Global Environment Facility
Fiduciary Management Standards

Standards and Practices Review Template
Agency: United Nations Development Programme

Proprietary and Confidential

March 3, 2008
A. Audit, Financial Management and Control Framework

(1) External Financial Audit

The external financial audit function ensures an independent (as defined by the International Federation of Accountants (IFAC)) review of financial statements and internal controls.

a. The agency has appointed an independent external audit firm or organization.

b. The work of the external audit firm or organization is consistent with recognized international auditing standards such as International Standards on Auditing (ISA).

c. 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.

d. 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.

e. An annual audit opinion on the financial statements is issued by the external auditor and made public.

f. An independent audit committee, or comparable body, is appointed and oversees the work of the external audit firm or organization as it relates to the audit of the financial statements. The audit committee or comparable body has written terms of reference that address its membership requirements, duties, authority, accountability and regularity of meetings.

g. The external auditor makes regular reports of observations with respect to accounting systems, internal financial controls, and administration and management of the organization. Auditor and management progress reports are reviewed by the audit committee or comparable body annually.
I. Description of how agency meets this standard:

<table>
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<td>a. The agency has appointed an independent external audit firm or organization.</td>
<td>The UN Board of Auditors (BoA) was established by the General Assembly Resolution 74(1) in 1946 to carry out the external audit of the accounts of the United Nations organization and its funds and programmes. Members of BoA are the external auditors from member states, currently of the Philippines, France and South Africa for (renewable) terms of six years, as designated by the General Assembly (GA) on a rotational basis. For UNDP, the external auditors are currently from the Auditor General’s Office of South Africa. They have specific mandate to express an opinion on the Financial Statements of UNDP and to report to the General Assembly.</td>
<td>UNDP Programme and Operations Policies and Procedures \ Financial Resources Management \ Working with External Auditors</td>
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<td>b. The work of the external audit firm or organization is consistent with recognized international auditing standards such as International Standards on Auditing (ISA).</td>
<td>The Board follows audit standards adopted by the Panel of External Auditors which has recognized the standards of the International Organization of Supreme Audit Institutions (INTOSAI). These audits are also in conformity with the International Federation of Accountants’ (IFAC) International Standards on Auditing. The Board’s report on the UNDP financial statements is presented to the General Assembly.</td>
<td>UNDP Programme and Operations Policies and Procedures \ Financial Resources Management \ Working with External Auditors</td>
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<td>c. 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.</td>
<td>As stated in General Assembly document A/61/5/Add.1, the financial statements are prepared in accordance with the United Nations system accounting standards, as adopted by the Administrative Committee on Coordination. These standards are based to a large extent on relevant international accounting standards issued by the International Accounting Standards Committee. Where differences from the International Accounting Standards exist, it is mainly because of the essentially non-commercial nature of UNDP activities. Effective 2010, UNDP, along with the rest of the UN system, will prepare financial statements in accordance with IPSAS (International Public Sector Accounting Standards).</td>
<td>General Assembly document A/61/5/Add.1</td>
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<td>d. 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.</td>
<td>UNDP’s Financial Regulations and Rules are applicable to all UNDP operations at Headquarters, at the country offices and other UNDP offices world wide. Further, the UN Board of Auditors assesses compliance with the financial regulations and rules as part of their audit work and expresses an opinion.</td>
<td>UNDP Financial Regulations and Rules and UNDP Programme and Operations Policies and Procedures \ Financial Resources Management \ Working with External Auditors</td>
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<td>e. An annual audit opinion on the financial statements is issued by the external auditor and made public.</td>
<td>The mandate of the BoA is to express an opinion on the Financial Statements of UNDP for the biennium (i.e., every 2 years). The reports of the BoA, together with the audited financial statements and the comments thereon of the Advisory Committee, are presented to the General Assembly, and also to the members of the UNDP Executive Board. An annual audit opinion on the annual financial statements of the GEF Trust Fund is issued by BoA and normally posted to the GEFWEB. In terms of making the audit opinion public, UNDP’s Information Disclosure Policy states that reports of the Administrator and other official documentation submitted to the Executive Board and reports of Executive Board Meetings are made available to the public through the Communications Office of the Administrator (COA).</td>
<td>UNDP Programme and Operations Policies and Procedures\Financial Resources Management \ Working with External Auditors \ Scope of work of external audit UNDP Financial Rules and Regulations, Article 4, Regulation 4.01 (a) UNDP Information Disclosure Policy (page 4)</td>
</tr>
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<td>f. An independent audit committee, or comparable body, is appointed and oversees the work of the external audit firm or organization as it relates to the audit of the financial statements. The audit committee or comparable body has written terms of reference that address its membership requirements, duties, authority, accountability and regularity of meetings.</td>
<td>The reports of the Board together with the audited financial statements, which are transmitted to the General Assembly, are first examined by the Advisory Committee on Administrative and Budgetary Questions (ACABQ), which forwards comments thereon to the General Assembly, as appropriate. The UNDP Audit Advisory Committee (AAC) has the mandate to discuss BoA audit work plans; consider all relevant reports and management letters by BoA, including on UNDP’s financial statements.</td>
<td>Official website of the United Nations Board of Auditors. Terms of Reference of AAC</td>
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Fiduciary Standard: g. The external auditor makes regular reports of observations with respect to accounting systems, internal financial controls, and administration and management of the organization. Auditor and management progress reports are reviewed by the audit committee or comparable body annually.

Inventory of Current Organizational Environment:

The mandate of the BoA is to express an opinion on the Finance Statements of UNDP for the biennium. The external audit has also been vested with authority from the General Assembly to raise audit observations and make necessary audit recommendations with the objective of enhancing the efficiency and effectiveness of UNDP operations, practices and policies. Their focus areas include (but are not limited to) the following areas:

- Human Resource Recruitment
- Procurement and contract management
- Project management
- Results based management and budgeting
- Travel costs
- Non expendable equipment or asset management
- Financial management
- ICT management
- Inter-agency cooperation and coordination

The work of the BoA is reviewed by the General Assembly, the Executive Board, and the UNDP Audit Advisory Committee.

Documentation References:

UNDP Programme and Operations Policies and Procedures \ Financial Resources Management \ Working with External Auditors \ Scope of work of external audit

II. Description of area(s) in which agency does not meet this standard, and description of agency’s monitorable program to remedy any such shortfall, including specific target dates for implementation.

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(2) Financial Management and Control Frameworks

An internal control framework, as defined by internationally recognized frameworks such as COSO, Cadbury and CoCo, is a risk-based process designed to provide reasonable assurance and feedback to management regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting and financial management frameworks
- Compliance with applicable policies and procedures.

a. A control framework has been adopted that is documented and includes clearly defined roles for management, internal auditors, the board of directors or comparable body, and other personnel.

b. The control framework covers the control environment (“tone at the top”), risk assessment, internal control activities, monitoring, and procedures for information sharing.

c. The control framework has defined roles and responsibilities pertaining to accountability within the control framework for fiscal agents and fiduciary trustees.

d. At the institutional level, risk-assessment processes are in place to identify, assess, analyze and provide a basis for proactive risk responses. Risks are assessed at multiple levels, and plans of action are in place for addressing risks that are deemed significant or frequent.

e. The control framework guides the financial management framework.

f. Procedures are in place for identifying internal controls and assessing controls details annually in the following financial management areas:

- Budgeting;
- Accounting;
- Internal control;
- Funds flow (including disbursements, cash management, unused fund close-out);
- Financial reporting; and
- Auditing arrangements.

g. 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.
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| a. A control framework has been adopted that is documented and includes clearly defined roles for management, internal auditors, the board of directors or comparable body, and other personnel. | The authoritative control framework is described in the UNDP Financial Regulations and Rules. This framework is supplemented by internal documents, such as the procedural manual and an internal control framework that describes the roles, responsibilities, accountabilities and segregation of duties at the level of UNDP offices. UNDP’s Internal Control Framework contains:  
  - Individual Authorities  
  - Accountabilities  
  - Roles and Responsibilities  
| b. The control framework covers the control environment (“tone at the top”), risk assessment, internal control activities, monitoring, and procedures for information sharing. | Control environment: UNDP Financial Rules & Regulations 102.02 states the following: All personnel of UNDP are responsible to the Administrator for the regularity of actions taken by them in the course of their official duties. Any personnel who take any action contrary to these Financial Rules or to the instructions which may be issued in connection therewith may be held personally responsible and financially liable for the consequences of such action.  
Risk Assessment: The UNDP Internal Control Framework defines the role each employee has in identifying and mitigating risks.  
Internal Control Activities: UNDP Internal Control Framework provides:  
  - Disbursement Guidance  
  - Finance Guidance  
  - Human Resource Guidance  
Monitoring and Information Sharing: The Head of the Office (Resident Representative) is responsible for ensuring an effective monitoring system is in place to provide assurance that the office is making progress on its annual work plans and that the system of internal controls is functioning. The Internal Control Framework provides “best practice” guidance on such a system. | Control environment: UNDP Financial Rules & Regulations 102.02  
Risk assessment: UNDP Internal Control Framework (pages 12-29)  
Disbursements: UNDP Internal Control Framework, page 30  
Finance Unit: UNDP Internal Control Framework, page 24  
Human Resource: UNDP Internal Control Framework, Annex A  
Monitoring and Information Sharing: UNDP Internal Control Framework, pages 12 to 13 |
<p>| c. The control framework has defined roles and responsibilities pertaining to accountability within the control framework for fiscal agents and fiduciary trustees. | Staff member accountabilities are described with reference to their “role” in the office. The Internal Control Framework identifies key roles that are considered the most significant from an internal control perspective. These roles include head of the office, project manager, approving manager, programme officer, position administrator, human resource administrator, operations manager, finance/treasury staff, and buyer. Authorities, responsibilities and accountabilities of each role are documented. | UNDP Internal Control Framework (pages 12-29) |
| d. At the institutional level, risk-assessment processes are in place to identify, assess, analyze and provide a basis for proactive risk responses. Risks are assessed at multiple levels, and plans of action are in place for addressing risks that | UNDP has developed a corporate Enterprise Risk Management (ERM) framework that builds upon the organization’s growing body of knowledge on risk by consolidating and aligning UNDP’s risk management procedures and tools. The ERM Policy was validated in February 2007 by the Enterprise Risk Management Committee, chaired by the Associate Administrator, and serves as the basis for the ERM process. ERM | UNDP Programme and Operations Policies and Procedures/ Results Management and Accountability/ Enterprise Risk Management |</p>
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| are deemed significant or frequent. | provides the general, overarching framework for risk management in UNDP, but for specific operational areas, which require more detailed, tailored risk management, UNDP has established the guidelines and policies mentioned below:  
  - **Procurement Risk Management** (procurement management best practices) and **Procurement Fraud and Corrupt Practices** (risk of fraud and corrupt practices in procurement)  
  - **Security Risk Management** (safety and security of personnel, assets, programmes and mandates)  
  - **Finance Risk Management** (risk management for contributions by donors to "Other Resources")  
  - **ICT Governance** (technology risk management)  
  - **OAPR Country Office Risk Assessment Model** (risk-based audit planning system)  
  - Risk Management in Special Development Situations. While the principles of risk management as described here also apply in special development situations, it is understood that the nature of risk-taking and the timelines of decision-making often will not allow managers to abide by all the formal requirements of ERM. Specific guidance for risk management in such situations is currently being developed as part of the UNDP SURGE Project. | |
| e. The control framework guides the financial management framework. | As stated in Article 3 of UNDP’s Financial Regulations and Rules, the Administrator is required to maintain an internal financial control mechanism which shall provide for an effective current examination and review of financial, management and operational activities, in order to ensure:  
  (a) The regularity of the receipt, custody and disposal of all financial resources administered by UNDP;  
  (b) The conformity of commitments and expenditures with the allocations, appropriations or other financial provisions decided upon by the Executive Board, with allocations decided upon by the Administrator or with agreements with other United Nations organizations and other entities;  
  (c) The effective and efficient management of UNDP and the effective, efficient and economic use of all resources administered by UNDP.  
  
UNDP’s Internal Control Framework provides guidance on internal control activities related to disbursement and finance. | UNDP Financial Regulations and Rules, Article 3  
Disbursements: UNDP Internal Control Framework, page 30; Finance Unit: UNDP Internal Control Framework, page 24 |
| f. Procedures are in place for identifying internal controls and assessing controls details annually in the following financial management areas:  
  - Budgeting;  
  - Accounting;  
  - Internal control;  
  - Funds flow (including disbursements, cash management, unused fund close-out); | The Internal Control Framework details procedures for the specified financial management areas. | Internal Control Framework for UNDP Offices (Version 2 – 1 May 2005) |
### Fiduciary Standard
- Financial reporting; and
- Auditing arrangements.

### Inventory of Current Organizational Environment
g. 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.

The UNDP Internal Control Framework states that there must be a reasonable segregation of duties to minimize the risk of fraud and to promptly detect fraud. Offices are strongly encouraged to comply with the recommendations provided in the Framework. Where this is not possible - for example, in a very small office -- this must be documented so that oversight units are aware of the increased risk.

### Documentation References
UNDP Internal Control Framework (pages 10-12)

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### II. Description of area(s) in which agency does not meet this standard, and description of agency’s monitorable program to remedy any such shortfall, including specific target dates for implementation.

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(3) Financial Disclosure

The financial disclosure policy establishes and/or strengthens the process surrounding mandatory financial disclosures of possible or apparent conflicts of interest by identified parties.

a. 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.

b. 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.

c. The policy specifies prohibited personal financial interests.

d. 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.

e. Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative function within the agency.

f. The policy establishes processes for the administration and review of financial disclosure interests of the defined parties defined as well as resolution of identified conflicts of interests, under an independent monitoring/administration function.
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<td>a. 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.</td>
<td>UNDP has been implementing the policy on Financial Disclosure and Declaration of Interest (FDP) that was mandated by the Secretary-General in his bulletin of April 2006, since May 17, 2007. The FDP specifies financial interests that need to be disclosed.</td>
<td>UNDP Policy on Financial Disclosure, Declaration of Interest, and Impartiality Statements (May 2007) FDP Policy, Section 5 (pages 2-4)</td>
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<tr>
<td>b. 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.</td>
<td>The FDP policy identifies the following categories of staff as requiring to file financial disclosure statements:  a. All staff at the D1/L6 level and above;  b. All staff who are procurement officers, or whose principal occupational duties are the procurement of goods and services for UNDP with Buyer and Approver roles in ATLAS in UNDP;  c. All staff whose principal occupational duties relate to the investment of assets of UNDP, or any other investment accounts for which UNDP has fiduciary or custodial responsibility;  d. Other staff members whose direct access to confidential procurement or investment information warrants the filing of a financial disclosure statement;  e. The Chairperson and the alternate Chairperson of either the Advisory Committee on Procurement at headquarters, and the Chairperson and the alternate Chairperson of the Contracts, Assets, and Procurement Committee (CAP) in country and regional offices. Staff who meet any of the criteria listed above and work on $1 per year appointments or serve on appointments of short duration, have the obligation to file a declaration of interest statement instead of a financial disclosure statement. As part of the UNDP Policy on Financial Disclosure, Declaration of Interest, and Impartiality Statements, staff who are voting members of any advisory committee on procurement will be asked to file a declaration of impartiality statement.</td>
<td>FDP Policy, Section 4 (pages 1-2)</td>
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<td>c. The policy specifies prohibited personal financial interests.</td>
<td>Yes.</td>
<td>FDP Policy, footnotes 4 and 5</td>
</tr>
<tr>
<td>d. 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.</td>
<td>Disciplinary measures are specified in UNDP Legal Framework for Addressing Non-compliance with UN Standards of Conduct (6 November 2007)</td>
<td>UNDP Legal Framework for Addressing Non-compliance with UN Standards of Conduct (6 November 2007) – Chapter V: Disciplinary Proceedings</td>
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II. Description of area(s) in which agency does not meet this standard, and description of agency’s monitorable program to remedy any such shortfall, including specific target dates for implementation.

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4) Code of Ethics

A code of ethics for agency staff promotes responsible governance and ethical behavior.

a. 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.

b. 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.

c. Multiple avenues for reporting compliance and/or other business conduct concerns such as a hotline and contact information for functional/department options (e.g. human resources and internal audit) are readily available (e.g. by posting them to the agency’s intranet and external websites).

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<td>a. 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.</td>
<td>UNDP’s mandate and goals require that all who work for the Organization observe the highest standards of professional ethics. UNDP’s Code of Ethics is documented in its Legal Framework for Addressing Non-compliance with UN Standards of Conduct (6 November 2007) The code lists parties to whom the code applies, and also those to whom it does not apply. The code lists Disciplinary Measures applicable, the concrete effects of each of these, and measures that are not considered to be disciplinary measures.</td>
<td>UNDP Legal Framework for Addressing Non-compliance with UN Standards of Conduct (6 November 2007) Op. cit., Page 6</td>
</tr>
<tr>
<td>b. 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.</td>
<td>Effective from 8 Feb. 2008, Office of Audit and Investigation (OAI) is the sole entity in UNDP mandated to conduct investigations into allegations of misconduct.</td>
<td>Email Feb. 26, 2008 from Egbert C. Kaltenbach (Director, Office of Audit and Investigations) to all UNDP Staff. Charter of OAI dated 8 February 2008</td>
</tr>
<tr>
<td>c. Multiple avenues for reporting compliance and/or other business conduct concerns such as a hotline and contact information for functional/department options (e.g. human resources and internal audit)</td>
<td>UNDP Legal Framework for Addressing Non-compliance with UN Standards of Conduct (6 November 2007) contains a chapter (CHAPTER II) on REPORTING ALLEGATIONS. It states that it is the duty of staff members to report any breach of UNDP’s rules and policies to those whose responsibility it is to take appropriate action. The Chapter provides information on the mechanisms that currently exist within UNDP for reporting allegations of wrongdoing or facts and/or circumstances leading to the</td>
<td>UNDP Legal Framework for Addressing Non-compliance with UN Standards of Conduct (6 November 2007) <a href="http://www.undp.org/hotline/">http://www.undp.org/hotline/</a></td>
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(5) Internal Audit

Internal auditing is an independent, objective activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

a. Internal audit activity is carried out in accordance with internationally recognized standards such as those prescribed by the Institute of Internal Auditors (IIA).

b. Auditors and entities that provide internal auditing services adhere to ethical principles of integrity, objectivity, confidentiality and competency.

c. The internal audit function is independent and objective in the execution of its respective duties. There is an officer designated to head the internal audit function. The chief audit officer reports to a level within the organization that allows the internal audit activity to fulfill its responsibilities objectively.

d. The internal audit function has documented a terms of reference/charter that outlines its purpose, authorized functions, and accountability.

e. The internal audit function has a documented description of the annual audit planning process, including a risk-based methodology for preparing an audit plan. The audit plan outlines the priorities of the function and is consistent with the agency's goals.

f. The chief audit officer shares information and coordinates activities with relevant internal and external parties (including external financial statement auditors) to ensure proper coverage and minimize duplication of efforts.

g. The internal audit function disseminates its findings to the corresponding senior and business management units, who are responsible for acting on and/or responding to recommendations.

h. The internal audit function has a process in place to monitor the response to its recommendations.

i. A process is in place to monitor and assess the overall effectiveness of the internal audit functions including periodic internal and external quality assessments.
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<td>a. Internal audit activity is carried out in accordance with internationally recognized standards such as those prescribed by the Institute of Internal Auditors (IIA).</td>
<td>The Office of Audit &amp; Investigation (OAI) carries out internal audits in accordance with IIA Standards.</td>
<td>Charter of OAI dated 8 February 2008</td>
</tr>
<tr>
<td>b. Auditors and entities that provide internal auditing services adhere to ethical principles of integrity, objectivity, confidentiality and competency.</td>
<td>Staff providing internal auditing services are UNDP staff. Therefore, all the standards of conduct applicable to any UNDP staff member apply also to staff conducting internal audits (such as Oath of Office, Staff Regulations and Rules, UN Standards of Conduct, UNDP Legal Framework for Addressing non-Compliance with UN Standards of Conduct). More specifically, in the conduct of internal auditing services, staff is governed by the Standards for the Professional Practice of Internal Auditing that are established by the Institute of Internal Audit (IIA). All the internal audit services of the UN system have agreed to be governed by the IIA professional standards, and UNDP is also a corporate member of the IIA.</td>
<td>Details on standards and code of conduct of the IIA are at <a href="http://www.theiia.org/">http://www.theiia.org/</a></td>
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<td>c. The internal audit function is independent and objective in the execution of its respective duties. There is an officer designated to head the internal audit function. The chief audit officer reports to a level within the organization that allows the internal audit activity to fulfill its responsibilities objectively.</td>
<td>The UNDP Administrator has approved on 8 February 2008 the Charter of what will henceforth be the Office of Audit and Investigations (OAI), formerly known as the Office of Audit and Performance Review (OAPR). The Charter describes the mandate of the Office and the applicable standards and procedures. It emphasizes the operational independence OAI exercises, a prerequisite for independent and objective reporting, and provides safeguards to protect it. At the same time, the Charter expects OAI to report on its performance against agreed key performance indicators, which include the timeliness of audit and investigation reports. The two core functions of the Office are: to provide internal audit services and investigation services. The OAI is headed by a Director, who directly reports to the UNDP Administrator.</td>
<td>Email Feb. 26, 2008 from Egbert C. Kaltenbach (Director, Office of Audit and Investigations) to all UNDP Staff. Charter of OAI</td>
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<td>d. The internal audit function has documented a terms of reference/charter that outlines its purpose, authorized functions, and accountability.</td>
<td>The OAI (formerly OAPR) has a Charter that describes the mandate of the Office and the applicable standards and procedures.</td>
<td>Charter of OAI</td>
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<td>e. The internal audit function has a documented description of the annual audit planning process, including a risk-based methodology for preparing an audit plan. The audit plan outlines the priorities of the function and is consistent with the agency's goals.</td>
<td>The OAI (formerly OAPR) assesses country offices' performance in terms of:  - Compliance with UNDP regulations and rules, policies and procedures;  - Effective, efficient, and economic use of core and non-core resources  - Assurance to management and other stakeholders that controls are in place.</td>
<td>Charter of OAI</td>
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|                    | OAI’s (formerly OAPR) annual work plan is formulated based on:  
|                    | ▪ A risk assessment using a model developed in 2005 and updated annually thereafter  
|                    | ▪ Consultation with senior management and key officers of the program  
|                    | ▪ Consultations with UNDP external auditors  
|                    | OAI’s (formerly OAPR) audit plan aims to audit country offices on a cycle ranging from one to five years, depending on risk:  
|                    | ▪ Very high risk countries once a year  
|                    | ▪ High risk countries every two years  
|                    | ▪ Medium risk countries every three to four years  
|                    | ▪ Low risk countries every five years  
|        | f. The chief audit officer shares information and coordinates activities with relevant internal and external parties (including external financial statement auditors) to ensure proper coverage and minimize duplication of efforts.  
|        | The annual audit plan is prepared in consultation with the BoA. All audit reports are shared with the BoA. At the end of an audit assignment, the audit team conducts an exit meeting with the head of the unit to discuss preliminary findings and issues raised during fieldwork. OAI submits an annual summary report to the Executive Board.  
|        | Charter of OAI  
|        | g. The internal audit function disseminates its findings to the corresponding senior and business management units, who are responsible for acting on and/or responding to recommendations.  
|        | OAI submits its audit reports to the Administrator, the Heads of Bureaux and Offices and the Head of the audited unit.  
|        | OAI Charter  
|        | h. The internal audit function has a process in place to monitor the response to its recommendations.  
|        | OAI (formerly OAPR) maintains and updates a web-based database, Comprehensive Audit & Recommendation Database System ("CARDS"), for all issued audit reports. All units have access to CARDS and are required to update the status of implementation of audit recommendations.  
|        | In 2005, UNDP’s Balanced Score Card ("BSC") was revised to include a rating for the implementation of audit recommendations. OAI (formerly OAPR) conducts semi-annual desk reviews of implementation efforts and includes results within the BSC.  
|        | OAI Charter  
|        | i. A process is in place to monitor and assess the overall effectiveness of the internal audit functions including periodic internal and external quality assessments.  
|        | OAI has a quality assurance unit that conducts periodic quality reviews of the audit function. In 2006, OAI has undergone an independent external quality assessment in accordance with IIA standards. OAI is also audited periodically by the external auditors, who place reliance on the work of internal audit.  
|        |  
|
II. Description of area(s) in which agency does not meet this standard, and description of agency’s monitorable program to remedy any such shortfall, including specific target dates for implementation.

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B. Project/Activity Processes and Oversight

(1) Project Appraisal Standards, including safeguards measures, as appropriate

Project appraisal functions include the establishment of standards and appropriate safeguards that are used to determine whether projects and activities will meet their development goals before funds are dispersed.

a. 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, fiduciary, 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.

b. 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.

c. Risk-assessment procedures are in place specifying the criteria and circumstances under which environmental, social, institutional and/or fiduciary assessments must be conducted.

d. Adequate oversight procedures are in place to guide the appraisal process and ensure its quality and monitoring of follow-up actions during implementation.

I. Description of how agency meets this standard:

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<td>a. 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, fiduciary, 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.</td>
<td>The UNDP Programme and Operations Policies and Procedures section on Project Management describes the minimum requirements used within UNDP to successfully manage processes to produce development results, by applying accepted international standards for the management of projects. All projects funded by UNDP must be appraised before approval. Appraisal is based on the considerations for quality programming that applies to all phases of the programming process (this is designed as a Checklist for Quality Programming available through the online UNDP Programme and Operations Policies and Procedures). The appraisal is conducted through the formal meeting of the Project Appraisal Committee (PAC). The PAC is established by the UNDP Resident Representative, based on terms of reference. The PAC reflects a</td>
<td>UNDP Programme and Operations Policies and Procedures/ Project Management/ Defining a Project GEF CEO Endorsement Template</td>
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participatory process involving stakeholders, most especially intended beneficiaries. The proposed Project Board’s members attend the PAC and Outcome Board’s members are invited. In order for the appraisal to serve as an independent checkpoint individuals with relevant expertise in the thematic area of the proposed project are invited to participate meaningfully in the PAC. These representatives should not have participated in the formulation of the project and should have no vested interest in the approval of the project.

The PAC meeting reviews and appraises the project along the following dimensions:

- Clarity in project objective
- Clarity in definition of measurable and achievable results
- Appropriate designation of Implementing Partner and management arrangements
- Achievable project approach and plan, including capacity development activities

1 **Project Board**: The Project Board is the group responsible for making by consensus, management decisions for a project when guidance is required by the Project Manager, including recommendation for UNDP/Implementing Partner approval of project plans and revisions. In order to ensure UNDP’s ultimate accountability, Project Board decisions should be made in accordance to standards that shall ensure management for development results, best value money, fairness, integrity, transparency and effective international competition. In case a consensus cannot be reached within the Board, final decision shall rest with the UNDP Programme Manager. In addition, the Project Board plays a critical role in UNDP commissioned project evaluations by quality assuring the evaluation process and products, and using evaluations for performance improvement, accountability and learning. Project reviews by this group are made at designated decision points during the running of the project, or as necessary when raised by the Project Manager. This group is consulted by the Project Manager for decisions when Project Manager's tolerances (normally in terms of time and budget) have been exceeded (flexibility). Based on the approved annual work plan (AWP), the Project Board may review and approve project quarterly plans when required and authorizes any major deviation from these agreed quarterly plans. It is the authority that signs off the completion of each quarterly plan as well as authorizes the start of the next quarterly plan. It ensures that required resources are committed and arbitrates on any conflicts within the project or negotiates a solution to any problems between the projects and external bodies. In addition, it approves the appointment and responsibilities of the Project Manager and any delegation of its Project Assurance responsibilities.

This group contains three roles:

- Executive: individual representing the project ownership to chair the group.
- Senior Supplier: individual or group representing the interests of the parties concerned which provide funding and/or technical expertise to the project. The Senior Supplier’s primary function within the Project Board is to provide guidance regarding the technical feasibility of the project.
- Senior Beneficiary: individual or group of individuals representing the interests of those who will ultimately benefit from the project. The Senior Beneficiary’s primary function within the Board is to ensure the realization of project results from the perspective of project beneficiaries.

Potential members of the Project Board are reviewed and recommended for approval during the PAC meeting. For example, the Executive role can be held by a representative of Government Cooperating Agency or UNDP, the Senior Supplier role is held by a representative of the Implementing Partner and/or UNDP, and the Senior Beneficiary role is held by a representative of the government or civil society. Representative of other stakeholders can be included in the Board as appropriate.

2 **Outcome Board**: This is at the level of the Country Programme and its Outcomes. In consultation with the government Coordinating Agency, the Programme Manager (RR or his/her designate) should ensure that each programme component or outcome has an Outcome Board to be created at the time when the CPD is developed. The Outcome Board is responsible for monitoring the realization of the expected outcome(s) under its programme component by assisting the Programme Manager in managing interdependency of different projects contributing to the realization of the outcome(s). It is also responsible for programme assurance at the outcome level. The Outcome Board plays a critical role in UNDP commissioned outcome evaluations by assuring quality the evaluation process and products, and using evaluations for performance improvement, accountability and learning. In most cases, the Outcome Board can fulfill the function of the Project Appraisal Committee (PAC) for reviewing submitted projects and making recommendations for approval by the Programme Manager within the programme component. The Outcome Board should include as a minimum a UNDP representative and government representatives selected in consultation with the Government Coordinating Agency and the Programme Manager. Other representatives can be included in the Board as appropriate, e.g., selected Implementing Partners and UN agencies, donors, beneficiary representatives, external (to UNDP) sector experts, etc. The UNDP representative to the Outcome Board is responsible for ensuring that the Board fulfills its responsibilities and obligations as outlined below. The Board itself must designate one member as Chair of the Board. Where groups (such as thematic groups or other UNCT groups) have been previously established to perform functions similar to the Outcome Board, they are ideally situated to fulfill this role. In other words, a separate Outcome Board needs not be established where an existing mechanism can suit the purpose and fulfill the role of the Outcome Board. The Outcome Board would also include concerned people independent of the country programme as appropriate to ensure the objective review of the programme outcomes. The Outcome Board is expected to meet at least half-yearly.
### Fiduciary Standards and Practices for the Global Environment Facility

#### Agency: United Nations Development Program

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|                    | • Integration of the development effectiveness drivers as appropriate  
• Realistic and justifiable project budget  
• As required, realistic and justifiable Initiation Plan  
• Complete and comprehensive identification of project risks and selected actions and strategy to manage those risks  
• Determination of the need for and timing of evaluations.  
All projects being submitted to the GEF must be endorsed by the GEF Executive Coordinator as having been prepared in accordance with GEF policies and procedures and as meeting the GEF criteria for CEO Endorsement. Prior to such endorsement all project proposals must be cleared by the relevant Focal Area Principal Technical Advisor. The latter is responsible for ensuring that projects are in line with GEF focal area strategies and priorities, meet required technical standards, and reflect all appropriate lessons learned and good practices.  
|                    | b. 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.  
The UNDP Programme and Operations Policies and Procedures section on Project Management requires the PAC meeting to specifically appraise the project in terms of the clarity in project objective and the clarity in definition of measurable and achievable results, among others.  
In addition, for GEF projects, the UNDP-GEF headquarters’ team provides guidance on developing project logframes and indicators. The Measuring and Demonstrating Impact UNDP/GEF Resource Kits states:  
- Projects need to have strong M&E frameworks that are specified when the project brief is presented to the GEF  
- It is recommended to have well-defined objectives for M&E in project documents and to have M&E as a separate component whose implementation and usefulness as management tool will be regularly assessed  
- It is important to build in the conduct of baseline studies, indicators and other M&E provisions into the project document and work plan  
|                    | c. Risk-assessment procedures are in place specifying the criteria and circumstances under which environmental, social, institutional and/or fiduciary assessments must be conducted.  
At the programme level the Bureau Program Advisory Committee is required to assess whether environmental and social risks have been considered. This applies to all UNDP programmes.  
At the project level the Project Appraisal Committee is required to assess whether environmental, social, institutional and fiduciary risks have been assessed and whether the project appropriately considers these.  
The corporate ERP project management system requires project risks to be recorded at project start up and subsequently re-assessed at quarterly intervals by the responsible programme manager. For GEF projects compliance is monitored by Regional Technical Advisors (RTAs).  
The annual Project Implementation Review (PIR) records the status of risks and action taken to address these. These are monitored by RTAs, Principal Technical Advisors (PTAs) and submitted to GEFSEC.  
Standardized tools for screening projects for MDG impacts have been developed for MDG Carbon Facility projects and these include testing against a range of environmental, social, institutional and fiduciary criteria.  
|                    | UNDP Programme and Operations Policies and Procedures/ Project Management/ Defining a Project  
Measuring and Demonstrating Impact UNDP/ GEF Resource Kit No.2 (ref pg 13/)  
|                    | UNDP Programme and Operations Policies and Procedures/ Project Management |

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<td>This tool draws on best practices of the principal multilateral financing institutions, in particular the IFC Performance standards, World Bank Environmental and Social Safeguard Policies, the policies and guidelines of the Regional Development Banks, and OECD best practice in Strategic Environmental Assessment (SEA) in development cooperation. UNDP is progressively extending these requirements to GEF supported projects in particular, is recruiting specialized staff to further accelerate the design, adoption and implementation and enforcement of these new requirements, and liaising with UNEP to align these requirements in the two institutions.</td>
<td>UNDP Programme and Operations Policies and Procedures/ Project Management/ Defining a Project</td>
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<tr>
<td>d. Adequate oversight procedures are in place to guide the appraisal process and ensure its quality and monitoring of follow-up actions during implementation.</td>
<td>The UNDP Programme and Operations Policies and Procedures section on Project Management describes the minimum requirements used within UNDP to successfully manage processes to produce development results, by applying accepted international standards for the management of projects. All projects funded by UNDP must be appraised before approval. Appraisal is based on the considerations for quality programming that applies to all phases of the programming process (this is designed as a Checklist for Quality Programming available through the online UNDP Programme and Operations Policies and Procedures). All projects being submitted to the GEF must be endorsed by the GEF Executive Coordinator as having been prepared in accordance with GEF policies and procedures and as meeting the GEF criteria for CEO Endorsement. Prior to such endorsement all project proposals must be cleared by the relevant Focal Area Principal Technical Advisor. The latter is responsible for ensuring that projects are in line with GEF focal area strategies and priorities, meet required technical standards, and reflect all appropriate lessons learned and good practices. Any identified project risks are documented in Atlas and monitored by the Regional Technical Advisors as part of routine project oversight (see Section 3 below)</td>
<td>GEF CEO Endorsement Template Measuring and Demonstrating Impact UNDP/GEF Resource Kit (No. 2) UNDP Handbook on Monitoring and Evaluation for Results</td>
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II. Description of area(s) in which agency does not meet this standard, and description of agency’s monitorable program to remedy any such shortfall, including specific target dates for implementation.

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<td>While UNDP feels that it already has a sound environmental and social risk management system in place, it intends to further develop this system in collaboration with UNEP with a view to providing a concerted UN approach to this issue.</td>
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(2) Procurement Processes

Agency procurement processes covering both internal/administrative procurement and procurement by recipients include written standards based on widely recognized processes and an internal control framework to protect against fraud, corruption and waste.

a. Specific directives at the agency promote economy and efficiency in procurement through written standards and procedures that specify procurement requirements, accountability and authority to take procurement actions.

b. Specific procurement guidelines are in place with respect to different types of procurement managed by the agency, such as consultants, contractors and service providers.

c. Specific procedures, guidelines and methodologies of assessing the procurement procedures of beneficiary institutions are in place.

d. Procurement performance in implemented projects is monitored at periodic intervals, and there are processes in place requiring a response when issues are uncovered.

e. Procurement records are easily accessible to staff, and procurement policies and awards are publicly disclosed.

I. Description of how agency meets this standard:

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| a. Specific directives at the agency promote economy and efficiency in procurement through written standards and procedures that specify procurement requirements, accountability and authority to take procurement actions. | Procurement is the overall process of acquiring goods, civil works and services which includes all functions from the identification of needs, selection and solicitation of sources, preparation and award of contract, and all phases of contract administration through the end of a services' contract or the useful life of an asset. Although UNDP retains a decentralized organizational approach to procurement with “Buyers” responsible for the acquisition of goods, civil works and services as required by Business Units, it has a comprehensive set of Procurement Policies and Procedures, which are maintained centrally by Headquarters. The Procurement Policies and Procedures include guidance on:  
- Procurement Authority  
- Procurement Planning  
- Principles of UNDP Procurement  
- Programme Capacity Assessment & Mgmt Arrangements  
- Procurement Ethics  
- Procurement Fraud and Corrupt Practices | UNDP Programme and Operations Policies and Procedures; section on Contract, Asset and Procurement Management |
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<td>• Environmental Considerations</td>
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<td>The Procurement Policies and Procedures address each phase of the procurement process:</td>
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<td>• Procurement Planning</td>
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<td>• Requisitions</td>
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<td>• Sourcing of Suppliers</td>
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<td>• Procurement Methods</td>
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<td>• Solicitation and Evaluation of Offers</td>
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<td>• Contract Review Committees</td>
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<td>• Award of Contract</td>
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<td>• Contract Management</td>
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<td>• Asset Management</td>
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<td>b.</td>
<td>Specific procurement guidelines are in place with respect to different types of procurement managed by the agency, such as consultants, contractors and service providers.</td>
<td>UNDP Programme and Operations Policies and Procedures; section on Contract, Asset and Procurement Management</td>
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<td>The Procurement Policies and Procedures include the process of acquiring goods, civil works and services.</td>
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<td>c.</td>
<td>Specific procedures, guidelines and methodologies of assessing the procurement procedures of beneficiary institutions are in place.</td>
<td>UNDP Programme and Operations Policies and Procedures; section on Contract, Asset and Procurement Management</td>
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<td>The Procurement Policies and Procedures provide guidance on:</td>
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<td>• Solicitation Process</td>
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<td>• Evaluation of Offers</td>
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<td>d.</td>
<td>Procurement performance in implemented projects is monitored at periodic intervals, and there are processes in place requiring a response when issues are uncovered.</td>
<td>UNDP Programme and Operations Policies and Procedures; Contract, Asset and Procurement Management; Procurement Overview; Programme Capacity Assessment and Management Arrangements</td>
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<td>Under the Procurement Policies and Procedures, the entity responsible for UNDP-funded inputs is accountable for their quality, timeliness, effectiveness and efficient fund utilization.</td>
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<td><strong>National execution</strong> (NEX), which refers to management by a governmental entity, is employed where adequate capacity exists in the Government to undertake the functions and activities of the programme or project. Under NEX, the implementing partner may follow its own procurement procedures provided they conform to international standards consistent with these Guidelines. If however, UNDP is signatory to contracts with Contractors at the request of the Government, UNDP policies and procedures, as set forth in these Guidelines, prevail and must be executed in full compliance.</td>
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<td><strong>NGO execution</strong>, on the other hand, seeks to collaborate with national and international NGOs retaining adequate personnel, financial status, experience, capacity and expertise to carry out activities and achieve results on behalf of UNDP. Where it is decided that the implementation of activities will be carried out by a NGO, actions are limited to the provision of grassroots services. However, if the NGO retains satisfactory procurement capacity in compliance with international standards, the NGO may apply its own procurement procedures, otherwise, these Guidelines prevail.</td>
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<td><strong>Agency execution</strong> entails management by UN Agencies where</td>
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|                   | activities require technical sector expertise or specific management capacity and access to international networks; the government lacks the required management or substantive capacity; or the parties prefer agency execution for other reasons. Under agency execution, the UN Agency may plan and carry out the programme or project activities applying its own procurement procedures. **Direct execution** (DEX) refers to management solely by UNDP in special development situations, is limited to programmes and projects where it has been demonstrated essential to safeguard full responsibility and accountability of UNDP programme activities. For all DEX projects, these Guidelines apply to all procurement activities. In addition, the Contract Management section of the Programme and Operations Policies and Procedures provides guidance on:  
  - Monitoring performance such as quality, standards, delivery  
  - Effecting acceptance and payment  
  - Initiating amendments  
  - Orderly resolution of any disputes that may arise in the overall process  
Results from procurement monitoring and lessons learned are maintained in Atlas, which is an Enterprise Resource Planning (ERP) System designed to help UNDP achieve results. Its central features include a real-time tracking and reconciliation system. | UNDP Programme and Operations Policies and Procedures \ Contract, Asset and Procurement Management\ Award of Contract section |
| e. Procurement records are easily accessible to staff, and procurement policies and awards are publicly disclosed. | The UNDP Programme and Operations Policies and Procedures \ Contract, Asset and Procurement Management\ Award of Contract section states that: To enhance transparency, COs must post all contract awards valued at USD 100,000 and more on the websites of the CO and the corporate UNDP Web site at [http://procurement-notices.undp.org/view_awards.cfm](http://procurement-notices.undp.org/view_awards.cfm). Notice of awards should indicate the following:  
  - name of contractor;  
  - country of contractor;  
  - date of contract signature;  
  - contract amount in US$;  
  - description of contract  
The Asset Management section addresses the process of maintaining records designed to preserve the value of physical assets controlled by UNDP. | UNDP Programme and Operations Policies and Procedures\ Contract, Asset and Procurement Management\ Asset Management section |
II. Description of area(s) in which agency does not meet this standard, and description of agency’s monitorable program to remedy any such shortfall, including specific target dates for implementation.

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(3) Monitoring and Project-At-Risk-Systems

The GEF monitoring and evaluation policy, adopted by Council in February 2006, establishes minimum requirements based on widely recognized, best practice norms and standards for monitoring in the GEF. From a fiduciary perspective, the monitoring function detects, assesses, and provides management information about risks related to projects and/or activities, particularly those deemed to be at risk.

a. Monitoring functions, policies and procedures consistent with the requirements of the GEF monitoring and evaluation policy have been established.

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.

c. Monitoring reports at the project/activity level are provided to project/activity manager as well as to an appropriately higher level of 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.

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.

e. Adequate 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.

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<td>a. Monitoring functions, policies and procedures consistent with the requirements of the GEF monitoring and evaluation policy have been established.</td>
<td>UNDP-GEF has developed project monitoring, supervision and oversight guidelines for country offices and RCUs. This guidance is presented in the UNDP-GEF Measuring and Demonstrating Impact Resource Kit. The guidance is consistent with the requirements of the GEF Monitoring and Evaluation Policy, and is also informed by UNDP’s Handbook on Monitoring and Evaluation for Results. As outlined in the Resource Kit, project performance and impact indicators must be developed so that they are measurable, relevant, transparent and feasible to collect and use. Projects also need to develop verifiers, targets and milestones for these indicators.</td>
<td>Measuring and Demonstrating Impact UNDP/GEF Resource Kit (No. 2) UNDP Handbook on Monitoring and Evaluation for Results</td>
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|                    | Each project must rely on a well-defined Logical Framework that bridges the gap between objectives and indicators. This includes the following:  
- Defined project objectives that help contribute to the desired broader results and impacts  
- Defined measurable and verifiable indicators that ensure that the objectives are realistic  
- Defined internal assumptions and risks that relate to direct project design factors  
- Defined external assumptions and risks that relate to factors beyond the control of the project  
Various reports are utilized to monitor projects:  
- Initial Screening Tools  
- Peer Technical Review  
- Principal Technical Advisor Review  
- Project Appraisal Committee (PAC)  
- Quarterly Disbursement Schedule  
- Quarterly Reports  
- Annual Audit  
- Annual Project Implementation Review (PIR) / Annual Project Report (APR)  
- Independent Mid-term Evaluation  
- Independent Final Evaluation  
- Ad-hoc Evaluation  
Further, UNDP-GEF’s monitoring system is embedded in Atlas, which is UNDP’s enterprise resource planning system. Atlas enables UNDP staff members to access information on projects anywhere in the world, thus greatly enhancing monitoring of projects.  
In addition, UNDP has rolled out the PRINCE2 system for project management, which is widely recognized as international best practice. UNDP Program Officers are being certified in PRINCE2, and this is an ongoing process. By giving UNDP a standardized system for managing the projects it carries out worldwide, PRINCE2 will boost transparency in tracking project risks and results. | Measuring and Demonstrating Impact UNDP/GEF Resource Kit (No. 2), Annex VI |
|                   | Project level: Annex VI of the Measuring and Demonstrating Impact Resource Kit outlines procedures, roles and responsibilities for M&E for various monitoring and evaluation events.  
The monitoring function at the portfolio level is the responsibility of the UNDP-GEF Monitoring Unit together with the Principal Technical Advisor of the relevant GEF focal area at headquarters. This is separated from project and/or activity origination and supervision functions which are the responsibility of the relevant country office and UNDP-GEF Regional Technical Advisors based in the relevant country/ region.  
The Unit also supports the focal area clusters, RCUs and projects with technical advice related to M&E. The UNDP/GEF Monitoring Unit liaises | |
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<td>c. Monitoring reports at the project/activity level are provided to project/activity manager as well as to an appropriately higher level of 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.</td>
<td>Project-level monitoring reports are provided to the UNDP-GEF Regional Unit that is responsible for providing guidance on follow-up management actions including review of budget revisions. Project-level monitoring reports are also provided to the UNDP-GEF Focal Area Team and to the UNDP-GEF Monitoring Unit for oversight and corrective action if required, as well as for analysis and dissemination of lessons learned. Project-level monitoring reports are also provided to the GEF Secretariat.</td>
<td>Measuring and Demonstrating Impact UNDP/GEF Resource Kit (No. 2), Annex VI</td>
</tr>
<tr>
<td>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.</td>
<td>UNDP has a Project Risk Management System that is embedded in UNDP’s enterprise resource planning system, Atlas, which enables UNDP staff members to access information on projects anywhere in the world. The Risk Management System (RMS) is based on a set of practical and easy to use tools and is described in detail in Annex XII of the Measuring and Demonstrating Impact Resource Kit.</td>
<td>Measuring and Demonstrating Impact UNDP/GEF Resource Kit (No. 2), Annex XII: Project Risk Management System (RMS)</td>
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<td>e. Adequate 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.</td>
<td>The operation of the RMS is the responsibility of the Country Office Programme Officers in charge of supervision and monitoring of UNDP/GEF projects in countries. UNDP-GEF RTAs provide oversight to country offices and will get involved in the supervision and monitoring of individual projects when alerted by the RMS. The UNDP-GEF Monitoring Unit and the Principal Technical Advisors of the GEF focal areas also provide oversight.</td>
<td>Measuring and Demonstrating Impact UNDP/GEF Resource Kit (No. 2), Annex XII: Project Risk Management System (RMS)</td>
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II. Description of area(s) in which agency does not meet this standard, and description of agency’s monitorable program to remedy any such shortfall, including specific target dates for implementation.

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(4) Evaluation Function

The evaluation function assesses the extent to which projects, programs, strategies, policies, sectors, focal areas, or other activities achieve their objectives. The goals of evaluation are to provide an objective basis for assessing results, to provide accountability in the achievement of agency objectives, and to learn from experience. The GEF monitoring and evaluation policy, adopted by Council in February 2006, establishes minimum requirements based on widely recognized, best practice norms and standards for monitoring in the GEF, including impartiality, professionalism, and a high degree of independence.

a. Independent evaluations are undertaken by an established body or function as part of a systematic program of assessing results, consistent with the requirements of the GEF monitoring and evaluation policy.

b. The evaluation function follows impartial, widely recognized, documented and professional standards and methods.

c. The evaluations body or function is structured to have the maximum independence possible from the organization’s operations, consistent with the structure of the agency, ideally reporting directly to the governing board. If its structural independence is limited, the evaluations body or function has transparent reporting to management and/or the governing board.

d. An evaluation disclosure policy is in place. Evaluation reports are disseminated as widely as possible, and at a minimum to all parties directly or indirectly involved with the project. To enhance transparency, to the extent possible, reports are available to the public.

I. Description of how agency meets this standard:

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<td>a.</td>
<td>Independent evaluations are undertaken by an established body or function as part of a systematic program of assessing results, consistent with the requirements of the GEF monitoring and evaluation policy.</td>
<td>UNDP’s Evaluation Office is the custodian of UNDP’s Evaluation function (<a href="http://www.undp.org/eo">www.undp.org/eo</a>). It prepares, reviews and updates UNDP’s Evaluation policy, which is based on the evaluation norms and standards established by the UN Evaluation Group (UNEG), which includes: Independence, Intentionality, Transparency, Ethics, Impartiality, Quality, Timeliness and Utility. The new UNDP Evaluation Policy was approved by UNDP’s Executive Board in June 2006. Further details on the policy and the evaluation roles and responsibilities can be found at <a href="http://www.undp.org/eo/policy.htm">http://www.undp.org/eo/policy.htm</a>. The application of the Evaluation policy to UNDP’s work is outlined in the Programme and Operations Policies and Procedures. The new policy confers greater independence to the EO in terms of agenda-setting and evaluation standards, as well as assures resources for the EO to</td>
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3 http://www.undp.org/gef/05/kmanagement/pub_resource.html
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| b. The evaluation function follows impartial, widely recognized, documented and professional standards and methods. | UNDP’s Evaluation Policy has been developed in response to a General Assembly Resolution (59/250) in 2004 that required the systematic evaluation of UN system operational activities by assessing their impact on poverty eradication, economic growth and sustainable development of program countries. As such, the purpose of UNDP’s Evaluation Policy is to establish a common institutional basis for the UNDP Evaluation Function. The policy includes guidance with regards to the following:  
  - Guiding Principles  
  - Norms  
  - Key Concepts and Definitions  
  - Respective Roles and Responsibilities  
  - Types of Evaluations Conducted  
  - Mandatory Evaluations  
  - Use of Evaluation Findings and Recommendations  
  Evaluation norms and standards are based on those established by the UN Evaluation Group (UNEG), which is a professional network that brings together the units responsible for evaluation in the UN system including the specialized agencies, funds, programmes and affiliated organizations. UNEG currently has 43 such members.  
  UNEG Norms seek to facilitate system-wide collaboration on evaluation by ensuring that evaluation entities within the UN follow agreed-upon basic principles. They provide a reference for strengthening, professionalizing and improving the quality of evaluation in all entities of the United Nations system. The Norms are consistent with other main sources and reflect the singularity of the United Nations system, characterized by its focus on people and respect for their rights, the importance of international values and principles, universality and neutrality, its multiple stakeholders, its needs for global governance, its multidisciplinarity, and its complex accountability system. Last but not least, there is the challenge of international cooperation | Evaluation Policy of UNDP  
Norms for Evaluation in UN System  
Standards for Evaluation in UN System |
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<td>embedded in the Millennium Declaration and Development Goals. UNEG Standards build upon the Norms for Evaluation for the UN system. They are drawn from best practice of UNEG members. They are intended to guide the establishment of the institutional framework, management of the evaluation function, conduct and use of evaluations. UNEG Standards are also a reference for the competencies of evaluation practitioners and work ethics, and are intended to be applied as appropriate within each organization.</td>
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|                   | The new UNDP Evaluation policy confers greater independence to the EO in terms of agenda-setting and evaluation standards, as well as assures resources for the EO to carry out its evaluation function. The Evaluation Office is the custodian of the evaluation function and is accountable for:  
- Reporting annually to the Executive Board on the function, findings and recommendations of evaluations and follow-up conducted by UNDP and its associated funds and programs  
- Alerting senior management to emerging evaluation-related issues of corporate significance  
UNDP’s Evaluation Policy includes clearly defined roles and responsibilities for various bodies to adhere to for the execution of evaluations. The Administrator of UNDP is accountable for UNDP results and:  
- Safeguarding the integrity of the evaluation function and its independence from operational management  
- Appoints the Director of the Evaluation Office, in consultation with the Executive Board ensuring that there is no conflict of interest in employment  
- Safeguarding the independence of the Evaluation Office by ensuring that the Director has the final say on the contents of all evaluation reports issued by the Evaluation Office | Evaluation Policy of UNDP |
|                   | The evaluations body or function is structured to have the maximum independence possible from the organization’s operations, consistent with the structure of the agency, ideally reporting directly to the governing board. If its structural independence is limited, the evaluations body or function has transparent reporting to management and/or the governing board. | |
|                   | As outlined in the Evaluation Policy, the Evaluation Office is accountable for:  
- Maintaining a publicly accessible repository of evaluations  
- Distilling evaluation findings and lessons for dissemination in appropriate formats for targeted audiences; and  
- Supporting the development of learning groups and communities of practice in evaluation by establishing and supporting knowledge network  
- Reporting annually to the Executive Board on the function, findings and recommendations of evaluations and follow-up conducted by UNDP and its associated funds and programs  
- Alerting senior management to emerging evaluation-related issues of corporate significance  
- Translating the executive summary of all strategic evaluations into the three working languages of UNDP to facilitate wider use and dissemination of results | Evaluation Policy of UNDP  
UNDP Evaluation Office: Handbook on Monitoring and Evaluation for Results (Chapter 7) |
|                   | An evaluation disclosure policy is in place. Evaluation reports are disseminated as widely as possible, and at a minimum to all parties directly or indirectly involved with the project. To enhance transparency, to the extent possible, reports are available to the public. | |

4 The decision related to appointment of the Director of the EO goes beyond the Administrator of UNDP, and requires involvement of the Executive Board.
Fiduciary Standard | Inventory of Current Organizational Environment | Documentation Reference
---|---|---
UNDP's Evaluation Policy outlines specific requirements for the use of evaluation findings and recommendations which include:
- Requiring units responsible for functions or programs that have been evaluated to systematically implement evaluation recommendations when these have been agreed upon by management.
- Requiring the Evaluation Office to maintain an online repository of evaluations that can be used to distil lessons and contribute to peer learning and the preparation of specifically tailored materials for staff trainings and briefings
- Having an active forum for expert referral and dialogue and for sharing comparative experiences
In addition, UNDP’s Handbook on Monitoring and Evaluation for Results includes a chapter on the Use of Evaluative Evidence, Knowledge and Learning. The chapter provides guidance on how to use evaluative evidence and evaluation information in effort to ensure effective feedback of results.
UNDP has a central evaluation database, CEDAB, which offers access to past evaluations and is available at [http://intra.undp.org/eo/cedab](http://intra.undp.org/eo/cedab).

The Evaluation Office is also designing an evaluation search engine to provide access to evaluative knowledge. It will function as a knowledge repository linking UNDP to various evaluation websites which include IFAD, OECD/DAC, World Bank and UNICEF.

II. Description of area(s) in which agency does not meet this standard, and description of agency’s monitorable program to remedy any such shortfall, including specific target dates for implementation.

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C. Investigations

(1) Investigation Function

The investigation function provides for independent, objective investigation of allegations of fraud and corruption in agency operations, and of allegations of possible agency staff misconduct.

a. The investigations function has publicly available terms of reference that outline the purpose, authority, and accountability of the function.

b. To ensure independence, the investigations function is headed by an officer who reports to the head of the agency and/or an oversight body, such as a committee of the board of directors or a comparable body.

c. 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.

d. The investigations function has a defined process for periodically reporting case trends. To enhance accountability and transparency, to the extent possible, case trend reports and other information are made available to senior management and respective functional business areas.

I. Description of how agency meets this standard:

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<tr>
<td>a. The investigations function has publicly available terms of reference that outline the purpose, authority, and accountability of the function.</td>
<td>UNDP's Office of Audit and Investigations (OAI) is the sole entity in UNDP mandated to conduct investigations into allegations of misconduct and discrepancies observed by auditors during the conduct of management audits.</td>
<td>Charter of the Office of Audit and Investigations (OAI)</td>
</tr>
<tr>
<td>b. To ensure independence, the investigations function is headed by an officer who reports to the head of the agency and/or an oversight body, such as a committee of the board of directors or a comparable body.</td>
<td>The Director of OAI directly reports to the UNDP Administrator. Investigations are further monitored by the Audit Advisor Committee, whose members are independent of UNDP.</td>
<td>Charter of the Office of Audit and Investigations (OAI)</td>
</tr>
<tr>
<td>c. 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.</td>
<td>The OAI investigations team adhere to the Uniform Guidelines for Investigations adopted by the 4th Conference of International Investigators, to the UNDP Legal Framework and to the OAI Investigation Guidelines. The OAI investigations team processes allegations in the following manner:</td>
<td>OAI Investigation Guidelines UNDP Legal Framework for Addressing Non-compliance with UN Standards of Conduct</td>
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### Fiduciary Standard
- Receipt of a complaint
- Plan to conduct a preliminary investigation including identifying witnesses and documents
- Conduct the preliminary investigation and determine whether there is sufficient ground to conduct a formal investigation
- Prepare an investigation plan if the results of the preliminary report warrant so
- Conduct the formal investigation
- Report on the formal investigation: As a first step in the investigation process, the OAI investigations team will document the allegation or suspicion based on a framework which includes:
  - How the allegation or suspicion was reported
  - By whom, if possible
  - When (date and time)
  - Nature of the allegations (description of alleged wrongdoing)
  - Supporting documentation (attach emails, letters, notes)
  - Confidentiality (who else is aware or involved)
- Outcome resulting from the formal investigation which may lead to disciplinary action in the event that the subject is a staff member.

### Inventory of Current Organizational Environment
- The OAI reports annually to the UNDP Administrator. The report includes:
  - Trending of cases by year and completion status
  - Trending of cases by type such as procurement irregularities and inappropriate conduct of staff
  - Results of LSO (Legal Support Office) review and disciplinary measures taken
  - Results of major cases of fraud investigated

Additional, quarterly and annual reports are presented to the independent Audit Advisory Committee. The Investigation Section also briefs the Associate Administrator every three weeks. When cases are completed the OAI investigations team issues a management letter to convey lessons to be learned from the investigation and management actions to be taken in order to strengthen internal controls or to improve processes and procedures. These management letters are sent to concerned offices.

### II. Description of area(s) in which agency does not meet this standard, and description of agency’s monitorable program to remedy any such shortfall, including specific target dates for implementation.

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(2) Hotline & Whistleblower Protection

Agency policies provide avenues for reporting suspected ethics violations and protections for individuals reporting such violations.

a. A hotline or comparable mechanism is in place to ensure the capacity to take in reports of suspected unethical, corrupt, fraudulent or similar activity.

b. An intake function coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. The intake function maintains a certain level of autonomy from the investigations function.

c. 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 the same action absent the protected disclosure).

d. 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).

e. Procedures are 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.

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<td>a.</td>
<td>As part of UNDP’s strategy to strengthen the accountability framework for the organization and to provide opportunities for bringing to light any misconduct, wrongdoing, or mismanagement by any individuals working for or doing business with UNDP, the Office of Audit and Investigations has established an Investigation Hotline. The hotline is accessible as follows: In person: United Nations Development Programme Office of Audit and Investigations (OAI) Investigation Section One United Nations Plaza New York, NY 10017, USA UNDP fraud hotline voicemail system: Worldwide: +1 212 906 5050 By fax: +1 212 906 6767 By email: <a href="mailto:hotline@undp.org">hotline@undp.org</a> By website: please use this form</td>
<td>Link through UNDP public website at <a href="http://www.undp.org/hotline/">http://www.undp.org/hotline/</a></td>
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<td>b. An intake function coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. The intake function maintains a certain level of autonomy from the investigations function.</td>
<td>In accordance with Article 11 of the UNDP Legal Framework for Addressing Non-compliance with UN Standards of Conduct dated 6 November 2007, the Director of OAI is responsible for receiving reports of allegations of wrongdoing and managing the UNDP fraud hotline. The intake function is the first step of the investigative process.</td>
<td>Article 11 of the UNDP Legal Framework for Addressing Non-compliance with UN Standards of Conduct (6 November 2007)</td>
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<td>c. 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 the same action absent the protected disclosure).</td>
<td>UNDP's Code of Conduct defines a whistleblower as a person or entity making a protected disclosure and may be UNDP staff members or any third parties. A protected disclosure is any good faith communication that discloses or demonstrates an intention to disclose information that misconduct may have occurred. The rights of staff members when making a protected disclosure are covered by the UNDP Policy for Protection of Whistleblowers from Retaliation.</td>
<td>UNDP Legal Framework for Addressing Non-compliance with UN Standards of Conduct (6 November 2007); Chapter II Reporting Allegations</td>
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<td>d. 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).</td>
<td>UNDP's Standard of Conduct outlines that protection of a whistleblower's identity will be maintained except when the requirements of due process, during the investigation and the possible subsequent disciplinary or other appropriate action, require such disclosure. UNDP's fraud hotline voicemail system has a message that states the following:  - Information provided will be confidentially maintained  - Calls will not be traced  - Option to leave contact information or remain anonymous</td>
<td>UNDP Legal Framework for Addressing Non-compliance with UN Standards of Conduct (6 November 2007); Chapter II Reporting Allegations</td>
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<td>e. Procedures are 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.</td>
<td>At the conclusion of an investigation, the OAI prepares a fact-finding report, including comments from the staff members concerned, which is provided to LSO for final resolution determinations.</td>
<td>OAI Charter</td>
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