



INTERNAL AUDIT DIVISION

REPORT 2023/035

Audit of the Transparency Division at the United Nations Framework Convention on Climate Change

**There is need to strengthen internal
controls relating to some aspects of
strategic planning, project management and
administrative services**

31 August 2023

Assignment No. AE2022-241-01

Audit of the Transparency Division at the United Nations Framework Convention on Climate Change

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the Transparency Division at the United Nations Framework Convention on Climate Change (UNFCCC). The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the management of the Transparency Division's programme of work. The audit covered the period from January 2020 to March 2023 and included a review of risk areas relating to: (a) strategic management and governance; (b) project management; and (c) administrative services.

The audit indicated the need to strengthen internal controls relating to some aspects of strategic planning, project management and administrative services. OIOS made twelve recommendations. To address the issues identified in the audit, the UNFCCC secretariat needed to:

- Develop a strategic plan and framework which aligns its purpose, strategic objectives, and organization structure, and provides a basis for the various organizational units to develop their work plans;
- Implement enterprise risk management so that all divisions identify and manage risks effectively;
- Finalize and implement a resource mobilization policy that is targeted at addressing the funding gap, encourages Parties to pay their contributions promptly, and expands the donor support base;
- Establish and monitor performance indicators relating to implementation of accepted oversight recommendations;
- Develop project management guidelines and a risk management framework for projects and revise the project proposal template accordingly;
- Strengthen its arrangements for implementing the Enhanced Transparency Framework by developing planning and monitoring documentation and mechanisms that would allow stakeholders to be aware of progress made in implementation, and to assess whether risks were being adequately managed;
- Remind managers of the need to fully comply with the established requirements for selecting and managing consultants; and strengthen oversight mechanisms to ensure full compliance with the established requirements on advertising, payment plans and performance evaluation; and
- Use lessons learned from the three contracts pertaining to the Transparency Division to strengthen procurement planning and oversight over procurement actions and related payments to contractors.

The Transparency Division needed to:

- Ensure that work plans for each unit in the Division are of appropriate quality and are aligned with strategic priorities of the Division and the Secretariat;
- Review all key performance indicators in the work programme to ensure they are relevant, strategically aligned, realistic, and include qualitative considerations whenever possible;
- Strengthen its arrangements for monitoring recruitment timelines and ensure it holds managers accountable to explain significant delays; and
- Introduce measures to monitor compliance with the established timelines for initiating travel requests and take action to discourage non-compliant behavior.

The UNFCCC secretariat accepted the recommendations and has undertaken to implement them. Actions required to close the recommendations are indicated in Annex I.

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Audit of the Transparency Division at the United Nations Framework Convention on Climate Change

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Transparency Division at the United Nations Framework Convention on Climate Change (UNFCCC).
2. UNFCCC was established as an overall framework for intergovernmental process to combat climate change. The Convention was ratified by 197 parties and came into force on 24 March 1994. The Convention is complemented by the Kyoto Protocol which came into force on 16 February 2005, and the Paris Agreement that entered into force on 4 November 2016. The Conference of Parties (COP) is the supreme decision-making body of the Convention which is supported by the UNFCCC secretariat.
3. The Transparency Division of the UNFCCC secretariat supports the intergovernmental processes related to Monitoring, Reporting and Verification (MRV) under the Convention and the Kyoto Protocol, as well as the Enhanced Transparency Framework (ETF) under the Paris Agreement. The functions of the Transparency Division include providing technical assistance to developing countries, training of experts engaged in the reporting, review, and analysis processes, and overseeing and implementing reporting and review processes under the Convention and its Kyoto Protocol. The Transparency Division also supports work on relevant methodological issues.
4. Under the MRV process, parties to the Convention must submit national communications every four years and Biennial Reports or Biennial Update Reports every two years. Developed countries are also required to submit greenhouse gas inventories on an annual basis, whereas developing countries submit greenhouse gas inventories with their national communications and Biennial Update Reports. From 2024, ETF will replace the MRV process. The implementation of ETF is a major responsibility for the Transparency Division. Its work is expected to expand significantly once ETF is fully implemented.
5. The budget for the Transparency Division was €41.8 million (\$44 million) for the 2022-2023 biennium and €29.7 million (\$32 million) for the 2020-2021 biennium. About 30 per cent of the 2022-2023 budget and 41 per cent of the 2020-2021 budget were funded from the core UNFCCC secretariat budget and the remaining 70 per cent and 59 per cent, respectively, was met by supplementary funding.
6. The Transparency Division was headed by a Director (D-1) and had a total of 76 posts. It had four subdivisions/units: (i) MRV and ETF Reporting and Review sub-division; (ii) Information Hub, Data, Systems and Tools sub-division; (iii) MRV and ETF Support sub-division; and (iv) ETF Coordination Unit. The sub-divisions were headed by P-5s while the ETF Coordination Unit was headed by a P-4.
7. Comments provided by UNFCCC are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

8. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the management of the Transparency Division's programme of work.
9. This audit was included in the 2023 risk-based work plan of OIOS due to the risk that potential weaknesses in management of the Transparency Division could have an adverse on the achievement of the UNFCCC secretariat's objectives.

10. OIOS conducted this audit from February to May 2023. The audit covered the period from January 2020 to March 2023. The audit covered risk areas relating to: (a) strategic management and governance; (b) project management; and (c) administrative services.

11. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) sample testing of transactions.

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

III. AUDIT RESULTS

A. Strategic management and governance

Improved strategic alignment would provide better linkages between activities and objectives

13. The UNFCCC secretariat developed a set of six strategic objectives which it has been using for programme budgeting purposes since 2020: (i) facilitating and supporting intergovernmental engagement; (ii) operating established processes arising from decisions of the COP; (iii) assisting constituted bodies to fulfil their mandates; (iv) managing data and information related to the response to the threat of climate change; (v) facilitating engagement with UNFCCC processes; and (vi) overseeing and managing the UNFCCC secretariat.

14. The UNFCCC secretariat's organization structure was not aligned with its strategic objectives. Consequently, all its objectives were cross-cutting. This meant that no single organizational unit or manager below the level of the Executive Secretary was fully responsible and accountable for any one of the objectives. In the 2022-2023 work programme, the Transparency Division had responsibilities and planned activities related to the first five strategic objectives, but so did the other three programme divisions.

15. As a result, units created work plans based on tasks that they were responsible for, rather than plans driven towards contributing to the achievement of overall objectives. Important areas of the Transparency Division's work such as operationalization of ETF were broken down and realigned against the strategic objectives. Fragmenting an important work area such as operationalization of ETF amongst five strategic objectives for programme planning and reporting purposes entails the risk of diminishing the focus on achieving the objectives of ETF.

16. Further, the strategic objectives were framed in a broad and general manner as never-ending tasks. The strategic alignment needs to be improved so that finite, measurable critical success factors such as "operationalization of ETF" or the "mobilization of sufficient resources each year" become discrete strategic objectives themselves. Better strategic alignment may be achieved with development of a strategic plan and framework that aligns overall strategic objectives down to division and unit work plans. OIOS has previously twice recommended that the UNFCCC secretariat develop such a strategic plan. While the UNFCCC secretariat had indicated that it would do so, it had not been done.

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| <p>(1) The UNFCCC secretariat should develop a strategic plan and framework which aligns its purpose, strategic objectives, and organization structure, and provides a basis for the various organizational units to develop their work plans.</p> |
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The UNFCCC secretariat accepted recommendation 1 and stated that the Transparency Division will strive to improve the unit work plans making them consistent with the achievement of the strategic objectives as well as financial reporting in relation to the objectives.

Transparency Division work plans were not consistent and contained different components

17. As previously indicated, the cross-cutting nature of the UNFCCC secretariat's strategic objectives meant that unit level work plans were not driven by the need to contribute to or align with the strategic objectives. In addition, the Transparency Division's unit level work plans were varied in format and substance. Half of them were in the form of Excel spreadsheets and the other half were Word documents. The most comprehensive work plans had goals and actions as well as deliverables, success criteria or performance indicators. The least comprehensive had a list of actions and an indication of when the action will take place, although in two-thirds of the cases, the actions were spread over the whole year. None of the 13 unit-level work plans of the Transparency Division considered risk areas, and only a few had performance indicators. It was not evident whether the work plans were used as management tools. Most of the work plans provided to OIOS in March 2023 were 2022 work plans. Some of them assigned tasks to personnel who were no longer in their positions. There was need for guidance and oversight to ensure that unit level work plans were of consistent good quality.

(2) The UNFCCC Transparency Division should ensure that work plans for each unit are of appropriate quality and are aligned with strategic priorities of the Division and the secretariat.

The UNFCCC secretariat accepted recommendation 2 and stated that the Transparency Division will strive to develop consistent work plans for each sub-division and each unit aligned with the strategic priorities of the division and the secretariat and in accordance with generally accepted best practice. This process should follow a secretariat-wide process for establishing a general model and guidelines for preparing work plans. The recommendation will be implemented in the next annual cycle.

Performance indicators may not be effective in assessing performance

18. Good key performance indicators (KPIs) allow stakeholders to assess performance of the organization and provide staff and management with signposts and warning indicators so they can adjust their actions to better achieve the designated objectives. To be effective, KPIs should be relevant, strategically aligned, realistic, predictive, and measure what is critical. Many of the KPIs for the Transparency Division incorporated in the UNFCCC secretariat's work programme did not have all these features. For example, a KPI of the number of reports reviewed was not relevant because the Transparency Division does not control the submission of reports by Parties. More relevant would be the time taken to publish a review report after the Party submits its report. Further, some KPIs had targets which seemed not to be realistic as they had been used in previous years and had never been met. There was also only one well-designed qualitative measure in the Transparency Division's KPIs (percentage of presiding officers expressing satisfaction). A report prepared by the Expert Group on Technology (FCCC/SB/2009/4) contained valuable insights on identifying and defining performance indicators that the Transparency Division could use.

(3) The UNFCCC Transparency Division should review all key performance indicators in the work programme to ensure they are relevant, strategically aligned, realistic, and include qualitative considerations whenever possible.

The UNFCCC secretariat accepted recommendation 3 and stated that the Transparency Division will strive to review all KPIs in the work programme to ensure they are relevant, strategically aligned, realistic, predictive, and measurable and consistent with the approach taken by the secretariat as a whole. This process should also follow a secretariat-wide process for revising the performance indicators included in the work programme document under the budget process. The revised KPIs will be included in the next biennial budget work programme document (2026-2027).

The UNFCCC secretariat has not yet fully adopted enterprise risk management

19. The last UNFCCC secretariat-wide attempt to develop a comprehensive risk assessment was in 2018-2019; there was no active enterprise risk management system as of the time of the audit. This meant that significant risks could go undetected/unmitigated, with no plan in place to manage them. Also, risks which fell across the responsibilities of more than one manager were exposed to being dealt with in different and conflicting ways. There was no evidence that the Transparency Division used risk management. Project proposals did not include a risk assessment, and unit work plans did not mention risk as a factor in planning. OIOS is of the view that there are two significant risks that the Transparency Division needs to manage: (i) the risk that funding for essential activities will not be available when required; and (ii) the risk that Parties' submission of Biennial Transparency Reports could become unpredictable after ETF is implemented. The Transparency Division needs to practice risk management, ideally as part of a secretariat-wide risk management framework.

(4) The UNFCCC secretariat should implement enterprise risk management so that all Divisions identify and manage risks effectively.

The UNFCCC secretariat accepted recommendation 4 and stated that he Transparency Division will strive to identify and manage all risks better.

Need for a resource mobilization policy

20. Since 2014, there have been seven Climate Change Conferences with each Conference assigning more tasks to the UNFCCC secretariat. Almost every decision made by COP ended with a statement that the financial impact of the decision on the UNFCCC secretariat is noted, and the secretariat should do what it can with the funds it has. This placed the onus on the UNFCCC secretariat to raise the funds to undertake its core activities. Almost 60 per cent of the Transparency Division's funds for the 2022-2023 biennium came from supplementary funding. Delays in receipt of assessed contributions from Parties exacerbated the funding gaps, with contributions in the amount of \$31 million remaining outstanding as of 31 March 2023. Resource mobilization is therefore a critical task that needs to be a strategic objective of the UNFCCC secretariat and permeate the work of every division.

21. The Transparency Division regularly engaged with donors and had some success in obtaining funding for a large portion of its operations. However, the UNFCCC secretariat did not have a resource mobilization strategy or policy to govern resource mobilization at the entity and/or division level. The secretariat reported on the status of its funding to the COP, but the lack of a strategic approach to fundraising was evident. In response to a recommendation in the OIOS audit of partnerships and resource mobilization (Report 2018/053), the UNFCCC secretariat had indicated that the development of a policy and standard operating procedures for resource mobilization were in progress and would be finalized in July 2018. During the present audit, the UNFCCC secretariat indicated that a policy is still being developed.

- (5) The UNFCCC secretariat should finalize and implement a resource mobilization policy that is targeted at addressing the funding gap, encourages Parties to pay their contributions promptly, and expands the donor support base.**

The UNFCCC secretariat accepted recommendation 5 and stated that it will prioritize the finalization of its organization-wide resource mobilization strategy. This work is being led by the Resource Mobilization and Partnerships sub-division (RMP). The Transparency Division will continue to work with RMP for addressing the funding gaps and prioritizing the allocation of resources.

Implementation of previously accepted OIOS recommendations was inadequate

22. Several past OIOS recommendations which the UNFCCC secretariat had accepted had not been implemented. These recommendations addressed governance issues such as strategic planning, risk management and project management. While the implementation of these recommendations was not necessarily the responsibility of the Transparency Division, their implementation would benefit the Division. Accepting audit recommendations but not implementing them creates the illusion for stakeholders that the risk exposures have been or will be addressed by management whereas in practice, nothing was done to address the risks. A good practice adopted by the United Nations Secretariat is the establishment of KPIs on implementation of recommendations in the compact of the heads of entities. UNFCCC could adopt a similar practice in its results framework or performance evaluations of its senior managers.

- (6) The UNFCCC secretariat should establish and monitor performance indicators relating to implementation of accepted oversight recommendations in its results framework and performance work plans of responsible managers.**

The UNFCCC secretariat accepted recommendation 6 and stated that the implementation rates of audit recommendations will be added to the work plans of the responsible managers as required.

B. Project management

The UNFCCC secretariat had not issued guidelines or operationalized project risk management

23. Records showed that the Transparency Division had four active projects with a total budget of \$33 million, financed from supplementary funds. Project proposals for these projects were treated as project plans. OIOS reviewed the proposals and noted that each proposal had a scope, budget, and timeline. One of the four proposals included a major standalone project to develop a set of tools to support ETF, which was being managed by the Information Technology (IT) Unit with an external project manager using PRINCE 2 (“Projects in Controlled Environments”) methodology. However, the other three were not proposals for any specific projects. They were more like funding proposals to seek supplementary funds for the sub-divisions and the ETF Coordination Unit to undertake their normal functions. All the outputs in the three proposals were regular outputs for the sub-division, and for 27 of the 28 outputs, the deadline for delivery was the entire biennium. In view of this, OIOS did not assess their management as ‘project management’. The audit showed that the UNFCCC secretariat did not have a definition of what constituted a “project”, and it had not operationalized project risk management. The secretariat had also not issued any project management guidelines and was yet to revise the project proposal template as recommended in a previous OIOS Audit of the Mitigation, Data and Analysis Programme (Report 2016/147).

- (7) The UNFCCC secretariat should develop project management guidelines and a risk management framework for projects and revise the project proposal template accordingly.**

The UNFCCC secretariat accepted recommendation 7 and stated that it will strive to develop project management guidelines and review and revise its current project proposal template to align it with the best practice across the United Nations within 24 months. This work will be led by the Operations Coordination Department.

Need to strengthen the arrangements for the implementation of ETF

24. The Paris Agreement was adopted in 2016 and introduced ETF which will result in a significant increase in the workload of the Transparency Division when fully implemented. Successful implementation of ETF is critical to the UNFCCC secretariat. The implementation involves various units and a broad range of activities and components which need to be coordinated. The first Biennial Transparency Reports under ETF are due to be received by the end of 2024. The Biennial Transparency Report is significantly more complex than the current reporting under the Convention, and the number of reports expected is much higher. The Biennial Transparency Report is expected to be completed by up to 190 Parties in the biennium, whereas only just over 100 Biennial Reports or Biennial Update reports are currently received for review. Further, as more countries commence action to produce Biennial Transparency Reports, it is expected that they will need significant assistance from the Transparency Division to develop the reports. The Transparency Division is also responsible for providing training to technical expert reviewers nominated by Parties and this work is also expected to grow significantly.

25. Given the importance, size, and complexity of ETF implementation, it is essential that planning and monitoring is robust. The Transparency Division had chosen not to manage the implementation of ETF as a project because it considers that ETF forms a part of the secretariat's core mandate. Instead, it assigned component activities of the implementation to the sub-divisions currently responsible for similar activities and established the ETF Coordination Unit reporting to the Director. OIOS is of the view that even if it chooses not to use a formal project management methodology, the Transparency Division should at a minimum have appropriate planning documentation such as a comprehensive implementation plan, detailed costing, and a risk management framework for implementation of ETF. This would facilitate more holistic planning, monitoring, and reporting (internally and externally), and enhance joint responsibility for all aspects of ETF implementation rather than managers being responsible only for their own components. The recommendations made earlier in the present report, if implemented, would also help to improve the approach to implementation of ETF.

(8) The UNFCCC secretariat should strengthen its arrangements for implementing the Enhanced Transparency Framework by developing planning and monitoring documentation and mechanisms that would allow stakeholders to be aware of progress made in implementation, and to assess whether risks were being adequately managed.

The UNFCCC secretariat accepted recommendation 8 and stated that each sub-division in the Transparency Division has been managing the ETF transition preparations quite effectively, with planning, monitoring, documentation, and outreach systematically conducted. Considering the recommendation presented, the Transparency Division will continue to strengthen its arrangements, will follow the overall ETF planning and monitoring activities, and will strive to develop risk management strategy and approach consistently with the secretariat-wide process.

C. Administrative services

Need to strengthen monitoring and oversight of recruitment timelines

26. Staffing constituted approximately 54 per cent of the Transparency Division's budget. Therefore, effective, and timely recruitment is essential for effectively managing the Division's programme of work. The Transparency Division undertook 33 recruitment actions between January 2020 and December 2022, and as of 31 December 2022, 7 of the 76 posts in the Division were vacant (10 per cent vacancy rate). OIOS' review showed that recruitments were done in a competitive manner in accordance with the UNFCCC secretariat's Recruitment and Selection standard operating procedure (SOP). However, there were delays in filling some of the posts. Of the 33 recruitment cases completed during 2020-2022, 18 took more time than the target of 5 months. The delays were due to a combination of factors including: (i) delays in advertising known and foreseen vacant positions arising from separations and retirements; and (ii) delays in evaluating candidates. There was a need to monitor the key phases of the recruitment process so that managers could be held accountable to explain delays. The UNFCCC secretariat issued a new administrative instruction (AI/2023/5) on 15 February 2023 which reduced the mandatory job opening announcement period from 30 to 14 calendar days and allowed direct selection from rosters without further assessment. While these changes could help reduce the recruitment timelines, they may not have much impact unless responsible managers commit to meeting the timelines outlined in the SOP.

(9) The UNFCCC Transparency Division should strengthen its arrangements for monitoring recruitment timelines and ensure that it holds managers accountable to explain significant delays in initiating recruitment actions and in other key phases of the recruitment process.

The UNFCCC secretariat accepted recommendation 9 and stated that the Transparency Division will strive to strengthen its arrangements for monitoring recruitment timelines and ensure it holds managers accountable to explain significant delays in initiating recruitment actions and other key phases of the recruitment process considering the new instruction issued in February 2023 for streamlining recruitment process. The new staff selection guidelines have set KPIs and recruitment timelines which will be monitored with frequent reporting to promote accountability of hiring decisions.

Need to ensure full compliance with requirements for selecting consultants and individual contractors

27. During the period January 2020 to December 2022, the Transparency Division issued a total of 207 contracts to individual contractors (ICs) and consultants with a total value of \$4 million. OIOS' review of a sample of 20 contracts showed that the terms of reference were properly established, and recruitment was done in a competitive manner, but there were some shortcomings in compliance with the administrative instruction on consultants and ICs (ST/AI/2013/4). Three of the 20 contracts reviewed were for periods longer than six months, but no vacancy announcement was posted publicly as required by ST/AI/2013/4. OIOS was informed no vacancy openings for consultants and ICs were posted during the period 2020-2023. Given the potential need for a larger pool of consultants to conduct reviews of the new Biennial Transparency Reports under ETF, attracting more applicants could help to reduce the risk of reviews not being competed in a timely manner. In addition, in 12 out of the 20 contracts reviewed, consultants/ICs started working before the contracts were signed. Further, in 4 out of the 20 cases, the final instalments were less than 10 per cent of the contract which was contrary to ST/AI/2013/4 requirements. The Transparency Division also did not perform interim evaluations as required for 62 of the 207 contracts that had contract periods longer than six months, and only did a single final evaluation regardless of the contract period. Interim evaluations are necessary to help ensure that non-performance issues are addressed in a timely manner.

(10) The UNFCCC secretariat should: (a) remind managers of the need to fully comply with the established requirements for selecting and managing consultants prescribed in ST/AI/2013/4; and (b) strengthen oversight mechanisms to ensure full compliance with the established requirements on advertising, payment plans and performance evaluation.

The UNFCCC secretariat accepted recommendation 10 and stated that Administrative Services, Human Resources, and ICT Division will strengthen and revise the policy and compliance under the revised administrative instruction, complemented by the SOP, implementation plan and applicable tools and guidance promulgated on 15 February 2023. The Transparency Division will follow the secretariat-wide process for complying with the established requirements for selecting and managing consultants.

Need to ensure compliance with the Procurement Manual

28. OIOS’ review of the procurement process for the three procurement actions initiated by the Transparency Division during the period 2020-2023 (see Table 1 below) showed shortcomings in procurement planning and oversight of procurement actions and related payments.

Table 1: Procurement actions during 2020-2023

| Contract number | Services procured | Contract date | Contract value (\$) |
|------------------------|--|----------------------|----------------------------|
| C129-20 | Online examination proctoring platform to support expert reviewers | 02/02/2021 | 170,200 |
| C155-22 | Development of software tools for ETF reporting | 04/01/2023 | 8,731,394 |
| C156-22 | Online training for members of expert review teams of the greenhouse inventories | 20/01/2023 | 1,907,500 |

29. Key controls were implemented including, competitive selection, pre-defined evaluation criteria, reviews by technical and financial evaluation committees, and identification of risk factors. However, the two contracts that were above \$1 million were signed in January 2023 before they were submitted to the Headquarters Committee on Contracts (HCC) for review. Both contracts were still awaiting HCC review as of May 2023. Signing the contracts prior to HCC review renders the review process superfluous, since the UNFCCC secretariat has already entered into contract with the vendors. Also, source selection plans did not include a provision for the time required to submit cases to HCC which is an indication that this aspect was not considered in the procurement plan.

30. Further, purchase orders were issued against the contracts even before the contracts were approved and signed. A purchase order was issued against the software development contract (C155-22) on 19 December 2022 for €332,086 (\$356,331) even though the contract was not signed until 4 January 2023. A subsequent purchase order for €1,085,144 (\$1,164,318) was issued on 24 March 2023 while HCC review was still pending. Regarding the training provider contract (C156-22), six purchase orders totaling \$888,000 were issued between January 2021 to December 2022 without a valid contract as the previous contract had expired on 31 December 2020, and the new contract was signed only on 20 January 2023. The procurement action for the new contract was initiated in June 2020, six months before the end of the contract on 31 December 2020. This was a large contract, and it should have been foreseen that the procurement process was likely to take longer than six months.

31. The training provider contractor was paid over \$700,000 in advance payments, many of which were made when there was no valid contract. The justification for the advance payments was that the contractor

was a not-for-profit organization that did not have the working capital to mobilize its activities in each case. Making advance payments without a contract, or when the existing contract does not specify the arrangements and safeguards for such payments, exposes the UNFCCC secretariat to unnecessary financial risks. Further, a payment made towards a purchase order of \$14,836 under the new contract included fee-based payment for two services which were not listed in the contract. If these items were to be included in the fee list, a contract variation should have been prepared and agreed upon.

32. The gaps noted above show control failures at several levels within and outside of the Transparency Division, namely: (i) delays in initiating of procurement action by the Transparency Division; (ii) the Procurement Unit's failure to account for time needed for HCC approval in the source selection plan; (iii) the Procurement Unit's issuance of purchase orders without active/valid contracts; (iv) staff with delegated procurement authority signing contracts before HCC review; and (v) certifying and approving officers not ensuring that payments made fully complied with applicable terms and conditions of contract.

(11) The UNFCCC secretariat should use lessons learned from the three contracts pertaining to the Transparency Division to strengthen procurement planning and oversight over procurement actions and related payments to contractors.

The UNFCCC secretariat accepted recommendation 11 and stated that within the next three months, and at six-monthly intervals thereafter: (i) divisions will be reminded of procurement timelines and prompted, on regular basis, to provide input to the rolling procurement plan; (ii) HCC review will be incorporated in source selection plans and sought prior to contract conclusion; and (iii) the Administrative Services, Human Resources, and ICT Division will remind the approving officers and certifying officers about their authority and responsibilities. The Transparency Division will follow the secretariat-wide process for strengthening the procurement planning and oversight.

Compliance with the advance ticketing requirement was low

33. From January 2020 to February 2023, the Transparency Division spent a total of \$1.2 million towards travel expenses including staff travel on official business and travel by external parties for official meetings. OIOS' review of 30 travel requests showed that there was general compliance with the established requirements for approval of travel requests and submission of mission reports. Travel entitlements were also accurately computed. However, travel requests were not always initiated in a timely manner. Based on data extracted from Umoja, 264 out of the 758 travel requests (about 35 per cent) relating to the Transparency Division were submitted later than the required 21 calendar days before the trip start date. For external travelers, 30 per cent of the travel requests were not submitted within the required time, while for staff travel, the non-compliance rate was higher with 50 per cent of the travel requests not being submitted within 21 calendar days. The reasons for late submission were documented as required and mostly related to late provision of event details to the traveler. This reason was used even for some major international events where the timing was known months in advance. OIOS' review showed that while there were justifiable cases where travel could not be booked within the established deadlines, procrastination or ineffective planning was also a factor in some cases. Managers entrusted with approving travel requests and certifying officers need to ensure that exceptions to the established timelines are limited to justifiable cases.

(12) The UNFCCC Transparency Division should introduce measures to monitor compliance with the established timelines for initiating travel requests and take action to discourage non-compliant behavior.

The UNFCCC secretariat accepted recommendation 12 and stated that the Transparency Division will monitor compliance and remind/empower certifying officers and managers to enforce compliance

with the established timelines for initiating travel requests. Also, the Travel Unit stands ready to support the certifying officers and managers in Transparency Division in enforcing the advance purchase policy.

IV. ACKNOWLEDGEMENT

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

Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the Transparency Division at the United Nations Framework Convention on Climate Change

| Rec. no. | Recommendation | Critical ¹ / Important ² | C/ O ³ | Actions needed to close recommendation | Implementation date ⁴ |
|----------|---|---|----------------------|--|----------------------------------|
| 1 | The UNFCCC secretariat should develop a strategic plan and framework which aligns its purpose, strategic objectives, and organization structure, and provides a basis for the various organizational units to develop their work plans. | Important | O | Receipt of evidence that the UNFCCC secretariat has developed a strategic plan and framework which aligns its purpose, strategic objectives, and organization structure. | 31 December 2024 |
| 2 | The UNFCCC Transparency Division should ensure that work plans for each unit are of appropriate quality and are aligned with strategic priorities of the Division and the secretariat. | Important | O | Receipt of evidence of action taken to ensure that unit-level work plans of the Transparency Division are of appropriate quality and aligned with the strategic priorities of the Division and the UNFCCC secretariat. | 31 March 2024 |
| 3 | The UNFCCC Transparency Division should review all key performance indicators in the work programme to ensure they are relevant, strategically aligned, realistic, and include qualitative considerations whenever possible. | Important | O | Receipt of evidence of the action taken to revise the performance indicators for the 2026-2027 work programme accordingly. | 28 February 2025 |
| 4 | The UNFCCC secretariat should implement enterprise risk management so that all Divisions identify and manage risks effectively. | Important | O | Receipt of evidence that an enterprise risk management framework has been implemented by the UNFCCC secretariat. | 29 February 2024 |
| 5 | The UNFCCC secretariat should finalize and implement a resource mobilization policy that is targeted at addressing the funding gap, encourages Parties to pay their contributions promptly, and expands the donor support base. | Important | O | Receipt of evidence that a resource mobilization strategy or policy has been finalized and implemented for the UNFCCC secretariat. | 31 January 2024 |
| 6 | The UNFCCC secretariat should establish and monitor performance indicators relating to implementation of accepted oversight | Important | O | Receipt of evidence that performance indicators relating to implementation of accepted oversight recommendations have been established and | 30 April 2024 |

¹ 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.

² 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.

³ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

⁴ Date provided by UNFCCC in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the Transparency Division at the United Nations Framework Convention on Climate Change

| | | | | | |
|----|---|-----------|---|---|-------------------|
| | recommendations in its results framework and performance work plans of responsible managers. | | | incorporated in the UNFCCC secretariat's results framework and performance work plans of responsible managers. | |
| 7 | The UNFCCC secretariat should develop project management guidelines and a risk management framework for projects and revise the project proposal template accordingly. | Important | O | Receipt of evidence that project management guidelines have been issued by the UNFCCC secretariat, and the project proposal template has been revised accordingly. | 30 September 2025 |
| 8 | The UNFCCC secretariat should strengthen its arrangements for implementing the Enhanced Transparency Framework by developing planning and monitoring documentation and mechanisms that would allow stakeholders to be aware of progress made in implementation, and to assess whether risks were being adequately managed. | Important | O | Receipt of evidence of action taken to improve the arrangements for planning and monitoring the implementation of ETF. | 31 July 2024 |
| 9 | The UNFCCC Transparency Division should strengthen its arrangements for monitoring recruitment timelines and ensure that it holds managers accountable to explain significant delays in initiating recruitment actions and in other key phases of the recruitment process. | Important | O | Receipt of evidence that arrangements have been established to hold managers accountable to explain delays in key phases of the recruitment process. | 31 July 2024 |
| 10 | The UNFCCC Secretariat should: (a) remind managers of the need to fully comply with the established requirements for selecting and managing consultants prescribed in ST/AI/2013/4; and (b) strengthen oversight mechanisms to ensure full compliance with the established requirements on advertising, payment plans and performance evaluation. | Important | O | Receipt of evidence of the oversight mechanisms implemented to ensure full compliance with the established requirements on advertising, payment plans and performance evaluation of consultants and individual contractors. | 31 January 2024 |
| 11 | The UNFCCC secretariat should use lessons learned from the three contracts pertaining to the Transparency Division to strengthen procurement planning and oversight over procurement actions and related payments to contractors. | Important | O | Receipt of evidence of action taken to strengthen procurement planning and oversight over procurement actions and related payments to contractors. | 31 December 2023 |
| 12 | The UNFCCC Transparency Division should introduce measures to monitor compliance with | Important | O | Receipt of evidence of measures introduced by the Transparency Division to monitor compliance | 31 July 2024 |

STATUS OF AUDIT RECOMMENDATIONS

Audit of the Transparency Division at the United Nations Framework Convention on Climate Change

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| | the established timelines for initiating travel requests and take action to discourage non-compliant behavior. | | | with the established timelines for initiating travel requests and discouraging non-compliant behavior. | |
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APPENDIX I

Management Response

Management Response

Audit of the Transparency Division 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 | The UNFCCC secretariat should develop a strategic plan and framework which aligns its purpose, strategic objectives, and organization structure, and provides a basis for the various organizational units to develop their work plans. | Important | Yes | Manager, ODO | December 2024 | The secretariat accepts the recommendation. The Transparency division will strive to improve the unit workplans making them consistent with the achievement of the strategic objectives as well as financial reporting in relation to the objectives |
| 2 | The UNFCCC Transparency Division should ensure that work plans for each unit are of appropriate quality and are aligned with strategic priorities of the Division and the secretariat. | Important | Yes | Director, Transparency | March 2024 | The Transparency division will strive to develop consistent workplans for each sub-division and each unit aligned with the strategic priorities of the division and the secretariat and in accordance with generally accepted best practice. This process should follow a secretariat wide process for establishing a general model and guidelines for preparing workplans. The recommendation will be implemented in the next annual cycle |
| 3 | The UNFCCC Transparency Division should review all key performance indicators in the work programme to ensure they are relevant, strategically aligned, realistic, and include qualitative considerations whenever possible. | Important | Yes | Director, Transparency | February 2025 | The Transparency division will strive to review all key performance indicators in the work programme to ensure they are relevant, strategically aligned, realistic, predictive, and measurable and also consistent with the approach taken by the secretariat |

¹ 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.

² 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

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|----------|---|---|-----------------------|---|------------------------|---|
| | | | | | | as a whole. This process should also follow a secretariat wide process for revising the performance indicators included in the work programme document under the budget process. The revised KPIs will be included in the next biennial budget work programme document (2026-27), drafting of which will commence in fall 2024. |
| 4 | The UNFCCC secretariat should implement enterprise risk management so that all Divisions identify and manage risks effectively. | Important | Yes | Manager, ODO | February 2024 | The Transparency division will strive to identify and manage all risks better. However, the transparency division is not in the position to implement this recommendation by itself. The approach and timing for implementing this recommendation depends on the secretariat-wide process. |
| 5 | The UNFCCC secretariat should finalize and implement a resource mobilization policy that is targeted at addressing the funding gap, encourages Parties to pay their contributions promptly, and expands the donor support base. | Important | Yes | Manager, Resource Mobilization and Partnerships | January 2024 | The secretariat accepts this recommendation and will prioritize the finalization of its organization-wide resource mobilization strategy. This work is being led by the Resource Mobilization and Partnerships Subdivision/Operations (RMP) The Transparency division will continue to work with the RMP unit for addressing the funding gaps and prioritizing the allocation of resources |

Management Response

Audit of the Transparency Division 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 |
|----------|--|---|-----------------------|---|------------------------|--|
| 6 | The UNFCCC secretariat should establish and monitor performance indicators relating to implementation of accepted oversight recommendations in its results framework and performance work plans of responsible managers. | Important | Yes | Manager, ODO | April 2024 | The organization-wide performance appraisal process runs from 1 April to 31 March of the following year. The implementation rates of the audit recommendations will be added to the workplans of the responsible managers as required. |
| 7 | The UNFCCC secretariat should develop project management guidelines and a risk management framework for projects and revise the project proposal template accordingly. | Important | Yes | Senior Director, Operations Coordination | September 2025 | The secretariat accepts this recommendation and will strive to develop project management guidelines and review and revise its current project proposal template to align it with the best practice across the UN within 24 months. This work will be led by the Operations Coordination Department with assistance from ODO |
| 8 | The UNFCCC secretariat should strengthen its arrangements for implementing the Enhanced Transparency Framework by developing planning and monitoring documentation and mechanisms that would allow stakeholders to be aware of progress made in implementation, and to assess whether risks were being adequately managed. | Important | Yes | Director, Transparency | July 2024 | The Enhanced Transparency Framework (ETF) represents a continuous core mandate of the UNFCCC secretariat through Transparency division under Paris Agreement. Additionally, it doesn't have an end date, being much broader and more complex than a "project" in a conventional sense which has stand-alone and time-bound objectives. Anticipating the need for better coordination across the key functional areas within the Transparency division with a significant increase in workload for fully implementing the |

Management Response

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|----------|----------------|---|-----------------------|---------------------------------------|------------------------|--|
| | | | | | | <p>ETF, a new team has been established during the 2018-2020 restructuring. The main objective of this new unit is to coordinate the work of the entire division on the development and implementation of the ETF under a holistic framework. The ETF Coordination Unit reports directly to the Director and the coordination responsibilities are undertaken on his behalf. This approach has already been established and it is working for more than 2 years by coordinating the institutional and procedural arrangements for transitioning from the current MRV, by developing the procedures, systems/tools and training activities under the three subdivisions of the Transparency division, as well as by managing the communication and engagement with various stakeholders. So far, each subdivision in the transparency division has been managing the ETF transition preparations quite effectively, with planning, monitoring, documentation, and outreach systematically conducted. Considering the recommendation presented, the Transparency division will continue to strengthen its arrangements, will follow the overall ETF planning and monitoring activities, and will strive to develop</p> |

Management Response

Audit of the Transparency Division at the United Nations Framework Convention on Climate Change

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|----------|---|---|-----------------------|---|------------------------|---|
| | | | | | | risk management strategy and approach consistently with the secretariat wide process. The timing for implementing this recommendation will commence immediately. |
| 9 | The UNFCCC Transparency Division should strengthen its arrangements for monitoring recruitment timelines and ensure that it holds managers accountable to explain significant delays in initiating recruitment actions and in other key phases of the recruitment process. | Important | Yes | Director, Transparency | July 2024 | The Transparency Division will strive to strengthen its arrangements for monitoring recruitment timelines and ensure it holds managers accountable to explain significant delays in initiating recruitment actions and other key phases of the recruitment process considering the new UNFCCC instruction issued in February 2023 for streamlining recruitment process. The new staff selection guidelines have set KPIs and recruitment timelines which will be monitored with frequent reporting to MT to promote accountability of hiring divisions. The timing for implementing this recommendation will commence immediately |
| 10 | The UNFCCC Secretariat should: (a) remind managers of the need to fully comply with the established requirements for selecting and managing consultants prescribed in ST/AI/2013/4; and (b) strengthen oversight mechanisms to ensure full compliance with the established requirements on advertising, | Important | Yes | Human Resources Officer, AS/HR/ICT | January 2024 | The secretariat accepts the recommendation. AS/HR/ICT will strengthen and revise the policy and Internal control and compliance under the revised ST/AI complemented by the SOP, implementation plan and applicable tools and guidance as promulgated on 15 February 2023. |

Management Response

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|----------|---|---|-----------------------|--|------------------------|---|
| | payment plans and performance evaluation. | | | | | The Transparency division will follow the secretariat wide process for complying with the established requirements for selecting and managing consultants. The timing for implementing this recommendation by the Transparency division will commence immediately |
| 11 | The UNFCCC secretariat should use lessons learned from the three contracts pertaining to the Transparency Division to strengthen procurement planning and oversight over procurement actions and related payments to contractors. | Important | Yes | Chief, Procurement, Travel and General Services unit, AS/HR/ICT | December 2023 | <p>The secretariat accepts the recommendation. Within the next three months, and at six-monthly intervals thereafter: (i) divisions will be reminded of procurement timelines and prompted, on regular basis, to provide input to the rolling procurement plan; (ii) HCC review will be incorporated in SSP and sought prior to contract conclusion. It is noted that a review of the DoA to the ES in procurement matters is ongoing, which is expected to clarify the roles of UN Secretariat (HCC, UNPD, ASG OSCM) in UNFCCC procurement; (iii) AS/HR/ICT will remind the approving officers and certifying officers about their authority and responsibilities.</p> <p>The Transparency division will follow the secretariat wide process for strengthening the procurement planning and oversight.</p> |

Management Response

Audit of the Transparency Division 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 |
|----------|--|---|-----------------------|---------------------------------------|------------------------|--|
| 12 | The UNFCCC Transparency Division should introduce measures to monitor compliance with the established timelines for initiating travel requests and take action to discourage non-compliant behavior. | Important | Yes | Director, Transparency | July 2024 | The Transparency division will monitor compliance and remind/empower certifying officers and managers to enforce compliance with the established timelines for initiating travel requests. Also, the Travel Unit stands ready to support the certifying officers and managers in Transparency division in enforcing the advance purchase policy. The timing for implementing this recommendation by the Transparency division will commence immediately. |