent to which selected country offices ensures that information flowing to regional offices (and headquarters) is high quality, timely, and complete.
 - The extent to which selected country offices act to identify and prevent risks in their GEF-funded projects and react when threats occur, and how well they keep their regional office (and headquarters) informed of country-level actions to remedy risk issues.
 - The extent to which selected country offices actively oversee implementing partners on GEF-funded projects under their control and how well they interact with implementing partners ensures that they also apply GEF Minimum Fiduciary Standards.
 - The extent to which, on comparing results of all country offices selected, there is consistency in the way GEF funds are used and managed.
- e. **Comparator Good Practices:** The GEF Secretariat asked that the expert reviewer provide information, flowing from this third-party review, that will inform: (1) the third-party review process for other Agencies in the future; and (2) GEF on possible ways to enhance efficiency and effectiveness of its protocols, procedures, or practices related to Minimum Fiduciary Standards and application thereof. These would be designed to strengthen the financial and programmatic accountability of the GEF.

5. Preliminary Review Results and Insights

i. Sufficiency of UNDPs Remediation Efforts

- a. **Management reaction to OAI's audit:** OAI and others confirm that UNDP management's acceptance of its findings and recommendations, the urgency to implement OAI's recommendations, and the resources to support the initiative, is unusual in UNDP.
- b. **Establishment of the inter-bureau task force:** From all accounts, including OAI, establishing a task force with all the key players working together over an extended period to resolve problems in a timely way is unusual. From its experience, OAI confirms that this is the first time that all the key players involved in a particular matter are working well together to respond to issues raised by OAI.
- c. **Sufficiency of task force objectives:** The primary goals are to address the deficiencies reported in OAI's. To this end, all work done to date by the task force is tied to each of the OAI recommendations.

As OIA recommendations each affect the UNDP on multiple fronts both in HQ and in the field, the formation of working teams is proving useful. More than this, UNDP management has indicated that the task force work intends to go further than only respond to OAI audit of UNDP-GEF Management, but to have a positive impact on how the UNDP does business with the GEF overall.

Resources have been set aside to assist the task force in its work. EY has been commissioned to do an in-depth review of compliance with GEF Standards at the Country Office level, including the role of the Regional Bureaux. This intention is to ensure that the application of GEF requirements is consistent across Regions. In addition, the oversight of EY's work has been arranged in such a way that its independence and objectivity is protected thereby making its findings and recommendations more credible and useful.

- d. **Accountability:** Since the formation of the task force, bi-weekly meetings are held to assess progress on the project as a whole and specific issues within it. These meetings involve senior staff and members of the leadership group.
- e. **Transparency:** UNDP is communicating its progress to the GEF Council every month and publishing its progress on a scorecard on its website for public consumption.

In addition, its actions and activities are available to GEF Secretariat on a shared Teams website.

The task force's objectives are aligned to meet GEF Minimum Fiduciary Standards for GEF reaccreditation. To date, the project timelines are mainly intact, and revised self-assessments reflect the results of completed actions. The expert reviewer notes, however, that, as the EY and BDO reports will shed light on compliance with GEF Standards at the Country Office level, issues they raise might require UNDP management to reassess compliance with individual affected sub-standards. If this occurs, there might be some delay to project implementation timelines.

ii. Review the revised UNDP self-assessment for the adequacy of its policies, procedures, standards and guidelines to implement the GEF Minimum Fiduciary Standards effectively.

UNDP's revised self-assessment is done on a Standard-by-Standard basis with individual worksheets for each sub-Standard. Each worksheet is comprehensive and shows both commentary and links to supporting documentation, including policies, reports, processes, etc. Additional essential information has just been uploaded (e.g., Anti-Money Laundering & Combatting Terrorist Financing Policy, Revised Procurement Policy).

Of particular interest will be the EY assessment of whether and how successful management has been in ensuring that GEF requirements are complied with at the field level. EY selected 10 Countries, including their Regional Bureaux, for this purpose. EY is also expected to connect sub-standard action plans to each of the OAI audit recommendations and comment on the sufficiency of the remedial action plans. If they find any deficiencies, they will communicate this to UNDP management. In due course, the BDO field review is expected to follow the same path.

The review of all 78 sub-Standard worksheets continues. UNDP's information and evidence in support of full compliance are and will be reviewed and assessed for both headquarters and the field. Over the life of the review, UNDP management will be challenged on assumptions they make; will be asked for clarification on what is provided; and will be asked for corroborating evidence, if needed, before the expert reviewer concludes on sub-Standard compliance. Once the expert reviewer's assessment of compliance of underpinning sub-Standards to the GEF Standards has been completed, the expert reviewer will decide on compliance with the primary Standard.

The EY and BDO review results will provide valuable input to generate a risk-assessed selection of projects, country offices and regional bureau for third-party review purposes. Taken together with OAI's follow-up audits, EY and BDO will provide a significant body of knowledge about what happens outside of headquarters for GEF-funded activities and projects.

iii. Review the UNDP's revised self-assessment of its implementation capacity and effectiveness to comply with relevant GEF policies and effectively implement GEF projects and programs.

This exercise has begun focusing on UNDP-wide policies, procedures, frameworks, plans, budgets, human capacity, etc. The expert reviewer looks at the quality of oversight, risk management, compliance, and assurance related to GEF-funded activities in headquarters and the field.

The results will be integrated into assessing compliance with GEF sub-Standards before making a final assessment of full Standard compliance. This assessment will be completed in August 2021.

iv. Review the UNDP audit reports, management action plans, evaluations and other relevant internal and external reports, identify areas where the risk of non-compliance with GEF policy has been identified.

The OAI audit report was the genesis of the full-scale, accelerated third-party review for reaccreditation to the GEF. The expert reviewer is looking at OAI's quality assurance improvement program, its risk assessment and audit planning approach, its independence, and its impact on the organization. Most important to the GEF third-party review are how and when OAI conducts audits for GEF-funded projects and the follow-up audits. These will validate how OAI sees risk to GEF projects and how it responds, and when. For GEF reaccreditation purposes, OAI's follow-up audits are possibly more important than the initial audit simply because they validate management seriousness to the issues raised by OAI in the first place. The third-party review will also look at how other UNDP vertical funds are audited to see if there might be lessons that GEF could learn and use in its interaction with UNDP going forward.

OAI's follow-up of management actions from the December 2020 UNDP-GEF Management Audit began when OAI did a desk assessment of management's remediation plans. The full-blown follow-up audits have begun and will continue in August 2021. These audits will stress-test management's actions and will include transaction testing at the field level.

Of note is the oversight role played by the Audit & Evaluation Advisory Committee (AEAC). Audit & investigations, independent evaluations, ethics, risk management, financial resources management

(including interacting with the UN Board of Auditors) report periodically and receive AEAC's advice and input. As these functions are included in this third-party review, interactions with the chair, in due course, will be valuable. Its 2020 Annual Report mentions two topics of particular importance to this review: GEF concerns; and its views on the enterprise risk management system and its maturation across the UNDP.

On the investigations front, there have been several investigations of alleged wrongdoing in GEF-funded projects that have been communicated to the GEF Secretariat and reported to the GEF Council. The expert reviewer will take these up with relevant parties to assess whether and to what extent patterns or trends in misconduct have been uncovered. In addition, he will consider whether and to what extent lessons can and should be learned by both GEF and UNDP to enhance the relationship and understand how accountability 'works' in the UNDP context.

Finally, the expert reviewer will look at the sufficiency of reporting from the field upwards, through the Regional Bureaux, to Headquarters and beyond to the GEF Secretariat and Council on issues of importance to the parties.

Typically, internal auditors do a follow-up audit after a reasonable lapse of time (say, 1-year) to give management the chance to implement remedial action fully. OAI has begun its UNDP-GEF audit follow-up audit much sooner than this. It is being done in two stages, now and again in August 2021. The risk of conducting follow-up audits so soon after remediation is that sufficient transactional evidence might not yet be available for testing and validation purposes. The result could be somewhat misleading if used as evidence to support sustainability.

Also, obtaining an understanding of GEF-related allegations and investigations outcomes will provide helpful insight as to how UNDP's justice system operates should GEF funds be involved at some future point.

On the topic of reporting upwards, an issue is how and when to report matters dealing with: (1) the quality of project implementation and executing agency effectiveness; (2) portfolio monitoring and management; (3) communicating risk exposures and risk events (including whether GEF and UNDP have aligned risk appetites and agreed, effective communications protocols); and (4) the completeness of and quality of communications from UNDP to the GEF Secretariat and the Council.

v. Review adequacy of UNDP Action Plans and other measures to address any gaps or risks of non-compliance with GEF Minimum Fiduciary Standards. This review will include both UNDP policy and its implementation capacity.

UNDP assesses that it is now 'fully compliant' with the majority of GEF Sub-Standards. The details are recorded on individual worksheets along with links to supporting evidence.

For the remaining 11 sub-Standards, UNDP's revised self-assessment still shows they are 'partially compliant'. For each such sub-Standard, management has recorded specific plans and actions that are or will be taken to bring that particular sub-Standard into full compliance, in its opinion. It also records a due date for completion. Some sub-Standard actions should be completed within a few weeks; others stretch out to the end of September 2021, after the third-party review is done. The expert reviewer will seek to accommodate this by using 'workarounds' to ensure sufficient valid information and evidence available (from both headquarters, but more likely the field) for final review in August 2021.

The 'thrust' of some of the remaining proposed actions to bring 'partially compliant' sub-Standards into compliance with GEF Standards appears to focus more on headquarters compliance with GEF Standards

than the field. The expert reviewer, however, needs to confirm that field-level practices are in line with headquarters and that policies and procedures work at all levels. GEF Secretariat foresaw this and listed additional information that the expert reviewer might need to complete the assignment. The key to the third-party review is for the expert reviewer to gain a level of confidence that GEF requirements are integrated at the field level, are working well, and will be sustained into the future.

To this end, ANNEX 1 shows:

- Each GEF Standard.
- The sub-Standards that UNDP management assesses still 'partially conform' to GEF requirements.
- UNDP management actions to bring each of these sub-Standards to full compliance with GEF Standards.
- Evidence that the expert reviewer needs to support the third-party review results and conclusions and that take into account:
 - The need for more evidence from the field; and
 - Evidence (workarounds) the expert reviewer needs to supplement decisions on compliance for those sub-Standard actions that will only be completed at the end of September 2021 or later.

vi. Identify and consult directly with relevant UNDP representatives and other parties as suitable for the review.

From the start of this review, the expert reviewer has enjoyed full access to GEF and UNDP representatives. In both cases, all the information requested has been provided. It is expected that this will continue for the whole period of the third-party review.

vii. Prepare reports detailing the review's findings, including assessments against each of the GEF Minimum Fiduciary Standards, to be made available to the GEF Secretariat and Council.

The two-stage reporting begins with this Preliminary Report. It will be followed by the Final Report, due to be submitted by end-August 2021. The final report will be designed to:

- Consolidate findings and supporting data to make a final determination on UNDP's ability to meet and sustain compliance with GEF's Minimum Fiduciary Standards.
- Share information flowing from this third-party review that could assist GEF in its third-party review process going forward as well as looking at ways to enhance the efficiency and effectiveness of GEF's protocols, procedures, or practices.

The final report will be designed specially to communicate the results of this third-party review to GEF Secretariat and the GEF Council for deliberations and decision-making.

It is expected that issues that arise might enhance GEF's Agency oversight - or challenge the GEF Standards sufficiency.

One such topic for GEF consideration might be whether or not Enterprise Risk Management requires a specific GEF Standard to cover both the subject and the function in Agencies. GEF Standards cover all other organizational compliance functions (code of ethics/conduct, and financial disclosure/conflict of interest) and assurance functions (evaluation function, investigation function, internal audit, and external financial audit) and yet enterprise risk management as a function (as a critical function to GEF's effectiveness) is not directly addressed in a separate Standard. If a separate risk management Standard were introduced, it would focus attention on how risk management is arranged, overseen, and embedded in an Agency. From an Agency perspective, it would not be new topic because most GEF Agencies have an established 3 Line of defense model, where the ERM function is the 2nd Line of Defense.

- viii. Reporting on the due date:** Finally, prepare a final report on overall third-party review findings for:
- a. The GEF Secretariat – including any crucial matters identified in the UNDP third-party review that the GEF Secretariat might want to consider for its purposes.
 - b. The GEF Council – for its deliberations and decision-making purposes.

J Graham Joscelyne
Expert Reviewer
May 19, 2021

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ANNEX

UNDP Revised Self-Assessment: Status of Pending Matters and Third-party Review Requirements

[NOTE: Requirements for field assessments could change once the EY/BDO reports are issued]

| GEF Fiduciary Standards | Sub-Standards | UNDP: Pending Actions to address remaining issues | Third-party requirements (ongoing and planned) including: |
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| | UNDP-identified 'partial compliance' as of May 17 | | |
| 1. Project Appraisal Standards | (1d) Appropriate fiduciary oversight procedures are in place to guide the appraisal process and ensure its quality and monitoring of follow-up actions by UNDP during implementation. | Partially compliant until OAI Audit recommendations are completed end-September 2021. | As OAI's verification and testing of management's remedial work will be finalized too late for the third-party review reporting deadline, I will: <ul style="list-style-type: none"> • Review results of OIA's audit's follow-up testing (May 2021) to get a sense of how implementation effectiveness is coming along from OAI's test sample and compare this with information coming out of EY/BDO. • Because remedial work is extensive and far-reaching, consider with management how best (on a risk-focused basis) to sample and test the status and effectiveness of GEF-related work done to date (HQ and field). • Review results and compare them across the organization for consistency and effectiveness. |
| 2. Procurement Processes | (2a) Specific GEF Partner Agency policies and guidelines promote economy, efficiency, transparency and fairness in procurement through written standards and procedures that specify procurement requirements, accountability, and authority to take procurement actions. As a minimum, these policies and guidelines provide for: <ul style="list-style-type: none"> • Open competition and define the situations in which other less competitive methods can be used; and • Wide participation through publication of business opportunities; descriptive bid/ proposal documents that disclose the evaluation criteria to be used; neutral and broad | OAI MAP 12.2 Under Regional Bureau oversight, GEF project procurement will be assessed to ensure alignment with mandatory procedures that apply to all projects. These assessments will be discussed with BPPS during joint meetings three times a year. Work commenced due end-September 2021. OAI MAP 12.3 For procurement processes undertaken by UNDP, the Bureau for Management Services will further improve procurement process management with the roll-out of the new Oracle Cloud ERP application, which will be part of an end-to-end digital tool for procurement. This is expected to improve the weaknesses identified in procurement planning, evaluation team establishment and evaluation of offers as it is envisaged that all actions will occur within and documents | As UNDP remedial work will be finalized too late for the third-party review reporting deadline, I will: <ul style="list-style-type: none"> • Policy: <ul style="list-style-type: none"> ○ Review the Procurement Policy as well as proposals to update it. • Capacity: <ul style="list-style-type: none"> ○ Review the organization's human capacity for procurement-related activities. ○ Assess the quality and extent of training, including for project procurement. • Risk: <ul style="list-style-type: none"> ○ Assess how procurement features in the organizational risk map and what UNDP's risk appetite related to procurement. ○ Assess to what extent the risk of fraud and corruption in procurement is addressed and mitigated globally |

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| | <p>specifications; non-discriminatory participation and selection principles; and sufficient time to submit bids or proposals</p> | <p>maintained in the tool. Work commenced due end-September 2021</p> | <p>and at the regional and country levels.</p> <ul style="list-style-type: none"> • Assurance: <ul style="list-style-type: none"> ○ Review OAI (internal audit) reports (or other external reports) on the quality of UNDP's procurement activities globally. This includes EY and BDO's assessments. ○ Review OAI (investigations) assessment and activities on procurement-related allegations and investigations. |
| | <p>2(h) Specific procedures, guidelines and methodologies of assessing the procurement procedures of executing entities are in place.</p> | <p>OAI MAP 3.1 BPPS and the Bureau for Management Services, in close coordination with the Regional Bureaux, will upgrade and improve the capacity assessment tools for implementing partners, including a strengthening of the focus within the capacity assessment tools of procurement capabilities. Guidance and procedures will be further enhanced to ensure that the experience of working with the implementing partners, as identified through the monitoring, spot check and other assurance activities (including audits) are acted upon through adjustments to the assurance plans and disbursement modalities during the lifecycle of the project. Work commenced due end-September 2021.</p> <p>OAI MAP 3.2. The system of monitoring, oversight and strengthened management will be applied to implementing partner audit performance:</p> <ul style="list-style-type: none"> • Bureau for Management Services shall include NIM audit performance in its corporate monitoring of audit performance, including regular reporting to the OPG. • Regional Bureaux will strengthen their oversight on Country Offices on the management of | <p>As UNDP remedial work will be finalized too late for the third-party review reporting deadline, I will:</p> <ul style="list-style-type: none"> • Review processes that are used to enhance procurement quality across the UNDP including at the executing entity levels to confirm guidelines or other procedures /requirements are being implemented as intended. • Sample assessments of executing entity procurements showing implementation of Agency guidelines / procedures/ requirements. • Assess the quality and effectiveness of management's actions to promote this Standard entity-wide. |

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| | | <p>implementing partner risks and audit observations. Country Offices will strengthen their risk management activities to ensure that risks identified via implementing partner audits are adequately addressed (which may require GEF Secretariat approval to provide Country Office support to national implementation) and assurance plans and disbursement modalities adjusted accordingly. Work commenced due end-September 2021.</p> | |
| | <p>2 (i) Procurement performance in implemented projects is monitored at periodic intervals, and there are processes in place requiring a response when issues are uncovered.</p> | <p>12.2 Under Regional Bureau oversight, GEF project procurement will be assessed to ensure alignment with mandatory procedures that apply to all projects. These assessments will be discussed with BPPS during joint meetings three times a year. Work commenced due end September 2021</p> <p>12.3 For procurement processes undertaken by UNDP, the Bureau for Management Services will further improve procurement process management with the roll-out of the new Oracle Cloud ERP application, which will be part of an end-to-end digital tool for procurement. This is expected to improve the weaknesses identified in procurement planning, evaluation team establishment and evaluation of offers as it is envisaged that all actions will occur within, and documents maintained in the tool. Work commenced completion date end September 2021.</p> | <p>As UNDP remedial work will be finalized too late for the third-party review reporting deadline, I will:</p> <ul style="list-style-type: none"> Review what issues are typically being uncovered by procurement staff and OAI (investigations and internal audit). Review how these issues are addressed corporately and at the Country level. Understand how Regional Bureaus and Country Offices prevent/monitor and address procurement issues over time. Review risk escalation criteria and the quality and timeliness of these escalations. Review recent external or internal audit reports or independent expert review reports of the procurement function related to procurement at the executing entity levels to confirm guidelines or other procedures /requirements are being implemented as intended. Sample assessments of executing entity procurements showing implementation of Agency guidelines /procedures/requirements. |
| <p>3. Monitoring and Project-at-Risk Systems</p> | <p>3 (a) Monitoring functions, policies and procedures have been established consistently with the requirements of the GEF Policy on Monitoring.</p> | <p>1.3 BPPS, in consultation with the Regional Bureau, will update the July 2020 UNDP GEF project document template regarding the roles and responsibilities of UNDP Country Offices and implementing partners to further clarify UNDP oversight roles and responsibilities and upload this to the POPP. This will include oversight of regional and global projects. Work commenced due end June 2021</p> | <ul style="list-style-type: none"> Review management reports communicating the effectiveness of its remedial work to GEF's Standard. Review policies, procedures and data on the quality of Monitoring staff at Country Offices and onwards to ensure that institutional arrangements can be met and sustained. Review management reports communicating the success of its remedial work to date. Review recent external or internal audit reports or independent expert review reports of the monitoring |

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| | | <p>9.2 BPPS will continue the internal consultation process already started to develop additional guidance on the roles and responsibilities of project boards. This guidance will make relevant distinctions between the different implementation modalities (NIM, NIM with Country Office Support or DIM). The guidance will be incorporated into the UNDP-GEF project document template and uploaded to the POPP. Work commenced due 30 June 2021</p> <p>9.3 The Regional Bureaux will provide refresher training to Country Offices on all aspects of programme and project management (PPM/POPP) including UNDP’s private sector policy and screening procedure. Work commenced due end April 2021.</p> | <p>function, which confirm policies are being implemented as intended management action plans implemented.</p> <ul style="list-style-type: none"> • Select risk-focused samples to test implementation of monitoring policies. • Review Refresher Training material to ensure that it addresses GEF Standards requirements. • Assess the roll-out plan for Refresher Training and other project-related training. |
| | <p>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.</p> | <p>1.3 BPPS, in consultation with the Regional Bureau, will update the July 2020 UNDP GEF project document template regarding the roles and responsibilities of UNDP Country Offices and implementing partners to further clarify UNDP oversight roles and responsibilities and upload this to the POPP. This will include oversight of regional and global projects. Work commenced due end June 2021</p> | <ul style="list-style-type: none"> • Review management reports communicating the success of its remedial work to date. • Review how management across the organization ensure that there is consistency for all GEF-funded project monitoring both at the project and portfolio levels. • Review job descriptions, key performance areas, and accountability assessment criteria for project monitoring activities and see when this was applied. • Review recent external or internal audit reports or independent expert review reports of the monitoring function, which confirm policies are being implemented as intended management action plans implemented. |
| | <p>3 (c) Monitoring reports at the project/activity level are provided to a 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</p> | <p>1.3 BPPS, in consultation with the Regional Bureau, will update the July 2020 UNDP GEF project document template regarding the roles and responsibilities of UNDP Country Offices and implementing partners to further clarify UNDP oversight roles and responsibilities and upload this to the POPP. This will include oversight of regional and global projects. Work commenced due end June 2021</p> | <ul style="list-style-type: none"> • Review management reports communicating the success of its remedial work to date. • Review management communication criteria for project monitoring and reporting, as well as the escalation criteria. • Review EY/BDO reports on the topic of project monitoring as well the results of a risk-based assessment for my purposes. • Review OAI’s initial follow-up audit results on project monitoring. • Assess the quality of communications upwards on the effectiveness of monitoring from the Country Office, through the Regional |

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| | of oversight within the organization so that broader portfolio trends are identified, and corresponding policy changes can be considered. | 9.2 BPPS will continue the internal consultation process already started to develop additional guidance on the roles and responsibilities of project boards. This guidance will make relevant distinctions between the different implementation modalities (NIM, NIM with Country Office Support or DIM). The guidance will be incorporated into the UNDP-GEF project document template and uploaded to the POPP. Work commenced due 30 June 2021 | <p>Bureaux to HQ, including evidence of monitoring reports and managerial processes on the utilization of monitoring data, including, among others, meeting minutes, transmission notes, dashboards and analytics.</p> <ul style="list-style-type: none"> Assess the extent to which UNDP identifies trends and incidents that deserve wider attention and how this is achieved. Assess the quality of intranet information to educate and warn on issues that arose at the project level. Assess whether to what extent best practices emerge that could be shared widely. |
| 4. Project Completion and Financial Closure | 4 (a) Procedures have been established concerning project operational completion and financial closure, including reporting on results achieved, lessons learned and recommendations for improvement, and final financial reports. | | <ul style="list-style-type: none"> Review the results of EY/BDO assessments for project closure and management's responses to these. Review OAI's results of follow-up audits on the same topic. Review the procedures that are followed for project closing as well as results achieved, and lessons learned. Review the financial closure procedures, final reporting, including recommendations. |
| 5. Evaluation Function | | | <ul style="list-style-type: none"> Review the 2020 Annual Evaluation Report as well as management comments to them. Review recent Evaluation Reports covering GEF-funded projects. Review results of the most recent independent quality assessment of the Evaluation function. Confirm that GEF-funded evaluations are planned for the future or are underway. |
| 6. External Financial Audit | UNDP self-assessed as 'Fully Compliant' | | <ul style="list-style-type: none"> 2020 Annual Financial Statements and UNBOA External Audit opinion and Management Letter. Review EAEC 2020 Annual Report covering annual financial statements and interaction with UNBOA on their audit opinion and relevant contents of UNBOA's Management Letter. |
| 7. Financial Management and Control Frameworks | | | <ul style="list-style-type: none"> Review the process and deliverables that support the Administrator's Annual Letter of Representation to the UNBOA. Understand how line managers in HQ and the field are specially required to comply with the control Frameworks and policies related to the GEF reaccreditation. |

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| <p>8. Oversight of Executing Entities</p> | <p>3(a) There is a well-defined due diligence process prior to the GEF Partner Agency’s approval of a project, to assess fiduciary risks, including preparation of risk mitigation and action plans so that proposed executing entities have adequate fiduciary controls in place to manage GEF funds used to finance a project.</p> | <p>3.1 BPPS and the Bureau for Management Services, in close coordination with the Regional Bureaux, will upgrade and improve the capacity assessment tools for implementing partners, including a strengthening of the focus within the capacity assessment tools of procurement capabilities. Guidance and procedures will be further enhanced to ensure that the experience of working with the implementing partners, as identified through the monitoring, spot check and other assurance activities (including audits) are acted upon through adjustments to the assurance plans and disbursement modalities during the lifecycle of the project. Work commenced due to be completed end September 2021.</p> | <p>As UNDP remedial work will be finalized too late for the third-party review reporting deadline, I will:</p> <ul style="list-style-type: none"> • Review management reports communicating the success of its remedial work to date. • Review results of EY/BDO work in the field for oversight of executing entities. • Review OAI follow-up audits for confirmation that remedial actions have taken place. • Review input from ERM that addresses issues of executing entity oversight. • Review reports on the substance of UNDP’s oversight of executing entities, action plans, remediation actions, and reporting up the chain of command. |
| | <p>3c There is a monitoring system in place designed to ensure that grants are implemented, and funds are used by executing entities as intended.</p> | <p>11.2 Country Offices, under the oversight of Regional Bureaux, shall strengthen their assurance activities to ensure that financial transactions charged to GEF projects are valid, and adequate supporting documentation is maintained. Work has commenced due end September 2021</p> <p>11.3 Regional Bureaux have put in place strengthened transaction-level oversight in high-risk offices. Work has commenced due end September 2021</p> <p>3.2. The system of monitoring, oversight and strengthened management will be applied to implementing partner audit performance:</p> <ul style="list-style-type: none"> • Bureau for Management Services shall include NIM audit performance in its corporate monitoring of audit performance, including regular reporting to the OPG. • Regional Bureaux will strengthen their oversight on | <p>As UNDP remedial work will be finalized too late for the third-party review reporting deadline, I will:</p> <ul style="list-style-type: none"> • Review the monitoring system requirements, specifically at the Regional Bureaux and Country Office levels. • Review the remediation actions taken in response to OAI follow-up audits. • Review the findings of EY/BDO on monitoring. • Consider whether and to what extent monitoring is consistent across all Regions. • Review reports from the field on monitoring activities related to GEF-funded projects. • Review guidance provided by ERM to manage risks related to monitoring activities, including reporting purposes. • Review guidance provided by management to staff involved in monitoring across the UNDP – including at the project board levels. |

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| | | <p>Country Offices on the management of implementing partner risks and audit observations.</p> <p>Country Offices will strengthen their risk management activities to ensure that risks identified via implementing partner audits are adequately addressed (which may require GEF Secretariat approval to provide Country Office support to national implementation) and assurance plans and disbursement modalities adjusted accordingly. Work has commenced due end September 2021</p> <p>9.2 BPPS will continue the internal consultation process already started to develop additional guidance on the roles and responsibilities of project boards. This guidance will make relevant distinctions between the different implementation modalities (NIM, NIM with Country Office Support or DIM). The guidance will be incorporated into the UNDP-GEF project document template and uploaded to the POPP. Work commenced due end June 2021</p> | |
| 9. Financial Disclosure/Conflicts of Interest | | | <ul style="list-style-type: none"> Review 2020 Ethics Office Annual Report and Managements response to this report. Discuss elements of the Ethics Office Report that relate to completed and ongoing investigations in OAI. Discuss ethics and integrity differences between HQ and the field. |
| 10. Code of Ethics/Conduct | | | <ul style="list-style-type: none"> Review and discuss the 2020 Global Staff Survey result related to Ethics and Integrity topics. Review 2020 Ethics Office Annual Report and Managements response to this report. Discuss elements of Ethics Office Report related to the Investigations function. Discuss issues/trends in the field vis-à-vis HQ. Receive and discuss the JIU report on UN Ethics Offices, due shortly. |
| 11. Internal Audit | | | <ul style="list-style-type: none"> Review the Internal Audit Quality Improvement program, especially for the result of its annual self-assessment against IIA Standards. |

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| | | | <ul style="list-style-type: none"> Review the results of its last 2017 Quality Assessment Review. Discuss issues related to GEF-funded audits at both HQ and the field levels. Discuss the results of the EY/BDO GEF reviews for any problems related to OAI professionalism, audit approach, or impact. Review and discuss the 2020 OIA Annual Report (for Investigations). Review and discuss EAEC view on the effectiveness of OAI (internal audit). |
| 12. Investigation Function | | | <ul style="list-style-type: none"> Recent peer or independent external review reports confirming compliance with applicable standards. <p><i>(Where gaps in meeting standards are identified, Agencies to provide information on action plans to address these) .</i></p> <ul style="list-style-type: none"> Review and discuss the 2020 OIA Annual Report (for Investigations). Review and discuss investigations involving GEF-funded projects. Review and discuss ongoing investigations to look for trends, etc., related to GEF-funded activities. Review and discuss EAEC view on the effectiveness of OAI (internal audit). |
| 13. Hotline & Whistle-blowing Protection | | | <ul style="list-style-type: none"> Review 2019 and 2020 OAI Annual Report and management responses and agreed follow-up. Review reports from external service providers on their view of the effectiveness of the process and system in use and any recommendations they might have to improve the Hotline arrangements or protect whistleblowers from retaliation. |
| 14. Anti—Money Laundering and Combating the Financing of Terrorism | 9(a) Systematically screen individuals and/or entities to whom/which GEF funds are transferred for risks related to money laundering and the financing of terrorism. | | |
| | 9(b) Effectively address risks when identified, based on standard decision-making procedures | 5.2 UNDP has already developed a stand-alone AML/CFT policy with a view to consolidating/aggregating the various existing policies relating to AML/CFT and to upload this policy to the POPP. The draft policy is currently undergoing an inter-bureau review. BPPS, together with the Bureau for Management Services, in consultation with the Regional Bureaux will work towards the approval of the stand-alone policy as soon as the review process is | <ul style="list-style-type: none"> Review management reports on the effectiveness of remediation completed that meet GEF Standards. Review OAI reporting on this topic as well as management’s actions as a result thereof. Review ERM’s actions and advice for AML-CTF risk management. Review how ERM assesses the risk of AML-CTF and where the most significant risks lie. Review how ERM communicates these risks across the UNDP. Assess how Regional and Country Office managers include the risk of AML-CTF in their project and |

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| | | <p>completed. Work commenced due 30 June 2021</p> <p>Once the policy is established the size and composition of a team will be decided with other resource needs. This will include resources from procurement, vendor management, legal, audit and investigations and treasury.</p> | <p>portfolio due diligence activities and monitoring over time.</p> <ul style="list-style-type: none"> • Review the quality of reporting up the line when AML-CTF issues arise. • Recent AML-CFT system control self-assessments and internal risk assessments. |
| | <p>9(c) Prevent GEF funds being used for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and related resolutions.</p> | <p>5.2 UNDP has already developed a stand-alone AML/CFT policy with a view to consolidating/aggregating the various existing policies relating to AML/CFT and to upload this policy to the POPP. The draft policy is currently undergoing an inter-bureau review. BPPS, together with the Bureau for Management Services, in consultation with the Regional Bureaux will work towards the approval of the stand-alone policy as soon as the review process is completed. Work commenced due 30 June 2021</p> <p>Once the policy is established the size and composition of a team will be decided with other resource needs. This will include resources from procurement, vendor management, legal, audit and investigations and treasury.</p> | <ul style="list-style-type: none"> • Review manager’s report on the effectiveness of its remediation efforts regarding AML-CFT. • Review the new AML-CTF policy. • Review the arrangements that UNDP intends to put in place to act on this policy, including: <ul style="list-style-type: none"> ○ AML-CTF team composition and competencies. ○ AML-CTF team terms of reference. ○ Minutes of any meetings that may already have been held. |