



INTERNAL AUDIT DIVISION

REPORT 2024/043

Audit of projects in the Industry and Economy Division of the United Nations Environment Programme

**Some aspects of performance monitoring and
project reporting needed to be strengthened**

16 September 2024

Assignment No. AA2023-220-02

Audit of projects in the Industry and Economy Division of the United Nations Environment Programme

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of projects in the Industry and Economy 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 in the Industry and Economy Division of UNEP. The audit covered the period from January 2022 to March 2024 and included a review of: (i) project planning and design; (ii) performance monitoring; (iii) project reporting; and (iv) evaluation.

The audit showed that some aspects of performance monitoring and project reporting needed to be strengthened.

OIOS made three recommendations. To address the issues identified in the audit, the Industry and Economy Division of UNEP needed to:

- Strengthen project oversight by ensuring that: monitoring plans are properly developed; and relevant evidence is documented in the Integrated Planning, Management and Reporting (IPMR) system;
- Identify the specific projects whose migration to the IPMR system has been delayed, and seek appropriate guidance to complete the migration process; and
- Establish an effective mechanism to ensure the accuracy and completeness of the Division's project data in the IPMR system.

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

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Audit of projects in the Industry and Economy Division of the United Nations Environment Programme

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of projects in the Industry and Economy 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).
3. UNEP supports national regulatory and policy frameworks that enable business and industry to advance sustainable development initiatives and promote innovative approaches to financing for sustainable development. This includes collaboration with the private sector towards the strengthening of institutional cooperation, capacity building and partnerships for sustainable development which includes efforts in corporate social responsibility.
4. The Industry and Economy Division of UNEP provides solutions for economic decision-makers and helps change the business environment by offering platforms for dialogue and cooperation, innovative policy options, pilot projects and creative market mechanisms. It works through three main branches: Energy and Climate, Chemicals and Health, and Resources and Markets. For the biennium 2022-2023, as of 31 March 2024, the Division was implementing 82 projects with a total budget of \$533 million. The distribution of these projects under the five sub-programmes and their budget allocation are shown in Table 1 below.

Table 1: Industry and Economy Division projects and budget allocation for the biennium 2022-2023

Sub-programme	Number of projects	Budget (\$)
Chemicals and Pollution Action	63	314,246,829
Climate Action	3	131,227,773
Finance and Economic Transformation	14	84,374,837
Environmental Governance	1	1,540,800
Science Policy	1	1,394,719
Total	82	532,784,958

5. From 1 February 2024, the Energy and Climate Branch was split, and climate was elevated to a full division – the Climate Change Division. This was due to the large size of the Branch and the strategic and contemporary nature of climate as a thematic area. Following the split, the Industry and Economy Division had 280 posts including 155 Professional and 66 General Service staff, of which 59 posts were vacant (42 Professional, 15 General Service and 2 National Officer posts).
6. Comments provided by UNEP are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring effective implementation of projects at the Industry and Economy Division of UNEP.

8. This audit was included in the 2024 risk-based work plan of OIOS due to the risk that potential weaknesses in planning and implementation of projects in the Industry and Economy Division could have an adverse impact on the achievement of UNEP's objectives.

9. OIOS conducted this audit from January to June 2024. The audit covered the period from January 2022 to March 2024. Based on an activity-level risk assessment, the audit covered risk areas which included: (i) project planning and design; (ii) performance monitoring; (iii) project reporting; and (iv) evaluation.

10. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) judgmental sample testing of projects and activities. The audit did not cover projects that were migrated to the new Climate Change Division on 1 February 2024.

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

III. AUDIT RESULTS

A. Project planning and design

Projects were adequately reviewed by established project committees

12. UNEP had established internal committees to review projects both at the concept stage (Concept Approval Group) and the project design stage (Project Review Committee or PRC). A project must have passed the Concept Approval Group review before submission to PRC. According to UNEP's Programme and Project Management Manual, PRC was responsible to review and assess the quality of projects before the formal approval of a project document. This includes reviewing projects for relevance to UNEP's programme of work, Medium Term Strategy (MTS) and organizational priorities including the Sustainable Development Goals (SDGs).

13. OIOS' review of a sample of 17 projects with a budget of \$52.3 million showed that all 17 project documents contained the required information for submission to PRC, and that PRC comments were reviewed and addressed in a timely manner. For example, the Division had ensured that the projects were aligned to the programme of work and MTS, included cross-cutting issues and contributed to various SDGs, all of which were well documented. Where these were lacking, PRC provided comments and the Division took corrective measures to address them before approval.

B. Performance monitoring

SDGs and other cross-cutting issues were effectively monitored

14. UNEP's approach to achieving its mandate and delivering the aims of its MTS and programme of work was informed by cross-cutting principles which included gender equality and women's empowerment, human rights, delivering as one, and South-South and Triangular Cooperation. Project managers were required to monitor the SDGs identified during the project planning and design phase.

15. OIOS' review of a sample of 17 projects showed that SDGs and relevant cross-cutting issues were effectively monitored as they were built into the project outcomes, outputs and their respective key performance indicators (KPIs).

Need to ensure that project monitoring plans are complete and effective

16. The UNEP Programme and Project Management Manual requires project managers to develop detailed monitoring plans and organizational arrangements. The monitoring plans should indicate the persons responsible for monitoring, the frequency and schedule, and how progress would be tracked against logical framework indicators toward the delivery of project outputs and achievement of outcomes.

17. OIOS' review of a sample of 17 project documents showed the following:

(a) For 10 projects, project managers had developed clear monitoring plans but for the remaining seven, monitoring plans were not fully developed. Four projects had generic monitoring plans and lacked relevant details such as monitoring timelines and the staff responsible. For three projects funded by the Global Environment Facility (GEF), project documents lacked clear monitoring plans; for one project, the project document indicated that monitoring plans were 'ongoing'.

(b) Project managers did not systematically document risks and challenges faced during project implementation in relevant mission/progress reports and in the Integrated Planning, Management and Reporting system (IPMR). Moreover, where risks and issues were identified, there was no evidence of follow-up to initiate corrective action.

(c) For seven projects, there were delays during project implementation which could be attributed in part to monitoring weaknesses. This included one case where there were delays in disbursement of funds to implementing partners. One project was operationally closed for more than a year without financial closure, and three projects had delays between five and twelve months beyond the project end dates.

18. The identified weaknesses were attributed to lack of an effective oversight mechanism to ensure that monitoring plans are properly developed and documented in IPMR.

(1) The UNEP Industry and Economy Division should strengthen project oversight by ensuring that: (a) monitoring plans are properly developed; and (b) relevant evidence is documented in the Integrated Planning, Management and Reporting system.

UNEP accepted recommendation 1 and stated that the Division will open a management dialogue with Policy and Programme Division and Corporate Services Division in UNEP to review and assess salient monitoring and evaluation aspects that needed to be included and captured in IPMR and other corporate and divisional dashboards. Within the Division, it will: review and disseminate monitoring and evaluation plans to all project teams and systematically review them prior to PRC approval and entry into IPMR; and organize regular portfolio health reviews by high-impact sector with the objective of: (a) monitoring overall progress on the expected results; and (b) identifying possible challenges and agreeing on implementing corrective measures.

C. Project reporting

Good progress was achieved in updating IPMR project data to include the countries of implementation

19. UNEP's approach of 'delivering as one' seeks to support the United Nations Reform Agenda by heralding a change in the way Regional Offices and Divisions collaborate on project development and implementation. Central to the delivery model is the creation of a strong UNEP in the regions to assist countries, sub-regions and regions in fostering partnerships to maximize results. Project managers were required to consult with Regional Offices and specify their countries of implementation in the project documents. To effectively play their roles, Divisions require up-to-date country data for their projects.

20. With the necessary follow-up by the Programme and Policy Division (PPD), good progress was achieved in updating IPMR project data showing countries of implementation. OIOS' review of IPMR data showed that as of 2 May 2024, the Industry and Economy Division had updated its IPMR data for 77 out of 82 projects. Action was being taken to update the data on the remaining five projects.

Need to ensure accuracy and completeness of project data in IPMR

21. UNEP's transition from Project Implementation and Monitoring System (PIMS) to IPMR started on 1 June 2023 and was led by teams from PPD and Corporate Services Division (CSD). PPD and CSD issued guidance which required Divisions to prioritize the migration of their projects by ensuring data accuracy and enrichment. The six months up to 31 December 2023 was a transition period for full migration to IPMR, after which PIMS reporting would be discontinued.

22. The Industry and Economy Division had established a central coordination team which steered the project data cleansing and enrichment exercise with the assistance of a help desk established by PPD. As of March 2024, a total of 82 projects had been successfully migrated from PIMS to IPMR. However, OIOS noted the following:

(a) The number of GEF and Green Climate Fund (GCF) projects that still required to be migrated remained to be determined. PPD clarified that the GEF and GCF coordination offices requested more time to align their projects to IPMR. For GCF projects, this was nearing completion, and reporting was underway. For GEF projects, the process was expected to be completed by December 2024.

(b) According to the Programme Delivery Report as of 31 March 2024, the Division had not updated the task manager field in IPMR for 65 out of 82 projects. The Division explained that although it had updated the task manager details in the requisite field in the IPMR planning application, the Quarterly Business Report (QBR) experienced issues with sourcing this information from IPMR. The Division also stated that it had communicated the issue to the QBR team in PPD for resolution.

(c) In 24 out of the 82 projects (29 per cent), project managers had not yet mapped project activities into IPMR. Further, outputs for 12 of the 82 projects had not been mapped and updated in IPMR.

23. The lack of complete and accurate project data in IPMR may adversely affect the quality of the Division's reports for oversight purposes.

<p>(2) The UNEP Industry and Economy Division should identify the specific projects whose migration to the Integrated Planning, Management and Reporting system has been delayed, and seek appropriate guidance to complete the migration process.</p>

UNEP accepted recommendation 2 and stated that the Division will: (a) identify, on the basis also of data included in the audit report, what projects still need to migrate to IPMR as of September 2024; and (b) work together with project managers and Heads of Unit/Branch and the IPMR Help Desk to ensure the migration process is complete.

(3) The UNEP Industry and Economy Division should establish an effective mechanism to ensure the accuracy and completeness of the Division’s project data in the Integrated Planning, Management and Reporting system.

UNEP accepted recommendation 3 and stated that the Division will put in place measures to ensure accuracy and completeness of project data in IPMR, including: (i) management dialogues with Policy and Programme Division and Corporate Services Division, and (ii) within the Division, establish a team to: (a) analyze all project entries in IPMR; (b) identify data points that are missing; (c) work together with project managers and Fund Management Officers to ensure all missing information is inserted so that project data is complete; and (d) to further guarantee projects completeness, implement a regular data quality review process, where a dedicated team will conduct periodic checks on project data and identify potential bottlenecks. This proactive approach will enable early intervention and ensure that projects remain on track.

Action was being taken to address the challenges in project reporting

24. In 2023, UNEP established QBR as its reporting tool covering project performance data for all UNEP Divisions and Offices. The reports rate each project’s performance using a color-coding system for underperformance, partially satisfactory performance and satisfactory performance. Each project is rated using three KPIs: time used, budget spent, and activities completed. The time KPI is used as a base indicator, and the other two indicators (budget spent and activities completed) are expected to be within 35 per cent of the time used. An unsatisfactory rating signifies that two or three of the indicators were not achieved within the range; a partially satisfactory rating signifies that one indicator was not achieved within the range; and a satisfactory rating signifies that all indicators were achieved within the range. A final rating is given to each project based on a consolidation of all three indicators.

25. OIOS’ review of QBR reports showed that as of March 2024, the ratings for the Division’s 82 projects were: satisfactory for 24 projects (29 per cent); partially satisfactory for 40 projects (49 per cent); and unsatisfactory for 18 projects (22 per cent).

26. The Division identified the following challenges in interpreting the QBR ratings:

(a) The QBR tool assumed linear implementation rates of the budget for all projects, which was not always the case. For example, some projects used most of their budgets at the beginning, while others used the bulk at the end.

(b) Implementing partner performance ratings were not considered as part of the overall performance of the project. One project manager reported cases where project performance ratings appeared satisfactory since the main implementing partner was performing well. However, the underperformance of the many smaller implementing partners within the project was masked by the overall satisfactory performance.

(c) Quarterly reports and their ratings did not factor in results at the output level. Project managers were required to report actual outputs against the baseline and target in IPMR. Outputs, which are the core results achieved, are intermediate results of the project and need to be assessed on a continuous basis.

27. The Division has taken up these and other challenges with PPD, which was in the process of addressing them.

D. Evaluation

Action was being taken to strengthen the monitoring of evaluation plans

28. ST/AI/2021/3 on evaluation in the United Nations Secretariat requires each entity to develop an annual evaluation plan and ensure adequate allocation of funds for evaluation capacity to deliver the plan. UNEP's Evaluation Office is mandated to lead and coordinate UNEP-wide evaluations of programmes, projects and initiatives. As per the 2022 Evaluation Policy, performance assessments can be either evaluations which are conducted by the Evaluation Office or management-led reviews which are conducted by the substantive offices. For projects where mid-term and/or terminal performance assessments are required according to internal UNEP or external donor requirements, and the project has not been selected for independent evaluation by the Evaluation Office, a management-led review will be conducted. According to the UNEP Evaluation Office, mid-term assessments are mostly management-led reviews unless there is compelling argument for an independent mid-term evaluation.

29. OIOS noted delays in conducting performance assessments. For 10 out of 17 projects reviewed, performance assessments had not been conducted as of March 2024, with delays ranging between one and two years from the originally scheduled dates. This included ten delayed mid-term management led-reviews, three delayed terminal evaluations and two delayed terminal management led-reviews.

30. The above weaknesses were due to lack of systematic tracking/monitoring of planned performance assessments. As a result, delayed mid-term assessments could not be used to improve projects where required. Furthermore, recommendations from terminal performance assessments could not always be used for future projects, as they came when the new project documents had already been finalized. While lessons learned had broader benefits beyond the specific projects assessed, delays in performance assessments diminished their usefulness to improve the projects for which they were intended.

31. In February 2024, the Division established a tracking tool to ensure timely and systematic tracking of planned evaluations/reviews. The tool should also assist the Division to implement evaluation/review recommendations in a timely manner to capture the associated benefits. Since the Division took action to address this matter, no recommendation was made.

IV. ACKNOWLEDGEMENT

32. 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 projects in the Industry and Economy Division of UNEP

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNEP Industry and Economy Division should strengthen project oversight by ensuring that: (a) monitoring plans are properly developed; and (b) relevant evidence is documented in the Integrated Planning, Management and Reporting system.	Important	O	Receipt of evidence that monitoring plans have been developed and relevant evidence has been documented in IPMR.	31/12/2025
2	The UNEP Industry and Economy Division should identify the specific projects whose migration to the Integrated Planning, Management and Reporting system has been delayed, and seek appropriate guidance to complete the migration process.	Important	O	Receipt of evidence that the migration of the Industry and Economy Division's project portfolio has been completed.	31/03/2025
3	The UNEP Industry and Economy Division should establish an effective mechanism to ensure the accuracy and completeness of the Division's project data in the Integrated Planning, Management and Reporting system.	Important	O	Receipt of evidence that a mechanism has been established to ensure completeness of the Division's IPMR project data.	31/03/2025

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 UNEP in response to recommendations.

APPENDIX I

Management Response

Management Response

Audit of projects in the Industry and Economy Division of the United Nations Environment Programme

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNEP Industry and Economy Division should strengthen project oversight by ensuring that: (a) monitoring plans are properly developed; and (b) relevant evidence is documented in the Integrated Planning, Management and Reporting system.	Important	YES	IED Deputy Director	31/12/2025	<p>We accept the recommendation. The Industry and Economy Division will:</p> <p>Open a management dialogue with PPD and CSD in UNEP to review and assess salient M&E aspects that need to be included and captured in IPMR and other corporate and divisional dashboards.</p> <p>Within the division, we will:</p> <p>review and disseminate best in class M&E plans to all project teams;</p> <p>systematically review all M&E plans prior to PRC approval and entry into IPMR.</p> <p>organize regular portfolio health reviews by high-impact sector, with the objectives of:</p> <p>(a) Monitoring overall progress on the expected results; (b) Identifying possible challenges and agreeing on implementing corrective measures;</p>
2	The UNEP Industry and Economy Division should identify the specific projects whose migration to the Integrated Planning, Management and Reporting system has been delayed, and	Important	YES	IED Deputy Director	31/03/2025	<p>To address recommendation 2, the Industry and Economy Division will:</p> <p>(a) Identify, on the basis also of data included in the Audit Report and Annexes, what projects still need to migrate to IPMR as of September 2024.</p>

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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	seek appropriate guidance to complete the migration process.					(b) Work together with Project Managers and Heads of Unit/Branch and the IPMR Help Desk to ensure the migration process is complete.
3	The UNEP Industry and Economy Division should establish an effective mechanism to ensure the accuracy and completeness of the Division's project data in the Integrated Planning, Management and Reporting system.	Important	YES	IED Deputy Director	31/03/2025	<p>Industry and Economy Division will put in place measures to ensure accuracy and completeness of project data in IPMR, as follows:</p> <ol style="list-style-type: none"> 1. Management dialogues with PPD and CSD as above for recommendation 1. 2. Within the division, establish a team to: <ol style="list-style-type: none"> (a) Analyse all project entries in IPMR (b) Identify data points that are missing (c) Work together with Project Managers and Fund Management Officers to ensure all missing information is inserted so that project data is complete. (d) To further guarantee projects completeness, the Division will implement a regular data quality review process, where a dedicated team will conduct periodic checks on projects data and identify potential bottlenecks. This proactive approach will enable early intervention and ensure that projects remain on track.