



# **INTERNAL AUDIT DIVISION**

## **REPORT 2022/084**

---

### **Audit of the Ecosystems Division of the United Nations Environment**

**There was need to strengthen monitoring and  
accountability in project implementation**

**22 December 2022**

**Assignment No. AA2022-220-01**

# **Audit of the Ecosystems Division of the United Nations Environment Programme**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of the Ecosystems Division of 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 effective implementation of projects by the Ecosystems Division of UNEP. The audit covered the period from January 2020 to December 2021 and included: (i) project monitoring and implementation; (ii) performance management and reporting; and (iii) evaluation.

Expected benefits were being realized in some projects. However, there was need for more efficient and effective implementation of projects.

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

- Strengthen monitoring and accountability for project implementation by ensuring that it plays its full role in the Project Steering Committees to assure that project targets or outputs, when significantly reduced, provide proper justification with appropriate reduction in the related budget/expenditure;
- Assess, in collaboration with the Department of Safety and Security, the security situation at the project site in Negril, Jamaica, to determine the feasibility of implementing the project in light of the security concerns noted;
- Strengthen project monitoring by ensuring periodic visits to project sites to verify implementation and assure that project expenditures produce tangible results;
- Address, in collaboration with implementing partners, the delays in procurement and strengthen project planning to ensure that such delays are prevented in future;
- Take measures to reduce delays in disbursement of funds to implementing partners to facilitate timely project implementation and develop mechanisms for timely commencement of projects after necessary approvals are granted;
- Require implementing partners to submit co-finance reports in accordance with their agreements and establish a follow up mechanism to ensure that implementing partners submit expenditure reports on time;
- Ensure that all implementing partners submit annual audit reports in accordance with partnership agreements and the related policy requirements;
- Develop an action plan to clear expired grants;
- Improve its management dashboards by including select key results at the impact, outcome and output levels; and
- Develop an action plan to clear the backlog in long outstanding evaluations.

UNEP accepted the recommendations and has initiated action to implement them. Actions required to close the recommendations are indicated in Annex I.

# CONTENTS

I. BACKGROUND	1
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	1-2
III. AUDIT RESULTS	2-13
A. Project monitoring and implementation	2-12
B. Performance management and reporting	12-13
C. Evaluation	13
IV. ACKNOWLEDGEMENT	13
ANNEX I	Status of audit recommendations
APPENDIX I	Management response

# **Audit of the Ecosystems Division of the United Nations Environment Programme**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Ecosystems Division of 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. Its mandate derives from General Assembly resolution 2997 (XXVII) of 15 December 1972.
3. UNEP has analyzed that the world faces three major environmental crises: climate change, biodiversity loss, and pollution. A major part of UNEP's budget of \$909.6 million for the 2020-2021 biennium was allocated to address climate change (\$261.4 million or 29 per cent of the budget) and healthy and productive ecosystems (\$189.4 million or 21 per cent of the budget).
4. The Ecosystems Division is one of seven divisions of UNEP. The division has five branches: (i) the Biodiversity and Land Branch; (ii) the Marine and Freshwater Branch; (iii) the Nature for Climate Branch; (iv) the Disasters and Conflict Branch; and (v) the Ecosystems Integration Branch. As of March 2022, the Division had 244 staff posts consisting of 155 in the professional category and above (including 12 Directors), 88 in the General Service category, and one National Officer.
5. As of 31 December 2021, the Ecosystems Division was implementing project portfolios with total budgets of \$798.4 million. These included Biodiversity and Land Degradation projects (\$198.1 million); Climate Change Adaptation projects (\$269.2 million); International Waters projects (\$103.2 million); and Programme of Work (PoW) projects (\$227.8 million).

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

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring effective implementation of projects by the Ecosystems Division of UNEP.
7. This audit was included in the 2022 risk-based work plan of OIOS due to the risk that potential weaknesses in implementation of projects by the Ecosystems Division could have an adverse impact on the achievement of UNEP's objectives.
8. OIOS conducted this audit from April to September 2022. The audit covered the period from January 2020 to December 2021. OIOS conducted field visits to eight project offices and sites in seven countries: Angola, Brazil, Djibouti, Jamaica, Sudan, Tanzania and Madagascar. Based on an activity-level risk assessment, the audit covered risk areas which included: (i) project monitoring and implementation; (ii) performance management and reporting; and (iii) evaluation.
9. 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 observation. OIOS selected a sample of 44 projects for review, including some suggested by UNEP.

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

### **III. AUDIT RESULTS**

#### **A. Project monitoring and implementation**

##### Project progress was monitored against defined targets

11. In the Medium-Term Strategy 2020-2021, UNEP identified results-based management (RBM) as one of its operating principles. A key principle of RBM is that monitoring should be based on expected results at impact, outcome, and output levels. UNEP's project documents contained logical frameworks that defined specific and measurable targets of results to be achieved at the mid-term and end of the project. UNEP monitored the progress on projects based on specific expectations defined in project documents. In 22 out of 23 project implementation reports reviewed by OIOS, the progress achieved was tracked against specific targets contained in project documents, such as number of hectares of land under sustainable management, or the number of people benefiting from project activities.

##### Expected benefits were being realized for some projects

12. Significant progress was evident in the implementation of activities in some projects, including realization of the intended benefits, as summarized below.

(a) Wadi El Ku Catchment Management - Phase 2 in Sudan (PoW Project 1990)

13. The project commenced in January 2017 with a budget of \$10 million from the Global Environment Facility (GEF), and UNEP's in-kind contribution of \$1 million. At the time of the audit, the project had met its targets of benefiting 3,500 households from its interventions, and establishing/ rehabilitating three water harvesting structures. The donor seemed to be satisfied with the impact achieved.

(b) Ecosystems-based Adaptation for Rural resilience in Tanzania (GEF Project 5695)

14. The project commenced in August 2017 with a budget of \$7.6 million from GEF and co-finance of \$20.8 million from the Government of Tanzania. Although delayed, project activities implemented in Mpwapwa, Tanzania, included: (i) drilling boreholes for clean and safe water; (ii) dip tanks to manage animal pests; (iii) green houses for agricultural farming under irrigation; and (iv) a sunflower oil processing plant for value addition to community sunflower harvests. The positive impact of the project on the community was visible (see pictures below).

##### **Provision of clean water to the community; a sunflower oil plant**



(c) Ecosystem-based Adaptation in Latin America and the Caribbean (GEF Project 5681)

15. The project commenced in April 2017 with a budget of \$6 million and co-finance of \$29.7 million from the Government of Jamaica. OIOS observed significant progress in mangrove restoration activities during a field visit to the Port Royal, Kingston in Jamaica. The community, which included students and volunteers, had planted more than 2,000 seedlings and were actively engaged in maintaining the nurseries and clearing plastic garbage in the mangrove area.

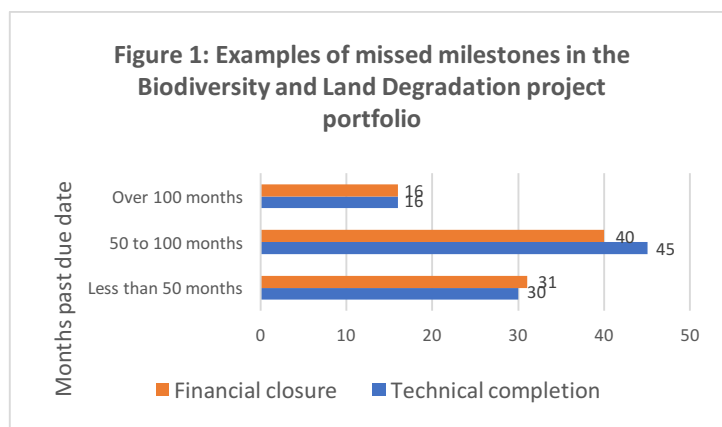
Private sector was engaged on ecosystem solutions

16. The Ecosystems Division engaged with the private sector to positively impact the environment at different levels. It had four partnerships contributing to Healthy and Productive Ecosystems, Resilience to Disasters and Conflicts, and Climate Action, including collaboration with banking partners to mobilize \$1 billion for nature and climate-positive agriculture and forestry. The Division had also developed online courses on nature-based solutions for climate and resilience, as well as platforms, initiatives and campaigns for promoting ecosystems. For instance, the Division was involved in innovative finance mechanisms for expanding agriculture production without deforestation; working with the gaming industry to influence young people to support the environment; promoting investment in forest landscape restoration; and promoting sustainable food production with less fertilizer usage. OIOS' field visit to a project relating to private partnerships in Brazil indicated that the Ecosystems Division was actively engaging the private sector to provide solutions to ecosystems challenges.

Delays in project implementation need to be addressed

17. The Ecosystems Division used a dashboard for monitoring the progress in project implementation with reference to the milestones defined in project documents. These milestones included technical completion and financial closure of projects.

18. There were significant delays in the implementation of some projects. For example, in the Biodiversity and Land Degradation project portfolio, technical completion and financial closure milestones had been missed for completed projects as shown in Figure 1 below.



19. The delays were attributable to several factors including: (i) outbreak of the COVID-19 pandemic; (ii) delays in commencement of project implementation; (iii) delays in disbursement of funds to implementing partners; (iii) delays in procurement activities; (iv) delayed acquisition of technical consultant expertise and submission of technical reports; (v) unclear partnership arrangements; and (vi)

lack of implementing partner capacity. These delays in turn delayed the realization of expected results and benefits to stakeholders.

Need to strengthen monitoring of project targets and outputs

20. UNEP works with implementing partners with the expectation that projects should result in sustainable benefits to stakeholders and the environment. OIOS observed that despite significant investment, there was evidence of inefficient use of resources in some projects, as explained below.

(a) Adaptation technologies in fragile ecosystems of Djibouti's central plains (GEF Project 5021)

21. The project commenced in March 2014 with a total budget of \$21.6 million comprising a GEF allocation of \$7.4 million and co-finance of \$14.2 million from the Government of Djibouti. As of 31 December 2021, the total expenditure on the project was \$6.5 million, including \$2.8 million spent on acacia restoration and agriculture using irrigation in three locations. This included: (a) \$1.2 million spent on acacia restoration and agriculture activities such as construction and rehabilitation of pastoral plots; (b) \$1.2 million spent on 4 boreholes (one dry) and related infrastructure (approximately \$400,000 per successful borehole, on average); and (c) \$365,000 spent on borehole rehabilitation and maintenance.

22. Despite the significant investment, there was not much to show in terms of results for acacia replantation in Kouidi Koma, Hanle, and agriculture farms under irrigation in Kalaf and Ad Bouya in Tadjourah (see pictures below).

**Acacia replantation in Kouidi Koma; Agriculture farms in Kalaf and Ad Bouya**



23. OIOS was informed that progress had been limited mainly due to extreme weather conditions at project sites that made it difficult for trees to grow, or agriculture to thrive. Also, it was stated that there were unanticipated water infrastructure maintenance and management issues that were being resolved. Furthermore, the outbreak of COVID-19 pandemic prevented expert missions to the country and project sites for almost two years. In 2022, the Project Steering Committee – which was chaired by a representative of the implementing partner – revised the initial target of replanting acacia from 100 hectares to only 15 hectares. Even though a representative of UNEP was nominated to serve on the Committee, no UNEP representative was present at this meeting when the targets were reduced.

24. On agriculture in Tadjourah, the tardy progress was attributed to late completion of requisite infrastructure such as boreholes, agro pastoral plots and irrigation systems. OIOS was also informed that more agriculture production is visible in winter when more beneficiaries are involved in farming, unlike in July (i.e., during the OIOS visit to the sites).

25. OIOS is of the view that with a significant investment of \$2.8 million in infrastructure, maintenance and recurring expenditure, the impact should have been more visible. The significant reduction of targets from 100 to 15 hectares (85 per cent) for acacia replantation, without commensurate reduction in expenditure, could be a concern to donors. Furthermore, with the irrigation infrastructure constructed, it may be reasonable to expect that the various crops would be grown throughout the year, not just during winter. It appeared that the implementing partner may not have capacity to deliver projects of this magnitude.

26. Similarly, GEF had provided \$1.6 million to construct 8 kilometers (km) of gabion walls in Tadjourah, Djibouti. However, only a 1.8 km wall had been constructed (see pictures below).

#### Wall constructed in Tadjourah, Djibouti



27. OIOS was informed that in September 2019, the Project Steering Committee approved the reduction of the gabion wall target from 8 km to at least 1.8 km, due to the high cost of construction. Again, the UNEP representative was not present at this meeting when the target was reduced significantly. The significant reduction (77.5 per cent) of the target from 8 km to only 1.8 km after funds had been allocated based on the original target could be a cause for concern to the donor. Since the wall is built from rocks that are locally available, the cost should not significantly increase.

28. Additionally, the project spent \$164,000 to grow an estimated less than one hectare of mangrove, instead of the funded target of 10 hectares. OIOS was informed that the Project Steering Committee reduced the target of mangrove restoration from 10 hectares to 3 due to unsuitable conditions at a second site, based on expert advice. Once again, the UNEP representative was not present at this meeting which was chaired by the implementing partner's representative.

29. UNEP's monitoring of these projects was weak and inadequate. UNEP, as the executing agency, was responsible for overseeing the Project Steering Committees chaired by representatives of the implementing partner. The absence of UNEP's representative at the meetings of the Project Steering Committee led to the significantly reduced targets being approved without proper scrutiny, despite full funding being allocated to the project based on the initial targets which were much higher. There was no evidence that UNEP had independently assessed the justification for these reductions, without commensurate reduction in the funds budgeted or spent on these activities. UNEP needs to address these weaknesses to strengthen oversight and accountability by ensuring that implementing partners fulfil their commitments and deliver the agreed targets/outputs.

**(1) UNEP should strengthen monitoring and accountability for project implementation by ensuring that it plays its full role in the Project Steering Committees to assure that project**



**targets or outputs, when significantly reduced, provide proper justification with appropriate reduction in the related budget/expenditure.**

*UNEP accepted recommendation 1 and stated that the Programme Manual is to include an update with a provision that makes UNEP representation at the Project Steering Committees mandatory, and require that any proposed change to a project's workplan requires the consent of a UNEP representative.*

(b) Integrating water, land and ecosystems management in the Caribbean (GEF project 4932)

30. UNEP implemented this large project in ten countries in the Caribbean region. At the suggestion of UNEP, OIOS reviewed the sub-project in Jamaica which had commenced in July 2018 with a total budget of \$13.4 million comprising a GEF budget of \$3.1 million and co-finance of \$10.3 million from the Government of Jamaica. The project was meant to promote conservation of internationally significant wetland biodiversity through restoration of wetland ecosystem services and sustainable use of wetland biological resources.

31. The Negril Environmental Protection Area, with specific focus on a wetland known as the Negril Great Morass, was selected for the Jamaica sub-project. This morass is the second largest wetland in Jamaica and one of the largest natural coastal wetland ecosystems in the Caribbean. Negril is a resort town and a major source of tourism revenue with several hundred hotels. In 2021, Negril reportedly earned an estimated \$1 billion from tourism which represented almost a third of the total tourism revenue for the country.

32. During field visit in July 2022, OIOS observed the following:

(a) Rehabilitation of the Negril Great Morass wetland was a key project deliverable. However, the National Environment and Planning Agency (NEPA), as the national implementing partner, had not commenced rehabilitating the wetland; it had spent the funds mainly on consultancies and studies. These studies were part of the original project activities and were necessary as a first step to inform the wetlands rehabilitation based on hydrological data. However, delays in completing these consultancies resulted in little visible activity on the ground. As of 30 June 2022, the implementing partner had spent \$1.02 million with commitments of \$413,209.

(b) Some areas within the Negril Great Morass were not accessed due to security concerns. Therefore, security escort was required to access these areas. For security reasons, NEPA strongly advised OIOS not to visit some sites of the Negril Great Morass which occupies 2,289 hectares; project intervention impacted approximately 10 per cent of the morass. The specific areas of intervention had not yet been identified; they were being determined based on hydrological studies.

(c) Until late 2020, National Project staff were only based in the capital city of Kingston. This may have contributed to the slow rate of implementation of the project in Negril. NEPA signed a partnership agreement with a non-governmental organization (the Negril Environment Protected Area Trust) which is based in Negril. This was expected to improve project implementation.

33. Some key stakeholders interviewed by OIOS expressed concern that the wetland had still not been rehabilitated despite the long time since the project commenced. Related concerns were that: (a) excessive expenditure was incurred on consultancy, but none on fieldwork for restoring the wetland; (b) NEPA's capacity to implement a project of this magnitude and complexity was doubtful; and (c) the project consultant's report on the Royal Palm Reserve Business and Management Plan had been plagiarized. About 43 per cent of the report was allegedly copied from a source in New Zealand. The cost of this consultancy

was \$59,897 and it exceeded the budget by \$13,000. When the alleged plagiarism was brought to the attention of NEPA, the consultancy was terminated.

34. Further, there was concern of continued exposure to fire risks due to delays in rehabilitation of the wetland. Two fires took place in April 2021 and June 2022 resulting in air pollution in the area and adverse publicity which stakeholders felt would adversely affect tourism.

35. According to NEPA, the project had been delayed due to several factors including the long time taken for mobilization, delays in receipt of funds from UNEP, and halting of procurement by UNEP following a peer review of the project. NEPA indicated that the security situation in the area had not, thus far, been a limiting factor in project implementation; other than rehydration of the wetland, several other project activities had taken place, of which many were prerequisites (including the consultancies) to the rehydration of the wetland.

36. According to the Negril Police, security in the area was generally an issue, and security escorts would have to be arranged for United Nations staff to work at the project site; furthermore, it was important to have specific coordinates of the area planned for rehydration so that a joint site visit involving the police, UNEP and the Department of Safety and Security could be arranged.

37. UNEP prevented two transactions of possible wasteful expenditure: (a) a consultancy of \$293,000 when the budget was only \$31,786; and (b) purchase of a drone for \$83,000 when the budget only had \$9,000. The drone was intended to be used for land use surveying, ecosystem assessments and enforcement.

38. The project budget included \$300,000 for rehabilitation of a visitors' centre at the Royal Palm Reserve in Negril to promote tourism and education on environment. At the time of the audit, the centre had still not been rehabilitated (see pictures below).

**Royal Palm Reserve surroundings and the dilapidated visitors' centre**



39. Given the state of disrepair, the implementing partner considered replacing the visitors' centre with a new structure. However, the building plans had still not been developed. It is doubtful whether the budget of \$300,000 would be adequate to re-construct the visitors' centre. UNEP stated that the Government of Jamaica has committed to source other funding for completing this activity.

**(2) UNEP, in collaboration with the Department of Safety and Security, should assess the security situation at the project site in Negril, Jamaica, to determine the feasibility of implementing the project in light of the security concerns noted.**

*UNEP accepted recommendation 2 and stated that it is already undertaking extensive discussions with the Government of Jamaica to ascertain the security situation and the feasibility of implementing the project. High-level meetings took place physically in Jamaica during a mission of the Ecosystems Division Director from 11 to 12 October 2022 where the Director met with the*

*Jamaican authorities, including with the Minister for Water, Land Environment and Climate Change, under which NEPA is hosted. During the same trip to Jamaica, a site visit was undertaken and a report on the site visit was completed.*

(c) Adapting coastal zone management to climate change in Madagascar (GEF Project 4568)

40. The project commenced in July 2014 with a total budget of \$17.4 million comprising a GEF budget of \$5.3 million and co-finance of \$12.1 million from the Government of Madagascar. During field visit to Manakara in July 2022, OIOS observed the following:

(i) The project budgeted for \$1 million to construct a 1 km beach wall in Manakara. However, only 222 metres was built along the beach, with an additional 120 metres at another site next to the beach to protect the community. The two walls were built to different specifications and met different needs.

(ii) OIOS was informed that a vulnerability assessment undertaken as part of the project identified a second vulnerable priority site in Manakara (Ampilao), in addition to the originally planned Manakara Be site. The feasibility study estimated that essential infrastructure works on the two sites would cost \$2.5 million, but the project only had \$875,000 remaining for infrastructure. As a result, the Project Steering Committee decided to reduce the length of the wall to 209 metres at Manakara Be and construct 120 metres at Ampilao. This facilitated the construction of other coastal protection infrastructure such as 300 metres of concrete road at Manakara Be, 1 km coastline revegetation to protect the coast against erosion, and beach replenishment with heavy sand embankments. Project staff had communicated these changes to UNEP.

(iii) The project included a component on bee farming to improve the livelihoods of communities. To this end, \$242,000 had been spent on bee farming and honey production buildings and equipment across 22 production centres/training sites in two regions. Training in beekeeping and honey production was reportedly provided to 450 direct and 2,200 indirect beneficiaries. OIOS visited one project site in Manakara but did not find thriving bee farming and related activities (see pictures below). Beneficiaries were not available for interview during the field visit, and no records were kept on bee production. Project staff stated that cyclones had destroyed the beehives, and farmers had not recovered from the disaster.

**Honey production site in Manakara, Madagascar**



(iv) UNEP staff had not visited the sites in Manakara since the project commenced in 2014. OIOS was informed that it was not possible to visit the sites in the last two years (due to COVID-19 travel restrictions) when infrastructure works were undertaken.

**(3) UNEP should strengthen project monitoring by ensuring periodic visits to project sites to verify implementation and assure that project expenditures produce tangible results.**

*UNEP accepted recommendation 3 and stated that it supports meeting its project oversight requirements for travel to project sites on a regular basis to ensure effective oversight while also minimizing unnecessary travel to meet its goals of reducing carbon footprint. Travel visits are planned for the project specified in the audit (GEF 4568).*

(d) Addressing urgent coastal adaptation needs and capacity gaps in Angola (GEF Project 5230)

41. The four-year project commenced in February 2017 with a total budget of \$14.5 million comprising a GEF budget of \$5.2 million and co-finance of \$9.3 million from the Government of Angola. As of 30 June 2022, the implementing partner had spent \$934,252. The expected benefits at the end of the project included the following: (a) 2,500 people as climate resilient beneficiaries in four coastal provinces; (b) 400 hectares of land under sustainable and climate resilient management; (c) early warning system implemented in one province; and (d) strengthened capacity of national and provincial administrations in climate resilience planning, execution, and monitoring.

42. There were no tangible project achievements on the ground at the time of the audit – i.e., no evidence that people had become more climate resilient, no hectares of land were under sustainable management, and no early warning system had been implemented. This was despite the project being “urgent” and having been under implementation for five years.

43. The delays were mainly due to: project leadership gaps; procurement delays at the implementing partner and at UNEP; delays in hiring consultants and submission of their technical reports; lack of project staff; and outbreak of the COVID-19 pandemic which prevented travel and in-person work and meetings.

44. The project Wadi El Ku Catchment management - Phase 2 was delayed because UNEP took seven months to approve a request for extension of the procurement capacity assessment and monitoring framework for an implementing partner. The request was made in September 2020 but approved only in April 2021.

45. The timelines of major procurement activities undertaken by implementing partners were not readily available because most projects were undertaken by Member State governments who, as per the agreements, were responsible for the procurement process. Given the high potential of significant project delays arising from delays in procurement activities, it is important that this crucial success factor is adequately planned for in the early stages.

**(4) UNEP, in collaboration with implementing partners, should address the delays in procurement and strengthen project planning to ensure that such delays are prevented in future.**

*UNEP accepted recommendation 4 and stated that the Ecosystems Division, under the leadership of UNEP’s Corporate Services Division (CSD), is actively seeking solutions to address procurement delays and to enhance project/procurement planning. While delays in executing procurement actions are mostly due to factors outside UNEP’s control, UNEP will strengthen project planning in relation to implementing partner’s procurement. The UNEP Programme Manual, currently under revision, will include lead time for the procurement processes, which should be taken into account during project planning. In addition, UNEP’s Partnerships Policy and Procedures document is being updated to include an implementing partner capacity assessment to mitigate risks.*

### Need for timely disbursement of funds and commencement of projects after approval

46. There were delays in disbursement of funds to implementing partners. OIOS' sample review of 35 agreements indicated that on average, UNEP took about three months to disburse the initial instalments to partners after the agreements were signed. The longest delay in disbursing the first instalment was on GEF Project 5531 on ecosystems in Haiti (363 days). Other notable delays on disbursement of initial instalments were on Project 1431 (264 days), Project 4970 (232 days), and Project 5400 (157 days).

47. OIOS' review also indicated that on average, projects commenced 11 months after the required approvals had been accorded. The longest delay was 44 months for GEF Project 5456; substantial delays also affected Project 9524 (40 months) and Project 4970 (28 months).

**(5) UNEP should: (a) take measures to reduce delays in disbursement of funds to implementing partners to facilitate timely project implementation; and (b) develop mechanisms for timely commencement of projects after necessary approvals are granted.**

*UNEP accepted recommendation 5 and stated that in line with the Secretariat's efforts to enhance system processes, UNEP supports streamlining processes including establishing benchmarks for processing financial transactions. In October 2022, the UNEP Executive Director requested the Corporate Services and Policy and Programme Divisions to develop an action plan to strengthen project management and related control function. Delays in project implementation was the main driver of the project. An inter-Divisional Task Force was established and a High-Level Action Plan has been developed which will improve achievement of key performance indicators (KPIs) and milestones at all levels. It will also help to address delays in project implementation. As part of this plan, internal KPIs and monitoring systems are to be established to ensure timely disbursement of funds and commencement of projects.*

### Need to ensure that implementing partners submit co-finance and expenditure reports

48. Implementing partners are expected to submit annual co-financing reports to UNEP in accordance with the related agreements. However, for 40 out of 41 projects reviewed (or 93 per cent), no co-financing reports were made available. In budgetary terms, projects without co-finance reports amounted to \$1,224.9 million out of \$1,232.3 million (or 99 per cent).

49. Progress implementation reports indicated several challenges faced regarding co-finance reporting, including: (a) lack of co-finance data; (b) partners' reluctance to share financial information citing confidentiality reasons; and (c) difficulty in collecting accurate and reliable data on old projects still under implementation.

50. Without co-finance reporting, it was difficult to ascertain whether implementing partners were contributing resources to the project. The success of project implementation and realization of expected benefits/impact depends on provision of co-financing in accordance with the project agreements.

51. Furthermore, UNEP's agreements with implementing partners require the partners to submit quarterly expenditure reports. There were no expenditure reports available for 11 out of 43 (26 per cent) projects reviewed. These projects had total budgets of \$123.3 million out of \$407.9 million (30 per cent). Non-submission of expenditure reports by implementing partners impairs accountability for funds disbursed, and it also dilutes UNEP financial control over its projects.

**(6) UNEP should: (a) require implementing partners to submit co-finance reports in accordance with their agreements; and (b) establish a follow up mechanism to ensure that implementing partners submit expenditure reports on time.**

*UNEP accepted recommendation 6 and stated that implementing partners are required to submit co-finance reports in accordance with the legal agreements once per year as part of the annual Project Implementation Review process. UNEP will ensure that all GEF related projects where co-financing is relevant are captured in a tracking system.*

Need to ensure that annual audit reports are provided for major projects

52. Twenty-two out of 39 projects (or 56 per cent) reviewed did not have audit reports as required in agreements signed between UNEP and implementing partners. This represented \$210.8 million out of \$290.6 million (or 73 per cent) of the value of the project budgets.

53. On an exception basis, GEF Project 4932 which commenced in April 2015 with a budget of \$3.1 million did not even require an audit to be conducted until project completion. This omission was contrary to the UNEP policy to have audit requirements included in project agreements.

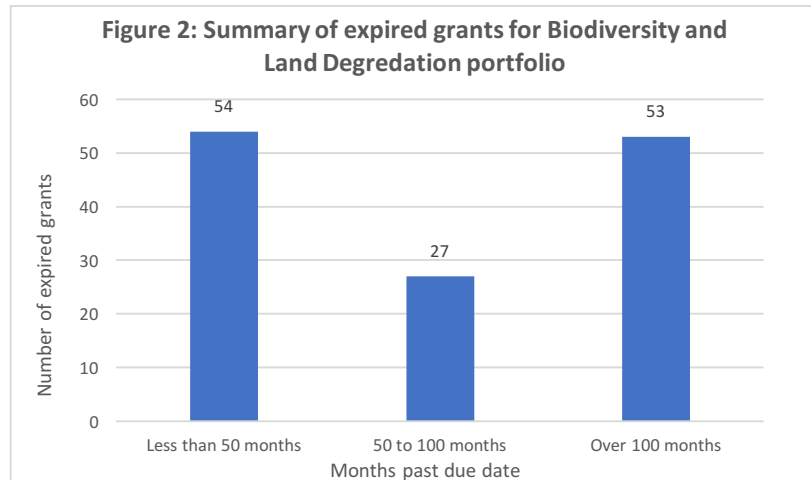
54. Non-submission of audit reports by implementing partners dilutes independent oversight controls over project expenditures. This could adversely affect the reliability of project expenditure reports submitted by the partners. For example, without proper justification, expenditure reported for GEF project 4932 on December 2021 was \$991,017 but in March 2022, it reduced to \$950,217 (a decrease of \$40,800).

**(7) UNEP should ensure that all implementing partners submit annual audit reports in accordance with partnership agreements and the related policy requirements.**

*UNEP accepted recommendation 7 and stated that its policy on partnerships obliges annual audit reports for all agreements over \$200,000. Close follow-up will be done to ensure this. UNEP will ensure that audit reports are submitted (for relevant agreements).*

Need to clear long-expired grants

55. The Ecosystems Division had expired grants for some projects. For, example, the Biodiversity and Land Degradation portfolio had 134 expired grants as shown in Figure 2 below. As many as 53 grants had expired more than 100 months ago, and 27 other grants had expired between 50 and 100 months ago. UNEP needs to clear these expired grants to ensure proper accountability to donors for the funds received to implement the related projects.



**(8) UNEP should develop an action plan to clear expired grants.**

*UNEP accepted recommendation 8 and stated that CSD has already been coordinating a phased approach to grant closure. The action plan is underway, and its implementation is being monitored including through UNEP's Quarterly Business Review. UNEP teams have been put together both for GEF and PoW projects to focus mainly on closing of expired grants that were identified during the audit under Ecosystems Division.*

**B. Performance management and reporting**

Progress reports were timely submitted to donors

56. UNEP complied with reporting requirements agreed with GEF – a major donor for Ecosystems Division projects. As of 29 September 2022, all the 151 progress reports due to GEF for Biodiversity and Land Degradation (110 projects), International Waters (19 projects), and Climate Change Adaptation (22) had been submitted.

The management dashboard needs to include results achieved

57. UNEP maintained management dashboards at corporate and divisional levels. At corporate level, the dashboards tracked key statistics such as total active projects, overall budget consumption and activities completed. At divisional level, the dashboard summarized total projects implemented, total outputs and total activities. Other statistics tracked included human resources (for example, total posts, vacant posts, staff e-performance compliance, mandatory training), finances and grants (total grants, value of grants, number and value of grants expiring), and active implementing partner agreements.

58. A quarterly business review report included key performance of UNEP offices grouped in substantive divisions, regional offices, and corporate divisions. The report analysed percentages such as projects on track, active time compliant projects, budget utilization, compliance with donor agreements, and mandatory training compliance.

59. OIOS noted two issues with the dashboards: (a) The dashboards did not include results achieved. While project activities were tracked, there was no tracking of the results being achieved at impact, outcome and output levels; and (b) There was a heavy administrative burden of inputting data to both the Anubis system (a GEF application) and the Project Information Management System.

60. Inclusion of aspects of results-based management on dashboards could facilitate timely availability of key information necessary for effective decision-making for greater impact. It could also aid communication of progress to stakeholders.

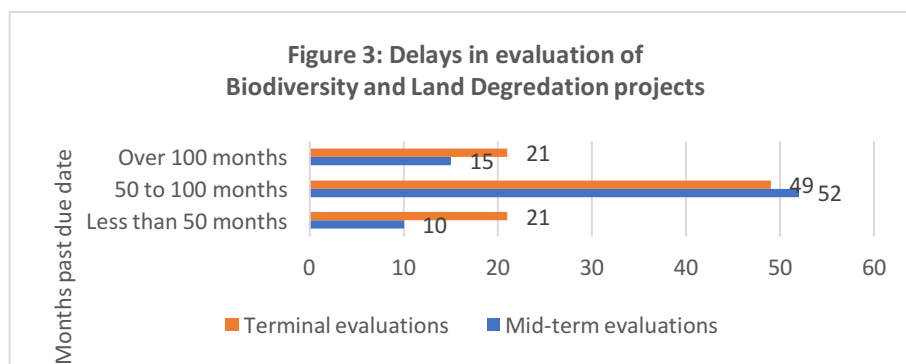
**(9) UNEP should improve its management dashboards by including select key results at the impact, outcome and output levels.**

*UNEP accepted recommendation 9 and stated that this is a UNEP corporate level recommendation which will be followed up by the Policy and Programme Division and Corporate Services Division through a coordinated UNEP-wide approach. UNEP's efforts will involve updated dashboards to visualize results at outcome and output level in alignment with the new Integrated Planning, Management and Reporting dashboards.*

### C. Evaluation

#### Need for timely evaluations

61. There were delays in conducting mid-term and terminal evaluation of the Ecosystems Division's projects. For example, there were completed projects in the biodiversity and land degradation portfolio that were over 100 months (about 8 years) overdue for evaluation (see Figure 3 for details).



62. Delays in conducting evaluations could result in lost opportunities for UNEP to learn and improve project implementation and assure accountability to stakeholders.

**(10) UNEP should develop an action plan to clear the backlog in long outstanding evaluations.**

*UNEP accepted recommendation 11 and stated that the Evaluation Unit together with the Ecosystems Division will develop an action plan to clear the backlog of outstanding evaluations. This is a UNEP corporate level recommendation where the organization is addressing sustainability in the evaluation process. At the Division level, close monitoring of implementation of evaluations will be done. Outstanding evaluations are also included in the Quarterly Business Review.*

## IV. ACKNOWLEDGEMENT

63. 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.

Internal Audit Division  
Office of Internal Oversight Services



## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the Ecosystems Division of 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 strengthen monitoring and accountability for project implementation by ensuring that it plays its full role in the Project Steering Committees to assure that project targets or outputs, when significantly reduced, provide proper justification with appropriate reduction in the related budget/expenditure.	Important	O	Receipt of evidence of that the UNEP Programme Manual has been updated to include UNEP mandatory participation in Project Steering Committees and require consent of a UNEP representative of significant changes to project targets and outputs.	30 September 2023
2	UNEP, in collaboration with the Department of Safety and Security, should assess the security situation at the project site in Negril, Jamaica, to determine the feasibility of implementing the project in light of the security concerns noted.	Important	O	Receipt of evidence: (a) that the security situation at the project site has been assessed; and (b) of the decision made on the way forward.	31 March 2023
3	UNEP should strengthen project monitoring by ensuring periodic visits to project sites to verify implementation and assure that project expenditures produce tangible results.	Important	O	Receipt of a schedule of planned UNEP visits to monitor the project sites.	30 June 2023
4	UNEP, in collaboration with implementing partners, should address the delays in procurement and strengthen project planning to ensure that such delays are prevented in future.	Important	O	Receipt of evidence that delays in procurements for projects have been addressed	31 December 2023
5	UNEP should: (a) take measures to reduce delays in disbursement of funds to implementing partners to facilitate timely project implementation; and (b) develop mechanisms for timely commencement of projects after necessary approvals are granted.	Important	O	Receipt of evidence of the measures taken to reduce delays in disbursement of funds to implementing partners and facilitate timely commencement of projects after necessary approvals are granted.	31 December 2023
6	UNEP should: (a) require implementing partners to submit co-finance reports in accordance with their agreements; and (b) establish a follow up mechanism to ensure that implementing partners submit expenditure reports on time.	Important	O	Receipt of evidence that UNEP has developed an effective system for monitoring implementing partners' timely submission of co-finance and expenditure reports.	31 December 2023
7	UNEP should ensure that all implementing partners submit annual audit reports in accordance with	Important	O	Receipt of evidence of action taken to ensure that implementing partners submit annual audit	31 December 2023

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the Ecosystems Division of the United Nations Environment Programme

	partnership agreements and the related policy requirements.			reports in accordance with the policy, including the overdue audit reports.	
8	UNEP should develop an action plan to clear expired grants.	Important	O	Receipt of evidence that the expired grants have been closed.	30 June 2023
9	UNEP should improve its management dashboards by including select key results at the impact, outcome and output levels.	Important	O	Receipt of evidence that UNEP has improved its management dashboards to include select key results.	31 December 2023
10	UNEP should develop an action plan to clear the backlog in long outstanding evaluations.	Important	O	Receipt of evidence that UNEP has cleared the backlog on long outstanding evaluations.	31 December 2023

---

<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.

# **APPENDIX I**

## **Management Response**

## Management Response

## Audit of the Ecosystems Division of 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 strengthen monitoring and accountability for project implementation by ensuring that it plays its full role in the Project Steering Committees to assure that project targets or outputs, when significantly reduced, provide proper justification with appropriate reduction in the related budget/expenditure.	Important	Y	PPD, Head of PCAU	<b>30 September 2023</b>	UNEP Programme manual to include an update on UNEP arrangement of Project Steering Committees with a provision that makes UNEP representation at the Project Steering Committees mandatory and that require that any proposed change to a project's workplan requires the consent of a UNEP representative.
2	UNEP, in collaboration with the Department of Safety and Security, should assess the security situation at the project site in Negril, Jamaica, to determine the feasibility of implementing the project in light of the security concerns noted.	Important	Y	Coordinator, Cartagena Convention, CAR/CU	<b>By 31 March 2023</b>	UNEP is already undertaking extensive discussions with the Government of Jamaica to ascertain the security situation and the feasibility of implementing the project. High-level meetings took place physically in Jamaica during a mission of the Ecosystems Division Director from 11-12 <sup>th</sup> October 2022 where the Director met with the Jamaican authorities, including with the Minister for Water, Land Environment and Climate Change, under which the National Environment and Planning Agency (NEPA) the implementing partner

<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 the Ecosystems Division of the United Nations Environment Programme

						executing the project is hosted. During the same trip to Jamaica, a site visit was undertaken and a report on the site visit was completed.
3	UNEP, Ecosystems Division should strengthen project monitoring by ensuring periodic visits to project sites to verify implementation and assure that project expenditures produce tangible results.	Important	Y	GEF Portfolio /Task Managers	<b>30 June 2023</b>	<p>UNEP supports meeting its project oversight requirements for travel to project sites on a regular basis to ensure effective oversight while also minimizing unnecessary travel and to meet its goals of reducing carbon footprint.</p> <p>Travel visits are planned for the project specified in the audit (GEF 4568).</p>
4	UNEP, in collaboration with implementing partners, should address the delays in procurement and strengthen project planning to ensure that such delays are prevented in future.	Important	Y	Task/Project Managers	<b>31 December 2023</b>	<p>The Ecosystems Division, under the leadership of UNEP's Corporate Services Division (CSD), is actively seeking solutions to address procurement delays and to enhance project/procurement planning.</p> <p>While delays in executing procurement actions are mostly due to factors outside UNEPs control, UNEP will strengthen project planning in relation to Implementing Partner's procurement.</p> <p>UNEP Programme manual, currently under revision, will include lead time for the procurement processes, which should be taken into account during the project planning.</p>

Management Response

Audit of the Ecosystems Division of the United Nations Environment Programme

						In addition, UNEP's Partnerships Policy and Procedures document is being updated to include an Implementing Partner capacity assessment to mitigate risks.
5	UNEP should: (a) take measures to reduce delays in disbursement of funds to implementing partners to facilitate timely project implementation; and (b) develop mechanisms for timely commencement of projects after necessary approvals are granted.	Important	Y	Corporate Services Division, Financial Management Service, Implementing Partners Unit	<b>31 December 2023</b>	<p>In line with the UN Secretariat's efforts to enhance system processes, UNEP supports streamlining processes including establishing benchmarks for processing financial transactions.</p> <p>In October 2022, the UNEP Executive Director requested the Corporate Services and Policy and Programme Divisions to develop an action plan to strengthen project management and related control function. Delays in project implementation was the main driver of the project. An inter-Divisional Task Force was established to formulate the action plan. A High-Level Action Plan has been developed consisting of defined actions associated with six Areas for Improvement:</p> <ul style="list-style-type: none"> <li>§ Project Design Controls;</li> <li>§ Project Monitoring;</li> <li>§ Financial Controls;</li> <li>§ Risk Management;</li> <li>§ Capacity Building; and</li> <li>§ Accountability.</li> </ul> <p>The Action Plan will improve achievement of KPIs and milestones at</p>

## Management Response

## Audit of the Ecosystems Division of the United Nations Environment Programme

						<p>all levels. It will also help to address delays in project implementation.</p> <p>As part of this plan, internal KPIs and monitoring systems are to be established to ensure timely disbursement of funds and commencement of projects.</p>
6	UNEP should: (a) require implementing partners to submit co-finance reports in accordance with their agreements; and (b) establish a follow up mechanism to ensure that implementing partners submit expenditure reports on time.	Important	Y	CSD, GEF Coordination Office (monitoring)	<b>31 December 2023</b>	<p>Implementing Partners are required to submit co finance reports in accordance with the legal agreements once per year as part of the annual Project Implementation Review process.</p> <p>UNEP will ensure that all GEF related projects where co-financing is relevant are captured in a tracking system.</p> <p>Power BI Dashboard will flag/prompt for approaching date for expenditure report.</p>
7	UNEP should ensure that all implementing partners submit annual audit reports in accordance with partnership agreements and the related policy requirements.	Important	Y	Corporate Services Division, Financial Management Service, Implementing Partners Unit	<b>31 December 2023</b>	<p>UNEP's policy on partnerships obliges annual audit reports for all agreements over US\$200,000. Close follow-up will be done to ensure this.</p> <p>UNEP will ensure that audit reports are submitted (for relevant agreements).</p>
8	UNEP should develop an action plan to clear expired grants.	Important	Y	Chief, Global Funds Finance Unit & Fund Management Officer, Finance/PoW,	<b>30 June 2023</b>	<p>This is a UNEP wide recommendation, where CSD has already been coordinating a phased approach to grant closure. The action plan is underway, and its implementation is being monitored</p>

## Management Response

## Audit of the Ecosystems Division of the United Nations Environment Programme

				Ecosystems Division		including through UNEP's Quarterly Business Review.  Teams have been put together both for GEF & Programme of Work (PoW) projects to focus mainly on closing of expired grants that were identified during the audit under Ecosystems Division.
9	UNEP should improve its management dashboards by including select key results at the impact, outcome and output levels.	Important	Y	Director, Policy and Programme Division (PPD)	<b>31 December 2023</b>	This is a UNEP corporate level recommendation which will be followed up by the Policy and Programme Division (PPD) and CSD through a coordinated UNEP-wide approach.  UNEP efforts will involve updated dashboards to visualize results at outcome and output level in alignment with the new Integrated Planning, Management and Reporting (IPMR) dashboards.  UNEP proposes modifying the recommendation to align it with the ongoing UN Secretariat wide dashboard currently under development via the Integrated Planning, Management and Reporting (IPMR) solution. Thus, UNEP suggests removing the word "impact".
10	UNEP should develop an action plan to clear the backlog in long outstanding evaluations.	Important	Y	Director, Evaluation Office	<b>31 December 2023</b>	At the corporate level, UNEP approved a new Evaluation Policy in October 2022. The Policy introduces a new approach whereby the Evaluation Office will purposefully select a



Management Response

Audit of the Ecosystems Division of the United Nations Environment Programme

						<p>sample of approximately 20-30% of projects reaching operational completion for independent evaluation. The factors that inform purposeful selection are set out in the Evaluation Operational Strategy and Manual.</p> <p>Projects that are not selected for independent evaluation and exceed the financial threshold specified in the Evaluation Manual will require a management-led Terminal Review prepared in a manner consistent with Evaluation Office guidance, formats and requirements.</p> <p>This approach will ensure that going-forward there will be no backlog of evaluation/reviews for completing projects.</p> <p>UNEP Evaluation Unit together with Ecosystems Division will develop an action plan to clear the backlog of outstanding evaluations.</p>
--	--	--	--	--	--	--