



## **INTERNAL AUDIT DIVISION**

### **REPORT 2020/021**

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#### **Audit of management of partnerships at the United Nations Environment Programme**

**Controls relating to management of fraud  
risks, capacity assessment and oversight  
needed to be strengthened**

**14 September 2020**

**Assignment No. AA-2019-220-02**

# Audit of management of partnerships at the United Nations Environment Programme

## EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of management of partnerships at the United Nations Environment Programme (UNEP). The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring efficient and effective management of partnerships at UNEP. The audit covered the period from 1 January 2017 to 30 September 2019 and included a review of: (i) regulatory framework; (ii) identification and selection of partners; (iii) implementation, monitoring and reporting; and (iv) financial management.

The audit showed that there was need to strengthen controls relating to management of fraud risks, capacity assessment and oversight.

OIOS made 13 recommendations. To address issues identified in the audit, UNEP needed to:

- Undertake a detailed fraud risk assessment pertaining to its engagement with implementing partners and strengthen internal controls to ensure that the fraud risks are adequately mitigated; **(critical)**
- Ensure that the prescribed due diligence and comparative assessments are conducted in accordance with established policies before selection of implementing partners to mitigate the related risks and assure effective implementation of partnership activities;
- Establish criteria for disclosure of material information by implementing partners and utilize the existing financial capacity assessment tools as applicable for reviewing the capacity of potential partners;
- Develop information systems that facilitate identification and effective management of risks and promote knowledge sharing on the capacities of government entities to implement UNEP projects;
- Establish clear guidance, criteria and safeguards to manage the selection and engagement of private sector entities as implementing partners or collaborating entities and ensure that such engagements contribute to the achievement of UNEP's programme of work;
- Establish an escalation mechanism to address the persistent delays in project implementation and reporting by its partners;
- Establish a mechanism to identify high risk partners for mandatory on-site financial reviews, follow up and spot checks to mitigate delays in project implementation and ensure accountability;
- Establish a mechanism to ensure the completion of audits, submission of audit reports and management letters, and tracking of audit recommendations for projects over \$200,000;
- Provide policy guidance on the management and reporting of co-financing received from implementing partners and other stakeholders;
- Ensure that projects adopt results-based reporting with clearly defined and measurable targets and deliverables;
- Establish a mechanism to hold responsible staff accountable for failures in project implementation and inefficient use of resources, and strengthen project oversight by ensuring that project steering committees or other oversight mechanisms perform their designated role effectively;
- Expedite the closure of all projects that have expired funding agreements with partners; and
- Establish a mechanism for following up on long outstanding balances, and ensure that implementing partners account for prior advances before additional advances are disbursed.

UNEP accepted the recommendations and has initiated action to implement them.

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# **Audit of management of partnerships at the United Nations Environment Programme**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of management of partnerships at the United Nations Environment Programme (UNEP).

2. UNEP is the leading global environmental authority that sets the global environmental agenda, promotes the coherent implementation of the environmental dimension of sustainable development within the United Nations system, and serves as an authoritative advocate for the global environment. UNEP's mission is to provide leadership and encourage partnership in caring for the environment by inspiring, informing, and enabling nations and peoples to improve their quality of life without compromising that of future generations.

3. Due to its small size and limited physical presence at the national level, UNEP implements its mandate through partnerships with various entities for enhanced impact in addressing environment issues. This approach is in line with General Assembly resolution 70/224 of 23 February 2016 which supports the development of partnerships and promotes cooperation between the United Nations and other entities for the achievement of the 2030 Agenda for Sustainable Development. Working through partnerships forms part of UNEP's core business model and is reflected in its main strategies and programme of work.

4. UNEP has developed partnerships with government agencies and institutions as well as non-governmental entities such as foundations, civil society groups and research or academic institutions. UNEP has also partnered with United Nations agencies, intergovernmental organizations and private sector entities. While partnerships take different forms, one major form of collaboration involves UNEP granting funds to other entities for implementing its mandate. UNEP also signs collaboration agreements that do not involve transfer of funds.

5. During the period under review, UNEP signed 6,154 partnerships with 1,881 implementing partners and signed funding agreements amounting to \$1.2 billion. UNEP also partnered with 71 private sector entities, 96 per cent of which did not involve transfer of funds.

6. Comments provided by UNEP are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

7. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring efficient and effective management of partnerships at UNEP.

8. This audit was included in the 2019 risk-based work plan of OIOS due to the risk that potential weaknesses in the management of UNEP's partnerships could adversely affect the efficiency and effectiveness of the utilization of resources and accomplishment of its mandated objectives.

9. OIOS conducted this audit from July to November 2019. The audit covered the period from 1 January 2017 to 30 September 2019. Based on an activity-level risk assessment, the audit covered risk areas in the management of partnerships at UNEP which included: (i) regulatory framework; (ii) identification and selection of partners; (iii) implementation, monitoring and reporting; and (iv) financial management.

10. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; (d) sample testing of transactions; and (e) physical verification which involved field (site) visits to the areas of implementation.

11. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

### III. AUDIT RESULTS

#### A. Regulatory framework

##### Update of partnership policies and procedures was ongoing

12. The UNEP Partnership Policy and Procedures were developed in October 2011 and covered various aspects of the partnership management process, including identification and selection, monitoring and reporting, use of legal instruments, and financial management. In January 2014, UNEP revised the Guidelines for the use of Standard Legal Instruments which defined the various types of instruments that were applicable for specific types of engagement. In 2017, UNEP documented guidelines on a principle-based approach to the cooperation between the United Nations and the business sector to provide a framework to facilitate the formulation and implementation of partnerships between UNEP and private sector entities based on the principles of integrity, accountability and transparency.

13. Since these policies were fragmented and required to be updated, UNEP had established a committee to develop a new regulatory framework to update and consolidate them. The development process was ongoing at the time of the audit. According to UNEP, its regulatory framework would be aligned to the United Nations Secretariat-wide policy which was also under development.

14. UNEP had not performed a risk assessment to identify and mitigate the various risks, including fraud risks, by ensuring that adequate control mechanisms are in place to manage the fraud risks relating to its engagement with partners. UNEP explained that it had several controls in place to manage implementing partners, including: (a) undertaking due diligence prior to their selection; (b) training of finance officers on fraud and corruption and issuance of interim guidelines on the same; (c) requiring audits for funding in excess of \$200,000; and (d) reviewing of periodic financial and operational reports submitted by partners. OIOS noted, however, that the controls in place were general in nature, and there were no tools and mechanisms to facilitate systematic identification of fraud risks to ensure effectiveness of controls. Further, implementation of enterprise risk management was still underway.

15. As explained in the following sections of the report, several serious control deficiencies were identified during the audit which pointed to the need for an effective fraud prevention programme. These deficiencies include inadequate disclosure of material information in the identification and selection processes, uneconomical use of project funds, indications of waste of resources as a result of poor project management and oversight, and lack of accountability for funds disbursed to implementing partners. It is therefore critical that UNEP addresses the fraud risks effectively to assure that its partnerships are entered into in conformity with the underlying principles, the funds entrusted to partners are utilized for the intended purposes, and that partners are held accountable for the expected results.

<p><b>(1) UNEP should undertake a detailed fraud risk assessment pertaining to its engagement with implementing partners and strengthen internal controls to ensure that the fraud risks are adequately mitigated.</b></p>
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*UNEP accepted recommendation 1 and stated that it will undertake a review of the risk assessment policy and processes in other United Nations entities who engage extensively with implementing partners to analyze and implement best practice within UNEP. Recommendation 1 remains open pending receipt of a detailed fraud risk assessment pertaining to UNEP's engagement with implementing partners and the actions taken to strengthen internal controls accordingly.*

## **B. Identification and selection of partners**

### Need to strengthen the process for identification and selection of non-governmental organizations

16. Sourcing of non-governmental organizations (NGOs) for implementation of work began with solicitation and comparative analysis of at least three competing organizations. During this time, the existence and legal status of identified partners is validated, followed by due diligence and financial capacity assessment to establish the partner's ability to implement the project. United Nations agencies, government entities and inter-governmental organizations are selected directly, without comparative analysis. These entities go through the validation process just like NGOs but are exempt from due diligence and financial capacity assessment. However, when these same entities solicit funding from the Green Climate Fund (GCF), they undergo a fiduciary risk assessment which includes financial and procurement capacity assessment.

17. OIOS reviewed the identification and selection process for 125 implementing partners comprising 51 government entities and inter-governmental organizations as well as 74 NGOs. The total value involved in these partnerships was \$82 million. The audit showed the following:

(a) There was no evidence of solicitation and comparative analysis for the 74 NGOs reviewed. Instead, they were sole-sourced. In the absence of open solicitation and comparative analysis, there was no assurance that UNEP had engaged the most appropriate partners in a transparent manner.

(b) The validation and due diligence assessment of implementing partners was not consistently done. From the sample of 125 implementing partners reviewed, there was no evidence of validation in 48 cases (38 per cent) with whom agreements were signed in a total amount of \$33 million. Further, there was no evidence that due diligence had been performed in 33 cases (45 per cent) with whom project agreements were signed for a value of \$7.4 million. These weaknesses increased the risk that UNEP may be selecting partners who were not suitable to implement its activities. Also, the validation process did not include a requirement for disclosure of material information or assessment of potential conflict of interest which are important to safeguard integrity and transparency.

(c) UNEP's Financial Management Officers (FMOs) did not have tools and criteria for conducting financial capacity assessments of potential implementing partners. As a result, the financial reviews were subjective and not based on established criteria. The documented assessments were too brief, sometimes in a single word, and provided little information on the ability of the partners to manage the funds and deliver results. While GCF had developed a financial capacity assessment tool, its use was limited to GCF projects. None of the other departments used the tool.

(d) There was no guidance on the period for which the due diligence assessment would be valid. In practice, it ranged from two to five years. As a result, due diligence assessments for 13 of the 74 NGOs involving projects valued at \$4.2 million were based on information dating as far back as 2013. This increased the risk of relying on obsolete or unreliable data for engaging partners.

18. OIOS' review of partnerships with 30 out of the 74 NGOs indicated that 16 of them valued at \$5.6 million had not accomplished project objectives or had significantly delayed submitting financial and progress reports to account for the funds disbursed to them. Two NGOs that UNEP repeatedly utilized had a total of 37 grants between them totaling \$2.3 million. Funding received from UNEP constituted their largest source of income. OIOS noted that two former staff from one of the NGOs were current employees of UNEP, whereas a Director of the second NGO was a former UNEP staff member.

19. As a result of these weaknesses, some of the partner NGOs were ineffective in implementing project activities since they lacked the required technical and financial capacity to deliver the expected results.

**(2) UNEP should ensure that the prescribed due diligence and comparative assessments are conducted in accordance with established policies before selection of implementing partners to mitigate the related risks and assure effective implementation of partnership activities.**

*UNEP accepted recommendation 2 and stated that the revised Partnership Policy and Procedure which is currently being drafted already reflects the details of this recommendation. Recommendation 2 remains open pending receipt of evidence that due diligence and comparative assessments are being conducted in accordance with established policies prior to selection of implementing partners to mitigate the related risks and assure effective implementation of partnership activities.*

**(3) UNEP should establish criteria for disclosure of material information by implementing partners and utilize the existing financial capacity assessment tools as applicable for reviewing the capacity of potential partners**

*UNEP accepted recommendation 3 and stated that the revised Partnership Policy and Procedure which is currently being drafted already reflects the details of this recommendation. Recommendation 3 remains open pending receipt of evidence that criteria have been established for disclosure of material information by implementing partners, and financial capacity assessment tools are being utilized for reviewing the capacity of potential partners.*

#### Need to strengthen knowledge sharing on partners' capacities

20. Since government entities and inter-governmental organizations did not undergo due diligence or fiduciary risk assessments, alternative sources of knowledge on their capacity to manage funding, including an understanding of the environment in which they operate, is essential. Information sharing between various units within UNEP on the capacities of common partners was limited and at best informal. Challenges and limitations experienced by one unit were not captured for decision-making by other units on subsequent projects implemented by the same partner. There were no mechanisms for evaluating the performance of implementing partners and guidance on remedial action or mitigation measures to take was lacking. Where capacity gaps were identified or where a partner was found to face challenges in implementation, there was no unified approach on risk mitigation measures, capacity building or other corrective actions such as blacklisting poorly performing partners.

21. For example, there was a significant delay in implementing five projects valued at \$6.2 million by three government entities in Jamaica due to slow recruitment and significantly long procurement processes. Due to the governments' fiscal policy measures, the amount of funding made available for implementing project activities was limited for each year; hence one of the projects with a grant amount of \$3.1 million which was to start in July 2018 had not commenced at the time of audit. UNEP was unaware of these limitations.

22. In Antigua and Barbuda, mingling of funds as well as capacity gaps had resulted in delayed implementation and inaccurate reporting by a government implementing partner that managed 11 projects funded by UNEP worth \$12.7 million. A mid-term evaluation for one of the grants worth \$2.6 million had rated the project as inefficient and ineffective. UNEP project managers had responded differently for each of their respective projects to manage the risks. With additional grants anticipated to be issued to the same partner, incomplete and inaccurate information about the partner's capacity could have an adverse impact on the timely identification and effective management of risks.

**(4) UNEP should develop information systems that facilitate identification and effective management of risks and promote knowledge sharing on the capacities of government entities to implement UNEP projects.**

*UNEP accepted recommendation 4. With regard to the information systems, UNEP stated that the Office of Information and Communications Technology has instructed all United Nations Secretariat entities, including UNEP, to consolidate local/legacy systems or even phase out some of them. Taking this into consideration, UNEP will respond to this recommendation by enhancing the existing Programme Information Management System, Anubis and Partners Portal with features to handle the effective management of risks and ensuring the integration of the existing systems. This aspect will also be considered in UNEP's Enterprise Risk Management framework which is currently being developed. Recommendation 4 remains open pending receipt of evidence that information systems have been developed to facilitate identification and effective management of risks and promote knowledge sharing on the capacities of government entities to implement UNEP projects.*

Need to establish guidance and safeguards in the selection and management of private sector engagements

23. Between January 2017 and 30 September 2019, UNEP signed 71 memoranda of understanding (MOU) with private sector entities in various sectors including finance, oil and gas, water, food and beverages, agriculture and fisheries, forestry and electric power, among others.

24. Responsible staff recorded the private entity's profile and related information in the UNEP Partners Portal, which was validated by the Private Sector Unit. Thereafter, due diligence was conducted through a set of standard questions answered by the responsible staff and assessed by the Private Sector Unit. This review was complemented by an external risk assessment undertaken by one of two independent service providers contracted through the United Nations Global Compact. For companies assessed to be high risk, either a risk mitigation plan was developed or their partnership applications were rejected.

25. In June 2019, UNEP submitted a report to the Committee of Permanent Representatives on its engagement with the private sector. The report included an Annex listing 60 of the 71 private sector partnership initiatives that had been concluded by October 2018. OIOS reviewed the identification and selection process for 30 of these private sector entities and noted the following:

(a) UNEP partnered with some high risk private sector entities which could potentially affect the reputation of the United Nations. Seven out of the 30 private sector partners were rated as high risk by independent consultants, while OIOS assessed three as high risk. The assessment was based on the fact that these partners were involved in activities incompatible with the values of UNEP and the United Nations. These activities included contribution to air and water pollution as well as plastic waste, human rights and child rights abuses, complicity in the 1994 Rwandan genocide, violation of sanctions, bribery scandals, tax evasion, insider trading, and manufacture of components used in nuclear weapons. According to UNEP, its partnership with these high-risk entities provided it an opportunity to influence their corporate strategy towards environmental sustainability, which was central to the Organization's Theory of Change.



(b) UNEP did not have clear guidance for the decisions to engage the private entities. The basis for approval or rejection of engagements was subjective and varied, with no defined safeguards to manage these engagements. While a risk mitigation plan was required if an entity was rated as high risk, only three risk mitigation plans were available in the partners portal for the 10 high risk entities. There was no evidence that the risk mitigation plans were monitored or updated, and the persons responsible for managing the risks were not identified. UNEP stated that programme officers had been instructed to finalize risk mitigation plans for high risk partnerships and that this requirement would be included in the partnership policies that were under review.

(c) As stated above, UNEP signed MOUs when it partnered with private sector entities. OIOS noted that the areas of cooperation outlined in the MOUs were general, with no clear articulation of how the partnerships would contribute to UNEP's programme of work, and how UNEP would benefit from the collaborations. According to UNEP, the MOUs were only to establish areas of common understanding. Responsible staff were required to prepare detailed implementation agreements upon commencement of the partnership activities. However, staff were not aware of this requirement and most of the partnerships were dormant. Of the 30 partnerships reviewed, only 11 were active whereas the remaining 19 were dormant with no activities undertaken since the MOUs were signed more than two years ago.

26. Partnering with high risk entities without adequate safeguards and risk mitigation plans may adversely affect UNEP's reputation. Further, since more than half of these partnerships are inactive, and the active ones did not have clear implementation plans, UNEP's private sector partnerships may not be effective in influencing the entities' corporate strategies as envisaged. It also increased the risk that these entities may misrepresent their association with UNEP even though they did not undertake any meaningful action to demonstrate that they were becoming environment-friendly.

**(5) UNEP should: (i) establish clear guidance, criteria and safeguards to manage the selection and engagement of private sector entities as implementing partners or collaborating entities; and (ii) ensure that such engagements contribute to the achievement of UNEP's programme of work.**

*UNEP accepted recommendation 5 and stated that the guidelines, criteria and safeguards for the management/selection and engagement with private sector entities were part of UNEP's Partnership Policy and Procedures Document(s) which were currently under review. Moreover, these guidelines would take into account UNEP's recently approved Strategy for Private Sector Engagement and its Implementation Plan which will be linked and contribute to the achievement of the programme of work. Recommendation 5 remains open pending receipt of evidence that: (i) clear guidance, criteria and safeguards have been established to manage the selection and engagement of private sector entities; and (ii) a mechanism has been established to assure that such engagements contribute to the achievement of UNEP's programme of work.*

### **C. Implementation monitoring and reporting**

27. Project implementation involves the execution of activities and delivery of outputs and outcomes by the implementing partners as outlined in the agreements. Based on the signed agreements, UNEP is required to make instalment payments to the implementing partners. The implementing partners are required to account for the funds disbursed through periodic narrative and financial reports before subsequent instalments can be disbursed. UNEP staff are responsible for ensuring quality, efficiency and effectiveness of project implementation through review of reports and field visits. Annual audits are required for significant projects with grants of \$200,000 and above. External evaluations are also done on a case by case basis.

28. OIOS reviewed the implementation, monitoring and reporting requirements of 70 projects valued at \$118.8 million that were managed by 14 implementing partners in eight countries (Tanzania, Antigua and Barbuda, The Gambia, Madagascar, Trinidad and Tobago, Mauritania, Jamaica, and Kenya) and noted the following.

Need to establish an escalation mechanism to manage challenges in project implementation

29. There were significant delays in the implementation of project activities. Thirty-nine projects were delayed by up to four times the original project duration, with multiple extensions. These delays were noted in projects with government partners in Tanzania, Antigua and Barbuda, Gambia, Madagascar, and Jamaica. Reasons for delayed implementation included poor project management, inadequate capacity to implement projects, weaknesses in planning, staff turnover, and delay in receiving funding from UNEP.

30. Delayed implementation resulted in ineffectiveness and inefficiency in project execution as the expected benefits and impact of the projects were not realized in a timely manner. Inefficiency arose because UNEP and the implementing partners continued to incur costs on monitoring and follow up as well as fixed costs such as salaries, rent and office administration expenses even though “no cost extensions” were granted for delayed or stalled projects.

31. Delayed reporting by implementing partners was also one of the big challenges in project management. Forty-six out of 70 projects reviewed had delayed submission of financial, progress and audit reports. In Tanzania, Antigua and Barbuda, Mauritania and Gambia, project reports were delayed for between two to four years, with some pending from 2015. Because of the delays in reporting, UNEP had significant long outstanding balances which remained unaccounted for, as explained later in the report.

32. UNEP did not have an escalation mechanism for addressing long outstanding issues. Staff members kept following up on issues with their counterparts in the implementing entity without escalating them to higher levels of management. Therefore, the follow up actions did not yield any positive results.

**(6) UNEP should establish an escalation mechanism to address the persistent delays in project implementation and reporting by its partners.**

*UNEP accepted recommendation 6 and stated that its revised Partnership Policy and Procedure which is currently being drafted will reflect the mechanism to take into account this recommendation. UNEP will also update its Programme Manual to reflect this recommendation. Recommendation 6 remains open pending receipt of evidence that an escalation mechanism has been established to address consistent delays in project implementation and reporting.*

Need to enhance financial monitoring of implementing partner activities

33. UNEP’s FMOs were responsible for monitoring the utilization of disbursed funds. This included ensuring that financial reports submitted by the implementing partners were complete, accurate and timely, and that audits were undertaken for projects with a funding value of \$200,000 and above. In assessing the financial monitoring systems, OIOS noted the following:

(a) Financial monitoring of implementing partner activities was not adequate. Sixteen out of 20 FMOs interviewed stated that monitoring of funds utilization was limited to a review of expense reports and audit reports sent by the implementing partners. FMOs did not undertake field visits to examine the underlying records and assess financial controls in project implementation. While UNEP may not have the capacity or resources to undertake financial monitoring of all implementing partners, spot checks were required in cases where the partners were deemed “high risk”, “problematic”, known to have capacity deficits, or the

delays in implementation were significant. UNEP had not established a mechanism for identifying such partners for mandatory follow up or spot checks.

(b) Not all projects with a funding of \$200,000 and above were audited as required. Based on an assessment of the 70 grants, of which 47 qualified for an audit, OIOS noted that 19 were not audited and no reason was provided for this. For those that were audited, 13 did not have management letters to highlight the internal control weaknesses and corrective measures required. Three audit reports were qualified by the independent auditors but there was no evidence of follow up action to address the underlying causes.

**(7) UNEP should establish a mechanism to identify high risk implementing partners for mandatory on-site financial reviews, follow up and spot checks to mitigate delays in project implementation and ensure accountability.**

*UNEP accepted recommendation 7 and stated it is consulting with United Nations Headquarters (UNHQ) on the possibility of establishing a mechanism in the future releases of the Umoja Implementing Partners module that would enable UNEP to track and report on compliance to submission of narrative progress reports, financial reports and audit reports by the due dates, and capture details of the frequency of reports and the dates of the submission of the reports for each signed agreement. UNEP further stated that UNHQ confirmed that the requirements would be captured as part of an exercise pertaining to the detailed scope in the next major release. In addition, for procurement, UNEP had developed a framework. Discussions had taken place as to the development of Standard Operating Procedures for the implementation of the framework across all UNEP activities. Recommendation 7 remains open pending receipt of evidence that a mechanism has been established to identify high risk implementing partners for mandatory on-site financial reviews, follow up and spot checks to mitigate delays in project implementation and ensure accountability.*

**(8) UNEP should establish a mechanism to ensure the completion of audits, submission of audit reports and management letters, and tracking of audit recommendations for projects over \$200,000.**

*UNEP accepted recommendation 8 and stated that it had submitted its user requirements to the UNHQ team which includes among other things the functionality for the system to track and record submission of audit reports by the due dates and the actual dates of submission. It is UNEP's expectation that such audit reports would be uploaded to the system as part of the records for the agreement signed with implementing partners. Recommendation 8 remains open pending receipt of evidence that a mechanism has been established to ensure the completion of audits, submission of audit reports and management letters, and tracking of audit recommendations is done for projects over \$200,000.*

Need to establish policy guidance on co-financing from implementing partners and third parties

34. As part of the financing arrangement outlined in the partnership agreements, some of the projects required cash or in-kind contributions known as co-financing either from the implementing partners or third parties that supported these initiatives. The co-financing was documented in letters of commitments indicating the value of cash or in-kind to be funded by the parties. This financing arrangement was more commonly found in projects funded under the Global Environment Fund (GEF) which had a policy requiring UNEP, in collaboration with recipient countries and implementing partners, to identify, document, monitor and report on amounts, sources and types of co-financing. Reporting on co-financing was done either annually or at the end of the project implementation. A review of the co-financing arrangement revealed the following:

(a) Some partners did not provide UNEP with co-finance reports as required in the partnership agreements. Seventeen out of 40 co-finance reports were not available during the audit, and for the 23 co-finance reports available, there was no documentation or information provided to support the amounts reported. In fact, one of the projects sampled for review had a qualified audit opinion as the co-finance amount reported of \$1.5 million was not supported with any documentation and was considered by the independent auditors to be excessive and unreasonable.

(b) UNEP did not have an organization-wide policy on the treatment of co-financing received from implementing partners or third parties. While there was a policy in place to manage co-financing arrangements under GEF, there was no policy to manage similar arrangements funded under the Programme of Work, GCF, or other forms of funding such as multilateral funds. Because of this, UNEP staff and implementing partners did not have clear guidance on what documentation to maintain to support co-finance reports.

(c) In two instances, the partners withdrew their earlier co-finance commitments totaling \$2.5 million, which increased the risk of insufficient funding for the project. UNEP did not have clear guidance on how such projects should proceed to avert implementation failure due to shortfall in funding.

35. Co-financing of projects is crucial for their success. UNEP needs to provide adequate policy guidance to partners, staff and other stakeholders to ensure smooth implementation of projects.

**(9) UNEP should provide policy guidance on the management and reporting of co-financing received from implementing partners and other stakeholders.**

*UNEP accepted recommendation 9 and stated that it will draft guidance on this issue, while noting that a system to track co-financing by implementing partners was difficult as most were in kind-contributions, staff time, office space and equipment. Recommendation 9 remains open pending receipt of evidence that policy guidance on the management and reporting of co-financing received from implementing partners and other stakeholders has been provided.*

Need for accountability for inefficiencies and ineffectiveness in project implementation

36. Between September and October 2019, OIOS undertook onsite visits to 14 implementing partners managing 70 grants valued at \$118.8 million in eight countries (Kenya, Gambia, Tanzania, Mauritania, Madagascar, Trinidad and Tobago, Antigua and Barbuda and Jamaica). In addition to assessing implementation timelines and compliance with reporting requirements for all the open grants in the eight countries, in-depth reviews were conducted for 33 of the 70 projects valued at \$83.5 million to determine implementation efficiency and effectiveness. At the time of undertaking the audit, the projects had accounted for \$26.2 million. The detailed reviews revealed the following:

(a) Need for improved reporting on results achieved

37. A review of seven large projects with a grant value of \$43 million showed a lack of clear and measurable results and a lack of articulation of measurable benefits to be derived from project activities.

38. In Gambia, project management did not report on deliverables against set targets, and progress reports were not results-based for one of UNEP's largest projects valued at \$20.5 million that was funded by the GCF. For instance, by September 2019, the project targeted to re-habilitate 10,399 hectares of degraded forests but did not report on the number of hectares rehabilitated by the end of that quarter. Similarly, the project aimed to establish 166 natural resources-based businesses with cumulative grass cash

returns of \$2,458,573 but progress reports did not state how many businesses and cash returns had been achieved by then.

39. In Tanzania, a project for \$1.3 million for promoting the scaling up of sustainable land management practices and securing livelihoods of smallholder farmers did not report on the benefits realized such as number of hectares of land put to sustainable use, number of farmers who had adopted appropriate farming skills or increase in levels of income for beneficiaries.

40. In Mauritania, a grant valued at \$4.9 million had a key objective of improvement of economic livelihoods of people and restoration of land in selected areas. However, the total number of people that were to be positively impacted economically and the overall number of hectares to be restored were not defined. Therefore, it was unclear whether intended objectives of the projects would be achieved.

41. In Madagascar, two projects with a combined grant value of \$7.8 million also lacked defined and measurable results, and the overall target number of beneficiaries were also not defined. One of the projects valued at \$4 million that was involved in promoting climate resilience in the rice sector had no defined overall target on the number of beneficiaries and rice production volumes. Likewise, in another project for strengthening the network of new protected areas in Madagascar for \$3.8 million there were no overall specific and measurable expected results, such as number of beneficiaries and no defined economic target benefits for local communities.

42. In one project in Kenya valued at \$913,265 that was involved in promoting the utilization of genetic microbial resources within the Kenyan Soda Lakes, the deliverables outlined in the logical framework of the project did not have measurable performance indicators. As a result, OIOS could not establish the basis for the percentage of implementation indicated in the performance reports. In Trinidad, the project design for a project that was implemented by a public university at a cost of \$5.9 million to establish National Biosafety Frameworks in the Caribbean was rated by an independent evaluator as moderately unsatisfactory as it had no outcome indicators and had vaguely designed outputs.

**(10) UNEP should ensure that projects adopt results-based reporting with clearly defined and measurable targets and deliverables.**

*UNEP accepted recommendation 10 and stated that UNHQ is developing a standard template for Secretariat entities. UNEP will engage with UNHQ to capture such requirements. In parallel, UNEP will discuss the review and upgrading of the results narrative and logical frameworks when projects are revised after a specific timeframe. Recommendation 10 remains open pending receipt of evidence that projects have adopted results-based reporting with clearly defined, measurable targets and deliverables.*

**(b) Controls over funds disbursed by UNEP were deficient**

43. There were deficiencies in financial controls over funds disbursed by UNEP to implementing partners. OIOS reviewed 8 of 33 projects which had a grant value of \$15.8 million and had accounted for \$8.5 million at the time of the audit. Of the amount accounted for, \$1.7 million was either insufficiently supported or supporting documentation was not provided for the reported expenditure.

44. In Kenya, an implementing partner that had reported \$304,798 as spent did not have documentation to support \$49,875 of the expenditure. Project staff for another implementing partner that had four grants totaling \$606,828 were not available to provide information and documentation to support the expenditure. In Madagascar, no evidence was provided to confirm receipt of goods and services totaling \$969,635 while in Antigua and Barbuda, salary costs amounting to \$132,618 were wrongly charged to the UNEP project.

45. The implementing partner in Antigua and Barbuda, managed 11 projects worth \$12.8 million that were still open at the time of the audit. A shared account was used to make payments for all its projects, including projects not funded by UNEP. As a result of the mingling of funds, as at 31 July 2019, the shared account had a balance of \$266,532 which could not be attributed to any project. Further, independent external audits conducted for the projects did not address this shared account.

46. The above deficiencies are attributed to the inadequate financial capacity assessments done prior to the engagement of the implementing partners and the limited financial oversight over funds disbursed to them. These controls need to be strengthened to enhance accountability.

(c) Need to curb inefficiencies and wastage in project implementation

47. OIOS' in-depth review of the 33 projects identified possible inefficiencies in implementation as detailed below:

(a) In Jamaica, a zero-energy prototype building that cost \$1.1 million had not been utilized two years after completion. The aim of the project was to promote energy efficiency and renewable energy in the Caribbean construction industry and educate the student fraternity within the University of West Indies on the same. Handover and continuity of the building management after the project period had not been established yet the project was scheduled to end in March 2020. The rollout of similar buildings in the Caribbean region may be a challenge given the high cost of the prototype.

(b) In Antigua and Barbuda, a mid-term evaluation for one of the projects valued at \$2.6 million that had spent \$913,646 as at June 2019 rated it as ineffective and inefficient due to significant delays in implementation. Another project that had spent \$1.4 million at the time of the audit was suspended due to reporting errors and poor accountability. On another project, \$200,000 was disbursed for a waste water treatment plant, but the land on which it was to be implemented had been sold prior to commencement of the project hence the project was stalled.

(c) In Tanzania, Jamaica and Gambia, a total of \$178,771 was spent on television and radio programmes for which there were no specific and measurable results or benefits.

(d) The largest project in UNEP titled "Large-scale Ecosystem-based Adaptation in the Gambia" commenced in August 2017 and was funded under GCF at a cost of \$20.5 million. The first disbursement of \$4.6 million was made during the period under review for one of its key activities of planting 244,083 trees. Ninety per cent of the trees (approximately 219,675) which were planted in 2018 died, resulting in an estimated loss of \$1.2 million. This estimate did not include overhead costs incurred to support project implementation. OIOS also noted that there was low engagement of local communities in project implementation. Further, there was a lack of economical use of funds, including payments totaling \$2.1 million for consultancy services without competitive bidding and purchase of 12 vehicles from which there was no tangible benefit. According to UNEP, action was being taken to remedy these deficiencies, which included hiring of a new project manager and revision of the project's logical framework.

48. OIOS assessed that the inefficiencies noted were attributable to poor planning and poor project management. There was no mechanism in place to hold staff accountable for project implementation. The governance and oversight mechanisms for the implementing partners were also weak. Project steering committees that were established to oversee the work of the project implementation teams for 8 of the 14 implementing partners were either dormant or provided limited oversight over the work of the implementation teams. Accountability and project oversight need to be strengthened to ensure that the expected results are delivered efficiently and effectively.

**(11) UNEP should: (i) establish a mechanism to hold responsible staff accountable for failures in project implementation and inefficient use of resources; and (ii) strengthen project oversight by ensuring that project steering committees or other oversight mechanisms perform their designated role effectively.**

*UNEP accepted recommendation 11 and stated that certifying officers already had personal responsibility under the United Nations Financial Regulations and Rules. With respect to the accountability of the concerned (lead) Division, the Delegation of Authority Policy and Framework already refers to this matter for the Division/Regional Directors and to anyone who has further delegation. As to programme officers, UNEP will explore whether the staff performance appraisal system should be used to hold them accountable for project implementation. UNEP will develop a specific process to monitor project progress. The use of dashboards to monitor financial and substantive progress shall be introduced. Recommendation 11 remains open pending receipt of evidence that: (i) a mechanism has been established to hold responsible staff accountable for failures in project implementation and inefficient use of resources; and (ii) project oversight has been strengthened by ensuring that project steering committees or other oversight mechanisms perform their designated role effectively.*

## **D. Financial management**

### Need for timely closure of expired projects

49. Financial closure of a project commences when the project completion date is reached. It involves closing and liquidating all open commitments by accounting for advances made to implementing partners and ensuring that unspent balances are transferred back to the parent project either for refund to donors or transfer to other projects as per agreements with donors. Closure of commitments can only be done within an established validity period after which no adjustments can be made in Umoja.

50. UNEP had substantial open projects whose grants had expired. There were 4,174 of the 6,174 projects (68 per cent) that were not closed yet the project period had ended. Of the expired projects, 1,142 could not be closed due to delays in closing open commitments amounting to \$100 million. The remaining 3,032 expired projects did not have any open commitments, yet they were still open.

51. Various explanations were provided for the outstanding open commitments. These included: (a) delays in receipt of documentation from implementing partners to account for funds provided; (b) delays in implementation of activities; (c) lack of documentation due to inadequate handover by UNEP and implementing partner staff who had left; and (d) lack of information coupled with errors in data transfer for project transactions migrated from the previous Integrated Management Information System (IMIS) to Umoja. A random assessment of a sample of 30 expired projects showed that 11 were still open because FMOs had not addressed the pending balances even though all documentation had been submitted. Final reports had been received for the 11 projects from the implementing partners as far back as 2015 and 2016 but were not posted in the system to liquidate the open commitments.

52. Delays in closure of projects compromised UNEP's accountability to donors.

**(12) UNEP should expedite the closure of all projects that have expired funding agreements with partners.**

*UNEP accepted recommendation 12 and stated that the United Nations Office at Nairobi, in collaboration with UNEP, is manually monitoring and rejecting new payments to implementing partners with outstanding advances. This is being done manually since Umoja does not support the performance of this action. In July 2020, a project was kicked off to close 1,551 grants by September 2020 and as of 3 August, 1,117 (72 per cent) were closed. Recommendation 12 remains open pending receipt of evidence that all projects with expired funding agreements have been closed.*

#### Need for adequate management of advances to implementing partners

53. The relationship between UNEP and the implementing partners is established through a signed agreement. This forms the basis for the initiation of a purchase order which is used to commit or obligate funds. Part of the committed amount is then advanced to the implementing partners and is expensed when proof of expenditure is provided by the implementing partners. In order to ensure accountability, the UNEP Partnership Policy and Procedures requires advances to be made in installments, with subsequent advances made only when prior advances have been satisfactorily accounted for.

54. As at 30 September 2019, UNEP had advanced \$479.4 million to 882 implementing partners for 1973 projects. A review of the receivable amount revealed the following:

(a) There were long outstanding advances with \$211 million pending accountability between 2015 and 2016 from 277 implementing partners. Of these implementing partners that had history of poor accountability, 114 of them had long outstanding advances from multiple projects. This means that despite having a history of poor accountability, UNEP continued to contract and disburse funds to the same implementing partners under different projects.

(b) For 182 of these projects with outstanding advances totaling \$54.6 million, additional advances had been disbursed to the implementing partners before the previous advances were accounted for.

55. Inadequate accountability of advances to partners, coupled with poor project implementation as explained earlier in this report, could adversely affect donor relations due to lack of evidence that the resources were used as intended in the agreements.

**(13) UNEP should: (i) establish a mechanism for following up on long outstanding balances; and (ii) ensure that implementing partners account for prior advances before additional advances are disbursed.**

*UNEP accepted recommendation 13 and stated that the United Nations Office at Nairobi, in collaboration with UNEP, was manually monitoring and rejecting new payments to implementing partners with outstanding advances. This was being done manually since Umoja does not support the performance of this action. Recommendation 13 remains open pending receipt of evidence that: (i) a mechanism for following up on long outstanding balances has been established; and (ii) a mechanism has been established to ensure that implementing partners account for prior advances before additional advances are disbursed.*



#### **IV. ACKNOWLEDGEMENT**

56. OIOS wishes to express its appreciation to the management and staff of UNEP 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 management of partnerships at the United Nations Environment Programme

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	UNEP should undertake a detailed fraud risk assessment pertaining to its engagement with implementing partners and strengthen internal controls to ensure that the fraud risks are adequately mitigated.	Critical	O	Receipt of a detailed fraud risk assessment pertaining to UNEP's engagement with implementing partners and the actions taken to strengthen internal controls accordingly.	15 June 2021
2	UNEP should ensure that the prescribed due diligence and comparative assessments are conducted in accordance with established policies before selection of implementing partners to mitigate the related risks and assure effective implementation of partnership activities.	Important	O	Receipt of evidence that due diligence and comparative assessments are being conducted prior to selection of implementing partners governed by this process.	15 February 2021
3	UNEP should establish criteria for disclosure of material information by implementing partners and utilize the existing financial capacity assessment tools as applicable for reviewing the capacity of potential partners.	Important	O	Receipt of evidence that criteria have been established for disclosure of material information by implementing partners and financial capacity assessment tools are being utilized for reviewing the capacity of potential partners.	15 February 2021
4	UNEP should develop information systems that facilitate identification and effective management of risks and promote knowledge sharing on the capacities of government entities to implement UNEP projects.	Important	O	Receipt of evidence that information systems have been developed to facilitate identification and effective management of risks and promote knowledge sharing on the capacities of government entities to implement UNEP projects.	15 April 2021
5	UNEP should: (i) establish clear guidance, criteria and safeguards to manage the selection and engagement of private sector entities as implementing partners or collaborating entities; and	Important	O	Receipt of evidence that: (i) clear guidance, criteria and safeguards have been established to manage the selection and engagement of private sector entities; and (ii) a mechanism has been	15 February 2021

<sup>1</sup> Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

<sup>2</sup> Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

<sup>3</sup> Please note the value C denotes closed recommendations whereas O refers to open recommendations.

<sup>4</sup> Date provided by UNEP in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of management of partnerships at the United Nations Environment Programme

	(ii) ensure that such engagements contribute to the achievement of UNEP's programme of work.			established to assure that such engagements contribute to the achievement of UNEP's programme of work.	
6	UNEP should establish an escalation mechanism to address the persistent delays in project implementation and reporting by its partners.	Important	O	Receipt of evidence that an escalation mechanism has been established to address consistent delays in project implementation and reporting.	15 February 2021
7	UNEP should establish a mechanism to identify high risk implementing partners for mandatory on-site financial reviews, follow up and spot checks to mitigate delays in project implementation and ensure accountability.	Important	O	Receipt of evidence that a mechanism has been established to identify high risk implementing partners for mandatory on-site financial reviews, follow up and spot checks.	15 February 2021
8	UNEP should establish a mechanism to ensure the completion of audits, submission of audit reports and management letters, and tracking of audit recommendations for projects over \$200,000.	Important	O	Receipt of evidence that a mechanism has been established to ensure the completion of audits, submission of audit reports and management letters, and tracking of audit recommendations is done for projects over \$200,000.	15 February 2021
9	UNEP should provide policy guidance on the management and reporting of co-financing received from implementing partners and other stakeholders.	Important	O	Receipt of evidence that policy guidance on the management and reporting of co-financing received from implementing partners and other stakeholders has been provided.	15 April 2021
10	UNEP should ensure that projects adopt results-based reporting with clearly defined and measurable targets and deliverables.	Important	O	Receipt of evidence that projects have adopted results-based reporting with clearly defined and measurable targets and deliverables.	15 February 2021
11	UNEP should: (i) establish a mechanism to hold responsible staff accountable for failures in project implementation and inefficient use of resources; and (ii) strengthen project oversight by ensuring that project steering committees or other oversight mechanisms perform their designated role effectively.	Important	O	Receipt of evidence that: (i) a mechanism has been established to hold responsible staff accountable for failures in project implementation and inefficient use of resources; and (ii) project oversight has been strengthened by ensuring that project steering committees or other oversight mechanisms perform their designated role effectively.	15 April 2021
12	UNEP should expedite the closure of all projects that have expired funding agreements with partners.	Important	O	Receipt of evidence that all projects that have expired funding agreements with partners have been closed.	15 April 2021
13	UNEP should (i) establish a mechanism for following up on long outstanding balances; and (ii)	Important	O	Receipt of evidence that: (i) a mechanism for following up on long outstanding balances has	15 April 2021

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of management of partnerships at the United Nations Environment Programme

	ensure that implementing partners account for prior advances before additional advances are disbursed.			been established; and (ii) a mechanism has been established to ensure that implementing partners account for prior advances before additional advances are disbursed.	
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# **APPENDIX I**

## **Management Response**

## Management Response

## Audit of management of partnerships at the United Nations Environment Programme

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNEP should undertake a detailed fraud risk assessment pertaining to its engagement with implementing partners and strengthen internal controls to ensure that the fraud risks are adequately mitigated.	Critical	Y	Corporate Services Division and Programme and Policy Division	15/06/2021	UNEP accepts the recommendation.  UNEP will undertake a review of the risk assessment policy and processes in other UN entities who engage extensively with implementing partners to analyse and implement best practice within UNEP.
2	UNEP should ensure that the prescribed due diligence and comparative assessments are conducted in accordance with established policies before selection of implementing partners to mitigate the related risks and assure effective implementation of partnership activities.	Important	Y	Division and Regional Directors for all entities other than private sector. Partnership Committee for private sector entities	15/02/2021	UNEP accepts the recommendation.  UNEP's revised Partnership Policy and Procedure (PPP) which is currently being drafted is already reflecting the details of this recommendation.
3	UNEP should establish criteria for disclosure of material information by implementing partners and utilize the existing financial capacity assessment tools as applicable for reviewing the capacity of potential partners.	Important	Y	Corporate Services Division (Finance and Legal Units)	15/02/2021	UNEP accepts the recommendation.  UNEP's revised Partnership Policy and Procedure (PPP) which is currently being drafted already reflects the details of this recommendation.
4	UNEP should develop information systems that facilitate identification and effective management of risks and promote knowledge sharing on the capacities of government entities to implement UNEP projects.	Important	Y	Corporate Services Division with the support of Programme and Policy Division	15/04/2021	UNEP accepts the recommendation.  With regards to the information systems, UNEP wishes to inform that UN Office of ICT (OICT), HQ have instructed all UN Secretariat entities, including UNEP, to consolidate local / legacy systems or even phasing out some of them.

<sup>1</sup> Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

<sup>2</sup> Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

## Management Response

## Audit of management of partnerships at the United Nations Environment Programme

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>Taking this into consideration, UNEP will respond to this recommendation by enhancing the existing PIMS, Anubis and Partners Portal with features to handle the effective management of risks; and ensuring the integration of the existing systems.</p> <p>Also this aspect will be considered in UNEP's Enterprise Risk Management Framework (ERM) which is currently being developed.</p>
5	UNEP should: (i) establish clear guidance, criteria and safeguards to manage the selection and engagement of private sector entities as implementing partners or collaborating entities; and (ii) ensure that such engagements contribute to the achievement of UNEP's programme of work.	Important	Y	Corporate Services Division (Private Sector and Legal Units) with the support of Programme and Policy Division	15/02/2021	<p>UNEP accepts the recommendation.</p> <p>The guidelines, criteria and safeguards for the management/selection and engagement with private sector entities are part of UNEP's Partnership Policy and Procedures Document(s) which are currently under review.</p> <p>Moreover, these guidelines will take into account UNEP's recently approved Strategy for Private Sector Engagement and its Implementation Plan which will be linked and contribute to the achievement of the Programme of Work.</p>
6	UNEP should establish an escalation mechanism to address the persistent delays in project implementation and reporting by its partners.	Important	Y	Programme and Policy Division with Corporate Services Division support	15/02/2021	<p>UNEP accepts the recommendation.</p> <p>UNEP's revised Partnership Policy and Procedure (PPP) which is currently being drafted will reflect the mechanism to take into account this recommendation.</p> <p>UNEP will also update its Programme Manual to reflect this recommendation.</p>
7	UNEP should establish a mechanism to identify high risk implementing partners for mandatory on-site financial reviews, follow up and spot checks to mitigate	Important	Y	Corporate Services Division (Finance Unit)	15/02/2021	<p>UNEP accepts the recommendation.</p> <p>Kindly note that UNEP is consulting with UNHQ on the possibility of establishing a mechanism in the future releases of the Umoja IP module that would enable to</p>

## Management Response

## Audit of management of partnerships at the United Nations Environment Programme

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	delays in project implementation and ensure accountability.					<p>track and report on compliance to submission of Narrative progress reports, Financial reports and Audit reports by the due dates and capture details of the frequency of reports and the dates of the submission of the reports for each signed agreement. UNHQ has confirmed that requirements will be captured as part of exercise pertaining to the detailed scope in the next major release 2.0. However, timelines for the implementation are not yet confirmed.</p> <p>In addition, for procurement UNEP has developed a framework. Discussions have taken place as to the development of a SOP for the implementation of the framework across all UNEP activities.</p>
8	UNEP should establish a mechanism to ensure the completion of audits, submission of audit reports and management letters, and tracking of audit recommendations for projects over \$200,000.	Important	Y	Corporate Services Division (Finance Unit)	15/02/2021	<p>UNEP accepts the recommendation.</p> <p>UNEP has submitted its user requirements to the UNHQ team which includes among other things the functionality for the system to track and record submission of audit reports by the due dates and the actual dates of submission. It is UNEP's expectation that such audit reports will be uploaded to the system as part of the records for the agreement signed with IPs.</p>
9	UNEP should provide policy guidance on the management and reporting of co-financing received from implementing partners and other stakeholders.	Important	Y	Corporate Services Division (Finance Unit)	15/04/2021	<p>UNEP accepts the recommendation</p> <p>UNEP will draft guidance on this issue while noting a system to track co-financing by Implementing Partners is difficult as most are in kind-contributions, staff time, office space and equipment.</p>
10	UNEP should ensure that projects adopt results-based reporting with clearly defined and measurable targets and deliverables.	Important	Y	Programme and Policy Division	15/02/2021	UNEP accepts the recommendation.



## Management Response

## Audit of management of partnerships at the United Nations Environment Programme

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>UNEP wishes to inform that UNHQ is developing a standard template for UN Secretariat entities. UNEP will engage with UNHQ to capture such requirements.</p> <p>In parallel, UNEP will discuss the review and upgrading of results' narrative and log-frames when projects are revised after a specific timeframe.</p>
11	UNEP should: (i) establish a mechanism to hold responsible staff accountable for failures in project implementation and inefficient use of resources; and (ii) strengthen project oversight by ensuring that project steering committees or other oversight mechanisms perform their designated role effectively.	Important	Y	Programme and Policy Division	15/04/2021	<p>UNEP accepts the recommendation.</p> <p>As to part (i) kindly note that Certifying Officers already have personal responsibility under the UN Financial Regulations and Rules. With respect to the accountability of the concerned (lead) Division, the Delegation of Authority Policy and Framework already refers to this matter for the Division/Regional Directors and to anyone who has further delegation. As to Programme Officers, UNEP will explore whether the staff performance appraisal system should be used to hold them accountable for project implementation.</p> <p>UNEP will develop a specific process to monitor project progress. The use of dashboards to monitor financial and substantive progress shall be introduced.</p>
12	UNEP should expedite the closure of all projects that have expired funding agreements with partners.	Important	Y	Corporate Services Division (Finance Unit)	15/04/2021	<p>UNEP accepts the recommendation.</p> <p>UNEP would like to inform OIOS that UNON in collaboration with UNEP is manually monitoring and rejecting new payments to implementing partners with outstanding advances; this is being done manually since UMOJA does not support the performance of this action.</p>

## Management Response

## Audit of management of partnerships at the United Nations Environment Programme

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						In July 2020 a project was kicked off to close 1551 grants by September 2020, as of 3 August 1117 (72%) were closed.
13	UNEP should (i) establish a mechanism for following up on long outstanding balances; and (ii) ensure that implementing partners account for prior advances before additional advances are disbursed.	Important	Y	Corporate Services Division (Finance Unit)	15/04/2021	UNEP accepts the recommendation.  UNEP would like to inform OIOS that UNON in collaboration with UNEP is manually monitoring and rejecting new payments to implementing partners with outstanding advances; this is being done manually since UMOJA does not support the performance of this action.