



INTERNAL AUDIT DIVISION

REPORT 2016/008

Audit of the Adaptation Programme at the United Nations Framework Convention on Climate Change

Overall results relating to the effective management of the Adaptation Programme were initially assessed as partially satisfactory. Implementation of two important recommendations remains in progress.

**FINAL OVERALL RATING: PARTIALLY
SATISFACTORY**

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AUDIT REPORT

Audit of the Adaptation Programme at the United Nations Framework Convention on Climate Change

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Adaptation Programme at the United Nations Framework Convention on Climate Change (UNFCCC).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The mandates of the UNFCCC Adaptation Programme were derived from several Articles of the Convention and additional decisions and conclusions of the Convention process. The overall purpose of the Adaptation Programme was to support the intergovernmental process in relation to adaptation, including activities relating to: (i) national adaptation plans; (ii) national adaptation programmes of action; (iii) the Nairobi work programme; (iv) the work programme on loss and damage; (v) the implementation of the Cancun Adaptation Framework and Adaptation Committee; (vi) research and systematic observation under the Subsidiary Body for Scientific and Technological Advice; and (vii) supporting the implementation of adaptation action under the UNFCCC Subsidiary Body for Implementation. The Adaptation Programme engaged Parties and stakeholders including national, regional, multilateral and international organizations, the public and private sectors, civil society and other stakeholders.
4. The Adaptation Programme was organized into five sub-programmes: (a) Management and Coordination; (b) Cross-cutting Support and Outreach; (c) Impacts, Vulnerability and Risks; (d) National Adaptation Plans and Policy; and (e) Science and Review. It was headed by a Programme Coordinator at D-1 level who reported to the Executive Secretary. As of 30 June 2015, the Adaptation Programme had 25 staff who were funded from the core budget as well as the trust fund for supplementary activities. During the period January 2014 to June 2015, the Adaptation Programme contracted 29 consultants and individual contractors to support its activities. The Programme also engaged 14 interns and one fellow during the same period.
5. The activities of the Adaptation Programme were funded by the core budget (\$4.4 million for 2014-15) and the trust fund for supplementary activities (\$9.6 million). As at 30 June 2015, expenditures against the core budget were \$4 million, while expenditures from the trust fund for supplementary activities totaled \$4.1 million.
6. Comments provided by UNFCCC are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of UNFCCC governance, risk management and control processes in providing reasonable assurance regarding **effective management of the Adaptation Programme at UNFCCC**.

8. The audit was included in the 2015 risk-based internal audit work plan due to the risk that weaknesses in management of the Adaptation Programme could adversely affect the quality of support to the Parties relating to adaptation work streams.

9. The key controls tested for the audit were: (a) regulatory framework; and (b) coordinated management mechanisms. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures; (i) exist to guide the operations of the Adaptation Programme; (ii) are implemented effectively; and (iii) ensure the reliability and integrity of financial and operational information.

(b) **Coordinated management mechanisms** - controls that provide reasonable assurance that potential overlaps are mitigated, and that issues affecting or involving other partners and actors are identified and resolved in a timely manner.

10. The key controls were assessed for the control objectives shown in Table 1. Certain control objectives shown in Table 1 as “Not assessed” were not relevant to the scope defined for this audit.

11. OIOS conducted this audit from August to October 2015. The audit covered the period from January 2014 to June 2015.

12. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

13. The UNFCCC governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding **effective management of the Adaptation programme at UNFCCC**. OIOS made two recommendations to address issues identified in the audit.

14. Monitoring of work plan implementation was generally satisfactory. Coordination within the Adaptation Programme and with other programmes, international organizations, networks and stakeholders was also satisfactory. However, UNFCCC needed to strengthen controls relating to the regulatory framework by developing guidelines for: (a) project expenditures charged to core funds but for which donor funds were subsequently received in the trust fund; and (b) assessing costs associated with events held outside Bonn that are to be borne by the UNFCCC Secretariat.

15. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of two important recommendations remains in progress.

¹ A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of the Adaptation programme at UNFCCC	(a) Regulatory framework	Partially satisfactory	Partially satisfactory	Not assessed	Partially satisfactory
	(b) Coordinated management mechanisms	Satisfactory	Satisfactory	Not assessed	Satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Regulatory framework

Monitoring of work plan implementation was generally satisfactory

16. The Adaptation Programme outlined its activities and functions in the biennium budget work plans based on the mandates of the Parties. The performance report as at 30 June 2014 indicated that the mandated outputs for the reporting period were delivered as planned.

17. The delivery of mandated outputs was facilitated through weekly monitoring of the status of work plans, which contained time bound activities and indicated responsible staff members. Further, each sub-programme manager monitored and kept track of the progress of their work plans and communicated with their teams through weekly and ad-hoc team meetings to ensure timely delivery of mandated activities. Sub-programme managers met with the Coordinator to discuss and seek guidance on any impending issues or challenges that could affect the achievement of their goals. OIOS therefore assessed that the monitoring mechanisms for work plan implementation were in place and functioning satisfactorily.

Need to develop guidelines for project expenditures charged to core funds for which donor contributions are subsequently received

18. The trust fund for supplementary activities was established to finance mandated activities of the UNFCCC Secretariat for which resources were not provided under the core budget. The UNFCCC Secretariat administrative guidelines on management of the trust fund for supplementary activities (AG/2008/2) require programme managers to submit project proposals for all mandated activities that are not covered by the core budget and for which funds need to be raised. Projects should run parallel with the core work programme, unless activities dictate otherwise. Project proposals approved by the Executive Secretary are used for fundraising in accordance with UNFCCC fundraising practices. The administrative guidelines require programme managers to submit internal progress and closing reports to the Finance Resources Management Unit for monitoring purposes.

19. OIOS noted from three of five progress reports for 2014-2015 and three completion reports for 2012-2013 that positive variances or savings were reported. UNFCCC explained that the anomaly arose in cases where expenditures on projects that were complementary to the core work programme were charged to the core budget due to insufficient funds in the trust fund for supplementary activities. When donor contributions are subsequently received in the trust fund, positive variances were reported in the trust fund since the expenditures were charged to the core budget. This could require the return of funds to donors for projects that were actually undertaken and charged to core funds. Neither the UNFCCC

policy for management of unspent project balances (May 2014) nor the guidelines on management of trust fund for supplementary activities (AG2008/2) provided any guidance on how to treat expenditures which were initially charged to the core budget due to inadequate funds, but funds for these projects were later raised through donor contributions to the trust fund.

20. The Financial Resources Management Unit explained that UNFCCC was complying with the policies for management of trust funds which require that no commitments, obligations or disbursements against any funds maybe incurred without allotments, which would be issued only after sufficient contributions have been received to meet the requirements for financial obligations and for any reserves. In addition, it is implementing guidelines for risk management to treat the expenditures that require pre-financing with certain donors such as the European Union. However, the procedures to satisfy pre-financing requirements need to be clearly defined to avoid the reporting of positive variances or savings in projects subsequently financed from donor contributions to the trust fund.

(1) UNFCCC should establish guidelines for project expenditures initially charged to core funds (and for which voluntary contributions are received subsequently) to avoid reporting savings in the trust fund that may result in return of funds to donors for projects that were actually undertaken.

UNFCCC accepted recommendation 1 and stated that it will enhance the guidelines for risk management to treat the expenditures that require pre-financing with certain donors such as the European Union. Recommendation 1 remains open pending receipt of guidelines issued by UNFCCC on treatment of expenditures initially charged to core funds.

Controls for evaluating consultants and individual contractors after six months of service were strengthened

21. Sections 5.3-5.32 of the Administrative Instruction on Consultants and individual contractors (ST/AI/2013/4) requires that in cases of contract periods longer than six months, interim evaluations should be undertaken by the direct supervisor of the consultant or individual contractor. The output evaluation shall measure the achievement of goals and the quality and timeliness of work, as stipulated in the terms of reference (TOR). If the output is evaluated as less than fully satisfactory, no further contracts shall be granted to the consultant or individual contractor, and payments may be reduced or withheld entirely.

22. During the period January 2014 to June 2015, the Adaptation Programme extended the contracts of seven consultants and individual contractors beyond six months. Each had TOR that stipulated key performance indicators to measure the achievement of goals, quality and timeliness of work. However the mandatory interim evaluation after six months of service was not undertaken before extending the contracts of six consultants and individual contractors. Further, 10 out of 15 TOR reviewed did not provide details such as indicators for the evaluation of outputs, quality and timeliness of work, as required in paragraph 3.2 of the ST/AI/2013/4.

23. The above anomalies arose because UNFCCC continued to use outdated administrative guidelines which were based on the abolished United Nations administrative instructions on recruitment of consultants and individual contractors (ST/AI/1999/7). Effective 17 December 2015, UNFCCC updated its intranet webpages with ST/AI/2013/4 and other relevant guidelines on recruitment of consultants and individual contractors. In view of the corrective actions taken by UNFCCC, OIOS did not make a recommendation on this issue.

Need to strengthen controls in securing approvals for meetings and workshops held outside Bonn

24. The procedures for planning and organizing workshops and related events issued in March 2006 provides that the Intergovernmental Planning Committee (IPC), which is a UNFCCC Secretariat group entrusted with the preparation of sessions of Convention bodies, inter-sessional consultations and workshops, will decide on venues. In organizing meetings and workshops, IPC is required to take into consideration the ease of travel connections, ease of entry to the country, security, facilities to transfer funds and pay daily subsistence allowance, and the availability of United Nations local support. In the absence of an official offer from a country or institution to host a workshop or related event, the UNFCCC Secretariat shall choose the most cost-effective and appropriate location where the workshop could be held.

25. In December 2012, the Conference of the Parties endorsed the commitment of the Executive Secretary to increase cost effectiveness of operations that included efforts to consolidate Bonn as the hub for UNFCCC sessions and meetings and further enhance the facilities and services made available to the UNFCCC Secretariat. Exceptions could be considered on the basis of compelling reasons (such as regional meetings).

26. During the period January 2014 to June 2015, the Adaptation Programme conducted six events in four venues (Dar-es-Salaam, Tanzania; Port Vila, Vanuatu; Livingstone, Zambia; and Bangkok, Thailand). These were approved by IPC based on comparative budget estimates for holding the event in Bonn or the proposed venues outside Bonn.

27. However, the procedures for planning and organizing workshops and related events as well as the checklist used for obtaining IPC approval did not provide clear guidelines on how to assess the proposed venue outside Bonn compared to holding the events in Bonn. For example, of the four venues where the six events were held, the estimated cost for one of the venues was higher by \$17,849 when compared to the estimated cost of holding the event in Bonn. Further, although the Adaptation Programme considered other factors in assessing the proposed venue for regional meetings (such as visiting projects implemented by the host government that could be useful to other participants), these factors were not included in the checklist. Inadequate guidelines for evaluating proposed event venues could result in non-achievement of cost-effective operations for the UNFCCC Secretariat.

28. UNFCCC explained that when there are compelling reasons to hold meetings outside Bonn, such as regional meetings, the Secretariat will continue to rely on the choices made by the Party that is willing to host. In such cases the Secretariat provides overall specifications for the meeting venue, but the selection and booking of the actual location and conference facility remains with the host. Setting absolute thresholds for such cases is not feasible, although the Secretariat would assess whether related costs to be paid by the Secretariat (in cases where the venue is not provided free-of-charge) are reasonable.

(2) UNFCCC should spell out, in its procedures on planning and organizing workshops and related events, guidance on the assessment of costs associated with events held outside Bonn that are to be borne by the UNFCCC Secretariat, and how to proceed in case the costs are not reasonable.

UNFCCC accepted recommendation 2 and stated that a new “Green Light” policy has already been drafted, which was shared with OIOS on 10 February 2016. Its overall thrust is to implement more consistently the new policy of Bonn as default location for UNFCCC meetings to reduce the number of meetings abroad and thus reduce costs. Recommendation 2 remains open pending receipt of the guidance issued by UNFCCC on assessment of costs for events held outside of Bonn.

B. Coordinated management mechanisms

Coordination within the Programme and with other programmes were generally satisfactory

29. Coordination of activities is required to ensure that overlaps and gaps in the performance of a function or the delivery of a programme are mitigated, and that issues affecting or involving other partners and actors are identified and resolved in a timely manner. Within the Adaptation Programme, this was achieved through communication and discussion among managers and teams on progress of work, priorities and other issues to ensure that the mandated outputs were delivered on time. Reports and other information were shared among sub-programmes. The Coordinator met with managers periodically to discuss the implementation of the respective work plans and provide guidance, where needed.

30. The Adaptation Programme engaged the Parties and various stakeholders including national, regional, multilateral and international organizations, the public and private sectors, civil society and others. The Programme had developed a database of its partners, networks and other stakeholders and maintained close coordination and collaboration with them through engagement with the respective focal points, attendance in meetings on adaptation and other outreach activities. OIOS therefore assessed that the mechanisms for coordination relating to the Adaptation Programme were functioning satisfactorily.

IV. ACKNOWLEDGEMENT

31. OIOS wishes to express its appreciation to the Management and staff of UNFCCC for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the Adaptation programme at the United Nations Framework Convention on Climate Change

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	UNFCCC should establish guidelines for project expenditures initially charged to core funds (and for which voluntary contributions are received subsequently) to avoid reporting savings in the trust fund that may result in return of funds to donors for projects that were actually undertaken.	Important	O	Receipt of guidelines issued by UNFCCC on treatment of expenditures initially charged to core funds.	31 December 2016
2	UNFCCC should spell out, in its procedures on planning and organizing workshops and related events, guidelines on the assessment of costs associated with events held outside Bonn that are to be borne by the UNFCCC Secretariat, and how to proceed in case the costs are not reasonable.	Important	O	Receipt of the guidance issued by UNFCCC on assessment of costs for events held outside of Bonn.	30 June 2016

² Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

³ Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

⁴ C = closed, O = open

⁵ Date provided by UNFCCC in response to recommendations.

APPENDIX I

Management Response

Management Response

Audit of the Adaptation programme at the United Nations Framework Convention on Climate Change

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNFCCC should establish guidelines for project expenditures initially charged to core funds (and for which voluntary contributions are received subsequently) to avoid reporting savings in the trust fund that may result in return of funds to donors for projects that were actually undertaken.	Important	Y	Chief, Financial Resources Management Unit, AS Programme	31/12/2016	UNFCCC will enhance the guidelines for risk management to treat the expenditures that require pre financing with certain donors such as EU.
2	UNFCCC should spell out, in its procedures on planning and organizing workshops and related events, guidance on the assessment of costs associated with events held outside Bonn that are to be borne by the UNFCCC Secretariat, and how to proceed in case the costs are not reasonable.	Important	Y	CAS Coordinator or OIC	30/06/2016	A new Green Light policy has already been drafted, which was shared with OIOS on 10 February 2016. Its overall thrust is to implement more consistently the new policy of Bonn as default location for UNFCCC meetings. This has as its goal to reduce the number of meetings abroad and thus reduce costs.

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.