

## ANNEX A

### Update on Progress made in implementing the GEF Audit Recommendations and related management Commitments: BDO/UK Observations and UNDP Management Action.

| BDO Observation   | UNDP Management Actions   | Targeted Completion Date  | Action Completion Date  | Status           | Notes  |
|---|---|---|-------------------------|------------------|--|
| <p>3. Approval and Implementation of UNDP's Anti-Money Laundering /Combatting the Financing of Terrorism policy: BDO recommends that the policy is issued as soon as possible and that efforts are made to publicize its content.</p> | <p>The AML/CFT Policy implementation plan has been drafted based on extensive consultations within and outside UNDP and is under final review prior to submission to the OPG for endorsement.</p> <p>UNDP has created a detailed implementation timeline within the draft implementation plan submitted to the OPG for review and approval in July.</p> <p>Specifically:</p> <ol style="list-style-type: none"> <li>1. <i>Updating of relevant policies and procedures in line with the new AML/CFT policy.</i> This is addressed in Step 2 of the proposed implementation plan (tentatively planned for</li> </ol> | <p>31 July 2021 (subject to OPG schedule).</p> <p><b>New target date: 31 October 2021</b></p> | <p>3 September 2021</p> | <b>Completed</b> | <p>The AML/CFT implementation plan was shared the GCF Secretariat on 3 September 2021.</p> |

|  |  |  |  |  |  |
|--|--|--|--|--|--|
|  | <p>Oct 2021 through Jan 2022).</p> <p>2. <i>Allocating responsibilities for implementation.</i> This is addressed in the proposed implementation plan as nine (9) Functional Areas with specific staff designated as Focal Points identified and responsible.</p> <p>3. <i>Outline the responsibilities of the Bureau for Management Services (BMS) under the policy.</i> This is addressed in the draft implementation plan as five (5) of the nine (9) Functional Areas identified are BMS units - see answer to #2 above.</p> <p>4. <i>Elaboration on how 1st level due diligence will be performed on GCF projects under the policy.</i> First-line due diligence will be performed by the CO/BPPS. The updated SOPs, addressed in Step 2 of the draft</p> |  |  |  |  |
|--|--|--|--|--|--|

|  |  |  |  |  |  |
|--|--|--|--|--|--|
|  | <p>implementation plan, will elaborate on the process.</p> <p>5. <i>Capacity building/Training and awareness.</i> This is addressed in Step 1 of the draft implementation plan for capacity building (tentatively planned for Jul 2021 through Sep 2021) as well as Step 3 (tentatively planned for Feb 2022 through Apr 2022) for communication and training.</p> <p>6. <i>Provision of tools already used and planned to be used to implement the ML/FT controls under the policy.</i> This is addressed in Step 1 of the draft implementation plan for determining what tools, existing or new, are required (tentatively planned for Jul 2021 through Sep 2021).</p> <p>Once the implementation plan is endorsed, relevant UNDP business units and functions will update</p> |  |  |  |  |
|--|--|--|--|--|--|

|   |   |  |              |                  |  |
|---|---|--|--------------|------------------|--|
|   | other UNDP policies and procedures impacted by the new AML/CFT policy codifying responsibility for implementing the policy, establishing requisite capacity (where required), and building awareness and provide training to embed the policy requirements across UNDP operations.  |  |              |                  |  |
| 4. Social and Environmental Safeguards:<br>(i) Measures to ensure quantification of GHG emissions (PS3),<br>(ii) Provision to cooperate with and participate in government-managed land acquisition and resettlement to ensure consistence of the outcomes with the PS (PS5)<br>(iii) Provision to participate in the development of an appropriate national standard in the absence of | <p><b>1. On GHG tracking:</b> The Guidance note associated with SES 2 has been updated and circulated for internal review.</p> <p><b>2. On land acquisition and resettlement:</b> The Guidance note associated with SES 5 has been updated and circulated for internal review.</p> <p><b>3. On national standards:</b> The Guidance note associated with SES 5 has been updated and circulated for internal review.</p> | Target date for issuance of the guidance notes: 31 August 2021 | 27 July 2021 | <b>Completed</b> | The revised <b>Standard 1 and 5 Guidance Notes</b> have been uploaded to UNDP's SES Toolkit in the <a href="#">Guidance and Templates page</a> and corresponding <a href="#">Standard 1</a> and <a href="#">Standard 5</a> pages. Standard 1 Guidance includes a new provision to participate in the development of an appropriate national standard in the absence of relevant natural resource management standards (Section 5.12). Standard 5 Guidance includes a new section 6.2 to address government-led displacement. The <b>Standard 2 Guidance Note</b> has been drafted and shared publicly for an open comment period, until August 11: The <a href="#">draft</a> will be updated based on the comments and finalized for internal clearance and subsequent integration in the SES Toolkit. |

|  |   |   |                  |                  |  |
|--|---|---|------------------|------------------|--|
| relevant natural resource management standards (PS6)   |   |   |                  |                  |  |
| 5. Role of the Regional Bureaus: UNDP should ensure that the measures taken to strengthen the Regional Bureaux oversight measures over GEF funded projects, covering both the clarity and consistency of the monitoring and oversight framework, and its operation in practice, are also applied to GCF funding. | BPPS will finalize the update to the project delegation of authority letter from the BPPS/Nature Climate and Energy (BPPS/NCE) Executive Coordinator to the Country Office Resident Representative (RR). The updated delegation of authority format will change from a letter to an agreement clarifying the requirement to segregate duties and clarifying the various oversight tasks to be undertaken by the Country Office and overseen by the Regional Bureau and BPPS, and the conditions under which the delegation of authority will be revoked. The updated delegation of authority format will require the signature of the NCE/VF Executive Coordinator, the RR and the Deputy Director of the Regional Bureau. The updated delegation of authority template will be uploaded to the POPP. | - | 15 December 2020 | <b>Completed</b> | <p>This action item was implemented on 15 December 2020 in relation to the GEF portfolio and a similar DOA was formally introduced for the GCF portfolio on 14 January 2021.</p> <p>OAI assessed this item as 'Implemented'. UNDP management therefore considers that no further actions are required under the management action plan.</p> <p>Please refer to the <a href="#">template DOA on UNDP POPP</a>. The new DOA template has been applied consistently for GCF projects approved by the GCF Board after 14 January 2021.</p> |

|  |  |   |                 |                  |  |
|--|--|---|-----------------|------------------|--|
|  | <p>BPPS, in consultation with the Regional Bureaux, will finalize the draft Roles/Accountability/Consult/inform (RACI) matrix covering the entire project cycle from origination to project financial closure, including oversight and upload the final RACI to the POPP.</p>  | - | 15 January 2021 | <b>Completed</b> | <p>This action item was implemented on 15 January 2021. OAI assessed this item as 'implemented'. UNDP management therefore considers that no further actions are required under the management action plan.</p> <p>Please refer to the <a href="#">RACI Matrix on UNDP POPP</a>.</p> <p>The RACI is applied to all vertical fund programming (including for GCF).</p> <p>To the extent that OAI will review how the RACI matrix will improve project oversight, these findings will be reported in the second follow-up audit report, currently scheduled currently scheduled to complete by 31 January 2022. The second follow-up audit report shall be made publicly available by OAI.</p> |
|  | <p>Regional Bureaux and BPPS will convene joint meetings three times a year (in January, June, and October) and review the performance of the Vertical Fund portfolio by region and by country. Delays in implementation, risks, and oversight challenges in Country Offices will be discussed, and action plans will be developed</p> | - | 30 January 2021 | <b>Completed</b> | <p>The joint meetings addressed all vertical fund (GEF/GCF/AF) programming in UNDP and this action item was considered 'Implemented' by OAI. UNDP management therefore considers that no further actions are required under the management action plan.</p> <p>Material project specific risks, where relevant, shall be reported to</p>   |

|  |   |   |                 |                  |   |
|--|---|---|-----------------|------------------|---|
|  | <p>with clear roles and responsibilities and timelines for follow up.</p> <p>Joint Meetings to take place on:<br/>January 2021 (first meeting);<br/>May 2021 (second meeting),<br/>September 2021 (third meeting)</p>   |   |                 |                  | <p>the GCF in line with the obligations on UNDP set out in the AMA and FAA respectively.</p>  |
|  | <p>Regional Bureaux have already implemented some strengthened oversight measures over vertical fund projects. Regional Bureau monitoring and oversight frameworks have been revised to strengthen quantitative and qualitative data on projects. Oversight of high-risk Country office-level projects have been revised and additional checks and balances have been put in place.</p> | - | 1 December 2020 | <b>Completed</b> | <p>This action item was already implemented prior to the issuance of the OAI report. As part of the OAI follow-Up audit, OAI reviewed the data in a sample of 30 GEF projects in Regional Bureaux that were using the revised monitoring and oversight frameworks. The audit team noted additional checks/controls applied on Country Office-level projects in the following areas: improved plans; discussions on the Integrated Work Plan preparation and approval; Pre-Investment Steering Committee Assessments, and Regional Bureau risk logs monitoring. While the additional controls were noted, the audit team was unable to test the correctness of the use of the additional controls as the list of high-risk GEF projects was not yet available at the time of</p> |

|   |   |              |                  |   |   |
|---|---|--------------|------------------|---|---|
|   |   |              |                  |   | the audit fieldwork. OAI will assess this as part of the second follow-up audit, currently scheduled to complete by 31 January 2022. The second follow-up audit report shall be made publicly available by OAI. |
| BPPS, Regional Bureau, and Country Offices will use the risk dashboard in PIMS+ to monitor Vertical Fund risks and will discuss risks and corresponding action plans during the joint GEF portfolio performance meetings held three times a year. | - | 5 March 2021 | <b>Completed</b> | The management actions apply to all vertical fund (GEF/GCF/AF) programming.<br><br>OAI assessed this item as 'Implemented'. UNDP management therefore considers that no further actions are required under the management action plan.  |   |
| Regional Bureaux will continue to include Internal Control Framework implementation as a performance indicator of Country Office senior managers.   | - | 31 Jan 2021  | <b>Completed</b> | The management actions apply to all vertical fund (GEF/GCF/AF) programming and was implemented on 31 January 2021.<br><br>OAI assessed this item as 'Implemented'. UNDP management therefore considers that no further actions are required under the management action plan. |   |
| Regional Bureaux and Country Offices, with the support of the Bureau for Management Services/Office of Financial Resources Management, will complete a review of the  | - | 31 Jan 2021  | <b>Completed</b> | The management actions apply to all vertical fund (GEF/GCF/AF) programming and was implemented on 31 January 2021.  |   |



|  |   |   |               |                  |  |
|--|---|---|---------------|------------------|--|
|  | Internal Control Frameworks and ensure their implementation and findings are addressed.   |   |               |                  | OAI assessed this item as 'Implemented'. UNDP management therefore considers that no further actions are required under the management action plan.  |
|  | Regional Bureaux will oversee Country Office compliance with project-level risk management and treatment as required by the UNDP Enterprise Risk Management Policy and will provide training activities for Country Offices on the timely completion of risk registers. | - | 25 April 2021 | <b>Completed</b> | <p>The management action applies to all vertical fund (GEF/GCF/AF) programming.</p> <p>As part of the OAI follow-up audit, OAI confirmed completion of the training sessions facilitated by the Regional Bureaux and BPPS on risk management and the use of Vertical Fund Management Dashboard.</p> <p>Further review on whether projects have up-to-date project risk registers will be conducted by the Regional Bureaux regularly and with technical oversight from BPPS/NCE during the annual reporting period (APR).</p> <p>UNDP management considers this action item implemented. OAI will confirm implementation during the second follow-up audit, currently scheduled to complete by 31 January 2022. The second follow-up audit report shall be made publicly available by OAI.</p> |
|  | The Regional Bureaux will provide refresher training to   | - | 25 April 2021 | <b>Completed</b> | The management action applies to all vertical fund (GEF/GCF/AF)  |

|  |   |                   |                   |                  |   |
|--|---|-------------------|-------------------|------------------|---|
|  | Country Offices on all aspects of programme and project management (PPM/POPP) including UNDP's private sector policy and screening procedure.   |                   |                   |                  | <p>programming and was implemented on 30 April 2021. All actions initiated were strongly supported by UNDP senior managers (including Regional Bureau Deputy Directors) and a framework for better projects implementation and was provided.</p> <p>OAI assessed this item as 'Implemented'. UNDP management therefore considers that no further actions are required under the management action plan.</p> |
|  | Regional Bureaux will strengthen transaction-level oversight in high-risk offices.  | 30 September 2021 | 30 September 2021 | <b>Completed</b> | <p>This management action applies to all vertical fund (GEF/GCF/AF) programming.</p> <p>This item will be assessed by OAI during the second follow-up audit currently scheduled to complete by 31 January 2022. The second follow-up audit report shall be made publicly available by OAI.</p>  |
| <b>6. Weaknesses in management of Implementing Partners (IPs) - UNDP should ensure that the HACT</b> | As part of management action 3.1 of the OAI Report, BPPS and BMS, in close coordination with the Regional Bureaux, agreed to upgrade and improve the partner capacity assessment tool (PCAT) for implementing | -                 | 13 July 2021      | <b>Completed</b> | The PCAT has been updated in June 2021 by Procurement (PSU) with the support of BPPS. The tool will enable the Country Offices to adequately assess the procurement capacity of implementing partners prior to engagement, which in turn  |

|  |  |          |                     |                         |  |
|--|--|----------|---------------------|-------------------------|--|
| <p><b>framework is applied in full across all NIM partners. Where gaps have been evidenced during our review, further training and follow-up should be conducted. Going forward, adherence to HACT should be monitored at Regional Bureau level.</b></p> | <p>partners, including a strengthening of the focus within the capacity assessment tools on procurement capabilities.</p>  |          |                     |                         | <p>will feed into the risk assessment, the formulation of appropriate risk mitigation measures and the overall decision making on the engagement of Implementing Partners.</p> <p>UNDP management considers this Management Action fully implemented. This will be confirmed during the second follow-up audit currently scheduled to complete by 31 January 2022. The updated PCAT was uploaded in POPP on the 29<sup>th</sup> of June 2021 and can be found with the following <a href="#">link</a>.</p> |
| <p><b>7. UNDP should ensure that all Project Boards are operating effectively. All members should fully understand and acknowledge their responsibilities as part of these structures and should be fully equipped with the information</b></p>          | <p>The guidance on project governance arrangements and roles and responsibilities of programme and project boards applies to all vertical fund (GEF/GCF/AF) programming and will therefore also form a part of the project document template applied for GCF-supported projects.</p> | <p>-</p> | <p>29 June 2021</p> | <p><b>Completed</b></p> | <p>This action item was completed and the additional guidance on project governance was included in POPP on 17 September 2021.</p>   |

|   |  |          |                      |                         |   |
|---|--|----------|----------------------|-------------------------|---|
| <p><b>that they need in order to fulfil their governance role. Minutes of meetings should be complete and document all discussions and decisions.</b></p> |  |          |                      |                         |   |
| <p><b>8. Delays in project implementation.</b></p>  | <p>The Vertical Funds Programming Needs Assessment Tool was approved and implemented in April 2021 and uploaded into POPP (see link <a href="#">here</a>).</p> | <p>-</p> | <p>31 March 2021</p> | <p><b>Completed</b></p> | <p>OAI reviewed the Vertical Funds Programming Needs Assessment Tool, the roll out plan and the supporting documentation. OAI checked and verified application of the Tool that requires that, during the programming cycle or in the interim when new programming requests are received from CO, the most updated version of the VF assessment tool is referred to by the RTA and/or Pre-Investment Screening Committee (PISC) to weigh risks involved in accepting/deciding to undertake new projects within a country. The sample of the Pre-Investment Screening Assessments provided for all Regional Bureaux confirmed the use of the tool.</p> |

|  |   |   |                  |                  |   |
|--|---|---|------------------|------------------|---|
|  |   |   |                  |                  | <p>In accordance with the roll-out plan, the tool is currently in a pilot phase and will be formally rolled out to all vertical fund programming (including GEF/GCF) by January 2022.</p> <p>This action was considered 'implemented' by OAI. UNDP management therefore considers that no further actions are required under the management action plan.</p>  |
|  | The SOPs for vertical fund programming were introduced into POPP on 15 December 2020. | - | 15 December 2020 | <b>Completed</b> | <p>OAI, as part of the OAI follow-up audit, tested the implementation of the new SOPs by reviewing a sample of pre-assessment Screening Committee meeting minutes and confirmed that procedures were in place. OAI noted the discussions among country offices, regional team leaders and principal technical advisors as reflected in the supporting documents provided.</p> <p>On that basis, OAI assessed this item as 'Implemented'. UNDP management therefore considers that no further actions are required under the management action plan.</p> |

|  |  |   |                  |                  |   |
|--|--|---|------------------|------------------|---|
|  | <p>Procurement oversight and management was introduced as a key performance indicator for the UNDP Resident Representative at the country office under the updated Delegation of Authority letter. The DOA is now in the form of an agreement signed between the BPPS-NCE Executive Coordinator, the Regional Bureau Director and the Resident Representative and determines the accountabilities and responsibilities for implementation and oversight of VF programming, as well as the requirements and terms for compliance. In the event of non-compliance (including in relation to procurement), the DOA can be revoked, suspended or terminated.</p> | - | 15 December 2020 | <b>Completed</b> | <p>This action item was implemented on 15 December 2020 in relation to the GEF portfolio and a similar DOA was formally introduced for the GCF portfolio on 14 January 2021.</p> <p>OAI assessed this item as 'Implemented'. UNDP management therefore considers that no further actions are required under the management action plan.</p> <p>Please refer to the <a href="#">template DOA in UNDP POPP</a>.</p> |
|  | <p>BPPS, Regional Bureaux, and Country Offices will use the risk dashboard in PIMS+ to monitor Vertical Fund risks and will discuss risks and corresponding action plans during the joint VF portfolio performance meetings held three times a year.</p>   | - | 5 March 2021     | <b>Completed</b> | <p>The management actions apply to all vertical fund (GEF/GCF/AF) programming.</p> <p>OAI assessed this item as 'Implemented'. UNDP management therefore considers that no further actions are required under the management action plan.</p> <p>Risks flagged at the project level (for GEF as well as GCF projects) are included in the risk dashboard. OAI and BDO have seen the risk dashboard and</p>        |

|  |   |   |               |                  |  |
|--|---|---|---------------|------------------|--|
|  |   |   |               |                  | have included any risks identified therein in their assessments of the projects. GCF receives information on risks flagged in the risk dashboard in the APR.   |
|  | Regional Bureaux will oversee Country Office compliance with project-level risk management and treatment as required by the UNDP Enterprise Risk Management Policy and will provide training activities for Country Offices on the timely completion of risk registers. | - | 25 April 2021 | <b>Completed</b> | <p>The management action applies to all vertical fund (GEF/GCF/AF) programming.</p> <p>As part of the OAI follow-up audit, OAI confirmed completion of the training sessions facilitated by the Regional Bureaux and BPPS on risk management and the use of Vertical Fund Management Dashboard.</p> <p>Further review on whether projects have up-to-date project risk registers will be conducted by the Regional Bureaux regularly and with technical oversight from BPPS/NCE during the annual reporting period (APR).</p> <p>UNDP management considers this action item implemented. This will be assessed by OAI during the second follow-up audit, currently scheduled to complete by 31 January 2022.</p> |
|  | As part of management action 3.1 of the OAI Report, BPPS and BMS, in close coordination with the Regional Bureaux, agreed to upgrade and improve the  | - | 13 July 2021  | <b>Completed</b> | The PCAT has been updated in June 2021 by Procurement (PSU) with the support of BPPS. The tool will enable the Country Offices to adequately assess the procurement capacity of  |

|  |   |   |              |                  |   |
|--|---|---|--------------|------------------|---|
|  | partner capacity assessment tool (PCAT) for implementing partners, including a strengthening of the focus within the capacity assessment tools on procurement capabilities.   |   |              |                  | <p>implementing partners prior to engagement, which in turn will feed into the risk assessment, the formulation of appropriate risk mitigation measures and the overall decision making on the engagement of Implementing Partners.</p> <p>UNDP management considers this Management Action fully implemented. This will be confirmed during the second follow-up audit currently scheduled to complete by 31 January 2022. The updated PCAT was uploaded in POPP on the 29<sup>th</sup> of June 2021 and can be found with the following <a href="#">link</a>.</p> |
| <b>9. Financial Management - UNDP should continue to ensure that UNDP POPP is disseminated throughout COs, and that its implementation is supported and monitored, with relevant actions being</b> | BPPS, Regional Bureaux, and Country Offices will use the risk dashboard in PIMS+ to monitor Vertical Fund risks and will discuss risks and corresponding action plans during the joint VF portfolio performance meetings held three times a year. | - | 5 March 2021 | <b>Completed</b> | <p>The management actions apply to all vertical fund (GEF/GCF/AF) programming.</p> <p>OAI assessed this item as 'Implemented'. UNDP management therefore considers that no further actions are required under the management action plan.</p> <p>Risks flagged at the project level (for GEF as well as GCF projects) are included in the risk dashboard. OAI and BDO have seen the risk dashboard and</p>  |



|   |   |   |                 |                  |  |
|---|---|---|-----------------|------------------|--|
| <b>taken where weaknesses are noted, in line with the relevant accountability frameworks.</b> |   |   |                 |                  | have included any risks identified therein in their assessments of the projects. GCF receives information on risks flagged in the risk dashboard in the APR.   |
|   | Regional Bureaux will oversee Country Office compliance with project-level risk management and treatment as required by the UNDP Enterprise Risk Management Policy and will provide training activities for Country Offices on the timely completion of risk registers. | - | 25 April 2021   | <b>Completed</b> | <p>The management action applies to all vertical fund (GEF/GCF/AF) programming.</p> <p>As part of the OAI follow-up audit, OAI confirmed completion of the training sessions facilitated by the Regional Bureaux and BPPS on risk management and the use of Vertical Fund Management Dashboard.</p> <p>Further review on whether projects have up-to-date project risk registers will be conducted by the Regional Bureaux regularly and with technical oversight from BPPS/NCE during the annual reporting period (APR).</p> <p>UNDP management considers this action item implemented. This will be assessed by OAI during the second follow-up audit, currently scheduled to complete by 31 January 2022.</p> |
|   | Regional Bureaux will continue to include Internal Control Framework implementation as a performance indicator of Country Office senior managers.   | - | 31 January 2021 | <b>Completed</b> | The management actions apply to all vertical fund (GEF/GCF/AF) programming and was implemented on 31 January 2021.   |

|  |  |   |                 |                  |  |
|--|--|---|-----------------|------------------|--|
|  |  |   |                 |                  | OAI assessed this item as 'Implemented'. UNDP management therefore considers that no further actions are required under the management action plan.  |
|  | Regional Bureaux and Country Offices, with the support of the Bureau for Management Services/Office of Financial Resources Management, will complete a review of the Internal Control Frameworks and ensure their implementation and findings are addressed. | - | 31 January 2021 | <b>Completed</b> | <p>The management actions apply to all vertical fund (GEF/GCF/AF) programming and was implemented on 31 January 2021.</p> <p>OAI assessed this item as 'Implemented'. UNDP management therefore considers that no further actions are required under the management action plan.</p> |