

Global Environment Facility
Fiduciary Management Standards

Standards and Practices Review Template

Agency: UNIDO

February 25, 2008

A. Audit, Financial Management and Control Framework**(1) External Financial Audit**

The external financial audit function ensures an independent (as defined by the International Federation of Accountants (IFAC)) review of financial statements and internal controls.

- a. The agency has appointed an independent external audit firm or organization.
- b. The work of the external audit firm or organization is consistent with recognized international auditing standards such as International Standards on Auditing (ISA).
- c. Financial statements are prepared in accordance with recognized accounting standards such as International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies.
- d. The internal controls over financial reporting cover the use of GEF funds, and Management asserts to the agency governing body that these internal controls are adequate.
- e. An annual audit opinion on the financial statements is issued by the external auditor and made public.
- a. An independent audit committee, or comparable body, is appointed and oversees the work of the external audit firm or organization as it relates to the audit of the financial statements. The audit committee or comparable body has written terms of reference that address its membership requirements, duties, authority, accountability and regularity of meetings.
- g. The external auditor makes regular reports of observations with respect to accounting systems, internal financial controls, and administration and management of the organization. Auditor and management progress reports are reviewed by the audit committee or comparable body annually.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
a) The Governing Bodies of UNIDO appoint the External Auditor which is a Supreme Audit Institution	Financial Regulation 11.1: An External Auditor, who shall be the Auditor-General (or an officer exercising an equivalent function) of a Member State, shall be appointed in the manner and for the period decided by the Conference
b) The External Auditor Term of Reference and Audit Approach (outlined within UNIDO's Report of External Auditors to the Governing Bodies) states that the audits are conducted in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and conform to International Standards on Auditing (ISA).	Financial Regulation 11.3: The audit shall be conducted in conformity with generally accepted common auditing standards. See also statement in the EA report to the Governing Bodies
c) Presently, UNIDO's financial statements are prepared in accordance with the existing standards, i.e. United Nations System Accounting Standards, generally accepted accounting principles and its own financial regulatory framework. Effective 1 January 2010, UNIDO will adopt International Public Sector Accounting Standards (IPSAS) for preparation and presentation of its financial statements	Report of the External Auditor on the accounts of the UNIDO for the financial period 1 January 2004 to 31 December 2005 (ref Pg. 5)
d) The Financial Procedures Agreement (FPA) between UNIDO and the International Bank for Reconstruction and Development as Trustee of the GEF, dated 20 July 2004, accepts the audit of GEF biennial financial statements by UNIDO's External Auditor. Furthermore, it stipulates detailed mechanisms when the Trustee may specifically request UNIDO to report on individual GEF projects as well as ask for specific audit to be conducted by the External Auditor. UNIDO's External Auditor issued unqualified audit opinion on GEF after conducting separate audit for bienniums 2002-2003 and 2004-2005. It is therefore noted that UNIDO has in place sufficient standards. This process is also in line with the UN system wide single audit principle.	FPA, Financial Regulations and Rules, and External Auditor's Reports.
e) External Auditor's reports and opinions are published by biennium and available on the UNIDO website.	Financial Regulation 11.10: The External Auditor's reports, together with the audited financial statements, shall be completed by not later than 1 June following the fiscal period, which they relate. See UNIDO website.

Inventory of Current Organizational Environment	Documentation References
f) While there is no traditional Audit Committee for UNIDO, there is a Finance and Budget Committee (PBC) to which the External Auditor reports to at least annually (either interim update or biennium financial statements with an opinion).	See UNIDO website.
g) Report of the External Auditor includes observations on financial overview, governance matters, non-expendable property, procurement, use of consultants and experts, and information and communication technology.	Financial Regulation 11.10: The Program and Budget Committee of UNIDO shall examine the financial statements and the audit reports and submit recommendations to the Board, which shall forward them to the Conference with such comments, as it deems appropriate.

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall

(2) Financial Management and Control Frameworks

An internal control framework, as defined by internationally recognized frameworks such as COSO, Cadbury and CoCo, is a risk-based process designed to provide reasonable assurance and feedback to management regarding the achievement of objectives in the following categories:

- *Effectiveness and efficiency of operations*
 - *Reliability of financial reporting and financial management frameworks*
 - *Compliance with applicable policies and procedures.*
- a. A control framework has been adopted that is documented and includes clearly defined roles for management, internal auditors, the board of directors or comparable body, and other personnel.
- b. The control framework covers the control environment (“tone at the top”), risk assessment, internal control activities, monitoring, and procedures for information sharing.
- c. The control framework has defined roles and responsibilities pertaining to accountability within the control framework for fiscal agents and fiduciary trustees.
- d. At the institutional level, risk-assessment processes are in place to identify, assess, analyze and provide a basis for proactive risk responses. Risks are assessed at multiple levels, and plans of action are in place for addressing risks that are deemed significant or frequent.
- e. The control framework guides the financial management framework.
- f. Procedures are in place for identifying internal controls and assessing controls details annually in the following financial management areas:
- Budgeting;
 - Accounting;
 - Internal control;
 - Funds flow (including disbursements, cash management, unused fund close-out);
 - Financial reporting; and
 - Auditing arrangements.
- g. Duties are segregated where incompatible. Related duties are subject to a regular review by management; response is required when discrepancies and exceptions are noted; and segregation of duties is maintained between: settlement processing; procurement processing; risk management/reconciliations; and accounting.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>a to c) UNIDO follows the principles of good corporate governance through its various regulations, rules, procedures and instructions as issued from time to time. Primarily, UNIDO Financial Regulations and Rules provide the framework for the financial management and control of all financial activities of UNIDO as reflected in the unqualified opinion of the External Auditor on its financial statements.</p>	<ul style="list-style-type: none"> • Financial Regulations and Rules • TC Guidelines • Bulletins, instructions, circulars • Delegation authorities • Procurement Manual • Staff Rules and Regulations
<p>d) Risk assessment and management activities are distributed throughout the house</p>	
<p>e) The overall regulatory framework of UNIDO guides the financial management framework.</p> <p>UNIDO's Financial Regulations and Rules, TC guidelines and administrative instructions provide guidance for internal controls relating among others to the following areas:</p> <ul style="list-style-type: none"> • Authority for Expenditure • Certification and approval of obligations and expenditures • Property management including authority for, sale, and accounting for • Custody of Funds • Investment of Funds <p>In addition, many of the controls are automated within the current ERP system (Agresso), which includes live data and programmed delegations of authority. Delegation of authority existss for various financial functions.</p>	
<p>f) Procedures are in place for identifying and assessing controls annually by governing bodies, External Auditors and management</p>	<ul style="list-style-type: none"> • Annual Report • External Auditors Reports • Regular reports to the Governing Bodies
<p>g) Duties are segregated between authorization, implementation and control in Finance, Procurement, Human Resources, ICM etc.</p>	<ul style="list-style-type: none"> • Delegations, job descriptions, all of the regulations, rules, instructions etc. which define rules and responsibilities

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
a to c) Systemize and consolidate where appropriate the existing regulations, rules using the COSO terminology.	This is expected to be completed in 2009
d) Risk assessment processes and management: While there are robust Financial Regulations and Rules, a holistic risk assessment process at UNIDO is required. .	The development of an enterprise risk management (ERM) is under consideration. It will be a major undertaking for the entire organization calling for significant resources and is expected to be completed in 2009

(3) Financial Disclosure

The financial disclosure policy establishes and/or strengthens the process surrounding mandatory financial disclosures of possible or apparent conflicts of interest by identified parties.

- a. A documented financial disclosure policy covering identified parties defines conflicts of interest arising from personal financial interests that require disclosure, including actual, perceived and potential conflicts.
- b. The policy specifies who is required to adhere to the standards, including employees, employee family members, consultants, or independent experts at a management decision making level with the following responsibilities:
 - Contracting or procurement;
 - Developing, administering, managing, or monitoring loans, grants, programs, projects, subsidies, or other financial or operational benefits provided by the bank; and
 - Evaluating or auditing any project, program or entity.
- c. The policy specifies prohibited personal financial interests.
- d. The policy describes the principles under which conflicts of interests are reviewed and resolved by the agency. It describes sanction measures for parties that do not self disclose where a conflict of interest is identified. The policy contains references to other related internal policies, such as outside employment policies.
- e. Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative function within the agency.
- f. The policy establishes processes for the administration and review of financial disclosure interests of the defined parties defined as well as resolution of identified conflicts of interests, under an independent monitoring/administration function.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>a) to d) UNIDO staff are bound by the Standards of Conduct for the International Civil Service promulgated by the International Civil Service Commission. This is further reinforced by staff members' general obligations under Article I of the UNIDO Staff Regulations and Staff Rules 101.01 (Outside activities and Interests) and 101.03 (Acceptance of Honour or Gift from External Sources)</p>	<p>Staff Regulations and Staff Rules previously provided to GEF.</p>

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>a) to f) Policy under development; determination of whether to use the UN Secretariat Programme under consideration.</p>	<p>a) to d) Introduction of the said policy including staff management consultation by 30 September 2008 e) and f) Creation of Ethics function is under active consideration</p>

4) Code of Ethics

A code of ethics for agency staff promotes responsible governance and ethical behavior.

- a. A documented code of ethics defines ethical standards to be upheld, including protecting agency and trust fund assets. The code lists parties required to adhere to the standards including employees, consultants, and independent experts. It describes disciplinary and enforcement actions for violations, and provides for appropriate flexibility in application and implementation in local environments.
- b. An ethics or related function provides administrative support for the code, including distributing the code, monitoring compliance, and authority to refer to the agency's investigation function for alleged violations.
- c. Multiple avenues for reporting compliance and/or other business conduct concerns such as a hotline and contact information for functional/department options (e.g. human resources and internal audit) are readily available (e.g. by posting them to the agency's intranet and external websites).

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>a) UNIDO staff is bound by the Standards of Conduct for the International Civil Service promulgated by the International Civil Service Commission. This is reinforced by the oath of office (staff regulation 1.8). Staff Regulation 11.2 states that disciplinary actions will be undertaken. The fraud awareness policy as well as the circular on disciplinary measures completes this.</p>	<p>Staff regulations previously provided to GEF. Similarly for the fraud awareness policy and the disciplinary measures</p>
<p>c) A hotline exists already (see section C2)</p>	

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.



Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
a) Consultants and independent experts are not yet covered by a code similar to that of staff.	Relevant provisions of existing policy documents will be consolidated and issued as a single policy document by 30 September 2008
b) Consideration is given to the introduction of an ethics function within the financial resources of the organization (application of quasi zero-nominal growth budget)	Creation of Ethics function is under active consideration.

(5) Internal Audit

Internal auditing is an independent, objective activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

- a. Internal audit activity is carried out in accordance with internationally recognized standards such as those prescribed by the Institute of Internal Auditors (IIA).
- b. Auditors and entities that provide internal auditing services adhere to ethical principles of integrity, objectivity, confidentiality and competency.
- c. The internal audit function is independent and objective in the execution of its respective duties. There is an officer designated to head the internal audit function. The chief audit officer reports to a level within the organization that allows the internal audit activity to fulfill its responsibilities objectively.
- d. The internal audit function has documented a terms of reference/charter that outlines its purpose, authorized functions, and accountability.
- e. The internal audit function has a documented description of the annual audit planning process, including a risk-based methodology for preparing an audit plan. The audit plan outlines the priorities of the function and is consistent with the agency's goals.
- f. The chief audit officer shares information and coordinates activities with relevant internal and external parties (including external financial statement auditors) to ensure proper coverage and minimize duplication of efforts.
- g. The internal audit function disseminates its findings to the corresponding senior and business management units, who are responsible for acting on and/or responding to recommendations.
- h. The internal audit function has a process in place to monitor the response to its recommendations.
- i. A process is in place to monitor and assess the overall effectiveness of the internal audit functions including periodic internal and external quality assessments.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>a) Internal audit (IA) activities is part of the mandate of the Office of Internal Oversight Services (IOS). For IA work, IOS (and its predecessor offices) have been following the IIA Professional Practices Framework (PPF), i.e. Code of Ethics, and Professional Standards, formally since 2003. The Organization is a member of the IIA. Further, all IOS professional level staff are also Certified Internal Auditors, thereby also bound by the PPF in personal capacity.</p>	<p>Reference to IIA professional framework in Finance Rule (109.1.15), as well as in the IOS Charter.</p>
<p>b) See a) – this corresponds to the principles of the Code of Ethics of the PPF to which both IOS as an organizational unit and each IOS staff are bound.</p>	
<p>c) Since 27 February 2006, the Director, IOS has been reporting to the Executive Head of UNIDO See latest organization chart attached.</p>	 UNIDO Organisation chart.pdf
<p>d) The IA activities of IOS are described in its Charter. The first Charter was issued in October 2003 and was revised in November 2005. It is currently under revision to reflect inter alia IOS widened mandate and reporting line to the Director-General (the position of Comptroller-General does not exist anymore).</p>	 UNIDO_Charter_8No v2005.pdf Status November 2005
<p>e) IOS has an audit risk assessment methodology to support the planning of its IA work. The methodology is shared with the EA, as well as with the Director-General when IOS submits the audit plan.</p>	<p>See comment of EA on the matter (para 15 Final report IDB 32/3 – PBC 22/3).</p>
<p>f) The Director, IOS discusses and closely coordinates IA activities with the EA, to avoid duplication of efforts while respecting both functions' distinct mandates. The EA places reliance on IOS work, as it deems appropriate. The EA has access to all IOS reports -incl. that of IA nature-, as well as to all IOS work papers.</p>	<p>This takes place through numerous face-to-face or telephone interactions with the EA (currently South Africa).</p>

Inventory of Current Organizational Environment	Documentation References
<p>g) IOS' IA final reports are issued to management level(s) that can ensure that the results are given appropriate consideration – for action. IA final reports include management answers to recommendations - which then serve as a base for the follow-up of recommendation implementation.</p>	
<p>h) IOS has currently has a mechanism to follow up recommendation implementation (table completed after issuance of each final report; updated with information, either requested from or provided by management). However, systematic follow-up will be enhanced through the introduction of an integrated audit management software (see below).</p>	
<p>i) The Director, IOS has already set in place tools for monitoring the IOS function, including periodic internal quality assessments, (e.g. time-tracking system; engagement work programme prepared by the auditor-in-charge and reviewed/ endorsed by the Director, IOS; systematic review of work papers by the Director, IOS before issuance of draft reports; quality tracer filled out by engagement, etc.).</p> <p>The external quality assessment (method chosen by IOS in view of its resources: self-assessment to be validated by a competent validator chosen according to the criteria set by the IIA) has been planned. Most of the necessary fieldwork has been conducted. However, further completion is put on hold (see below).</p>	<p>Examples can be provided upon request.</p>

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>d) The new IOS Charter will be issued after clarification of the impact on IOS, if any, of the ethics and ombudsman functions, when introduced.</p>	<p>Issuance of Charter after clarification on mandate and Director-General's endorsement. Deadline June 2008</p>

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>h) The introduction of an integrated audit management software in IOS will, inter-alia, help improve recommendation follow-up once it is configured for management to input directly its update on recommendation implementation.</p>	<p>Introduction of administrative software (already ordered). Deadline for introduction: March 2008; tailoring of features: June-September 2008</p>
<p>i) Completion of the self-assessment report writing and validation of the entire self-assessment.</p>	<p>Completion of external quality assessment . Deadline: June 2008</p>

B. Project/Activity Processes and Oversight

(1) Project Appraisal Standards, including safeguards measures, as appropriate

Project appraisal functions include the establishment of standards and appropriate safeguards that are used to determine whether projects and activities will meet their development goals before funds are dispersed.

- a. An independent project and/or activity appraisal process is in place with the purpose of examining whether proposed projects and/or activities meet appropriate technical, economic, financial, fiduciary, environmental, social, institutional and/or other relevant criteria, including GEF-mandated criteria, and whether they are reasonably likely to meet stated objectives and outcomes. The process ensures an appropriate degree of institutional checks and balances at the stage of project design.
- b. Project and/or activity development objectives and outcomes are clearly stated and key performance indicators with baseline and targets are incorporated into the project/activity design.
- c. Risk-assessment procedures are in place specifying the criteria and circumstances under which environmental, social, institutional and/or fiduciary assessments must be conducted.
- d. Adequate oversight procedures are in place to guide the appraisal process and ensure its quality and monitoring of follow-up actions during implementation.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>a to d)</p> <ul style="list-style-type: none"> An Appraisal System is in place and is mandatory for all UNIDO Technical Cooperation activities (with the exception of projects to be submitted to the Montreal Protocol Multilateral Fund, which follow the requirements of the Ozone Secretariat) The System provides for (a) screening of concepts and subsequent (b) review of full-fledged proposals before approval Process requirements depend on the type of activity (the main distinction being between integrated programmes and stand-alone projects). All proposals are reviewed against a set of predefined quality criteria (relevance, effectiveness, efficiency, sustainability, impact) Different organizational units intervene in the Appraisal Process, with (i) an independent <i>Quality Advisory Group</i> and (ii) a cross-organizational <i>Programme Approval Committee</i> (with 	<ul style="list-style-type: none"> Director-General's Administrative Instruction No. 17/Rev.1 of 26 August 2006 – "Guidelines for the Technical Cooperation Programme and project Cycle" Chapter III (Integrated Programmes), Stages 1 to 3; Chapter IV (Projects), Stages 1 to 3. Director-General's Bulletin (P).96 of 3 March 2006 – "Programme Approval Committee and Quality Advisory Group"

Inventory of Current Organizational Environment	Documentation References
<p>rotating members drawn from the various technical Branches) involved in both the screening and review</p> <ul style="list-style-type: none"> The appraisal responsibilities of the various units are laid down in the “<i>Guidelines for the Technical Cooperation</i>”. Specific terms of reference are in place for the <i>Quality Advisory Group</i> and the <i>Programme Approval Committee</i>, with the former providing guidance to project managers on improving their submissions and the latter periodically reporting to top management (<i>Executive Board</i>) Project development is based on the Logical Framework Approach and provides for the definition of measurable hierarchy of elements (objectives, outcomes and outputs) accompanied by performance indicators for all programmes/projects <p>A Senior GEF Coordinator is in place</p>	

II. Description of area(s) in which agency does not meet this standard, and description of agency’s monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>a) Development of detailed criteria for conducting an in-depth analysis of the technical, economic, financial, environmental, social, institutional aspects of technical cooperation proposals</p> <p>b) Performance indicators to comply with “SMART” requirements; and baseline data to be incorporated.</p> <p>c) Development of holistic policies and risk-assessment procedures with reference to the criteria and circumstances under which detailed environmental, social, institutional assessments must be conducted.</p> <p>d) Put in place a holistic mechanism for monitoring and coordination of the Project Appraisal Process.</p>	<p>Undertake a thorough review of the existing technical cooperation appraisal process. September 2008</p>

(2) Procurement Processes

Agency procurement processes covering both internal/administrative procurement and procurement by recipients include written standards based on widely recognized processes and an internal control framework to protect against fraud, corruption and waste.

- a. Specific directives at the agency promote economy and efficiency in procurement through written standards and procedures that specify procurement requirements, accountability and authority to take procurement actions.
- b. Specific procurement guidelines are in place with respect to different types of procurement managed by the agency, such as consultants, contractors and service providers.
- c. Specific procedures, guidelines and methodologies of assessing the procurement procedures of beneficiary institutions are in place.
- d. Procurement performance in implemented projects is monitored at periodic intervals, and there are processes in place requiring a response when issues are uncovered.
- e. Procurement records are easily accessible to staff, and procurement policies and awards are publicly disclosed.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>a) Standards, procedures, accountability and procurement authority are reflected in the UNIDO Financial Regulations & Rules, Administrative Instructions, Bulletins, Guidelines, Procurement Manual</p>	<ul style="list-style-type: none"> Financial Regulations and Rules of UNIDO (UNIDO/DG/B.74/Rev.2) dated 18 August 2006 (Rules 109.5.1 – 109.5.9) DG's Administrative Instruction No.6 "New Financial Authorization System" dated 13 May 1998, (paragraphs 30,31,43,44) DG's Bulletin DGB (O). 48/Rev2 of 26 October 2006 "Terms of Reference of the Procurement Committee" Guidelines on Technical Cooperation Programmes and Projects (DG AI.17/Rev.1) dated 24 August 2006 (Annex 12, paragraphs (iv), (vi)) UNIDO Procurement Manual dated January 2008, Rev.0

Inventory of Current Organizational Environment	Documentation References
b) Project Personnel Manual (for consultants) Procurement Manual (for contractors and service providers), are in place	<ul style="list-style-type: none"> • Project Personnel Manual (for consultants) • UNIDO Procurement Manual
c) Not applicable. Beneficiaries shall follow UNIDO procurement Rules	Financial Regulations and Rules of UNIDO (UNIDO/DG/B.74/Rev.2) dated 18 August 2006 (Rules 109.5.1 – 109.5.9)
d) MD, PSM on behalf of DG, monitors procurement performance, assisted by Procurement Committee, Oversight Office and Independent Evaluation Teams	<ul style="list-style-type: none"> • Financial Regulations and Rules of UNIDO (UNIDO/DG/B.74/Rev.2) dated 18 August 2006 • UNIDO Staff Rules • Procurement Manual • Internal Audit Group Charter: UNIDO/DGB/(M). 92/Rev.1 dated 8 November 2005
e) Procurement records are stored and retrieved via Financial Management System (FPCS), Computerized Procurement and Property Management Information System; Financial Regulations and Rules, and Procurement Manual are public documents placed on the Intranet and relevant parts thereof on the UNIDO Website; information on contract awards is published regularly on the UNIDO Website	<ul style="list-style-type: none"> • Financial Regulations and Rules of UNIDO (UNIDO/DG/B.74/Rev.2) dated 18 August 2006 • Procurement Manual • ITC Policy 2005

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall

(3) Monitoring and Project-At-Risk-Systems

The GEF monitoring and evaluation policy, adopted by Council in February 2006, establishes minimum requirements based on widely recognized, best practice norms and standards for monitoring in the GEF. From a fiduciary perspective, the monitoring function detects, assesses, and provides management information about risks related to projects and/or activities, particularly those deemed to be at risk.

- a. Monitoring functions, policies and procedures consistent with the requirements of the GEF monitoring and evaluation policy have been established.
- b. The roles and responsibilities of the monitoring function are clearly articulated at both the project/activity and entity/portfolio levels. The monitoring function at the entity/portfolio level is separated from the project and/or activity origination and supervision functions.
- c. Monitoring reports at the project/activity level are provided to project/activity manager as well as to an appropriately higher level of oversight within the organization so that mid-course corrections can be made, if necessary. Monitoring reports at the entity/portfolio level are provided to both project/activity managers and to an appropriately higher level of oversight within the organization so that broader portfolio trends are identified, and corresponding policy changes can be considered.
- d. A process or system, such as a project-at-risk system, is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond accordingly to redress the problems.
- e. Adequate oversight procedures are in place to guide the project risk assessment process and to ensure its quality and monitoring of follow-up actions during implementation.
This process or system is subject to independent oversight

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>a to e)</p> <ul style="list-style-type: none"> • A Monitoring System is in place and is mandatory for all UNIDO Technical Cooperation activities (with the exception of projects implemented under the Montreal Protocol Multilateral Fund, which follow the requirements of the Ozone Secretariat) • The System provides for (a) the preparation of annual work plans, (b) periodic progress reports and (c) yearly self-evaluation reports. All these documents are prepared by project managers, with self-evaluation reports being reviewed by the Evaluation Group before submission to higher levels of management • Additional monitoring tools are foreseen for specific categories of activities - such as integrated programmes, with (a) regular team meetings at the level of individual programmes and (b) meetings of the team leaders of all integrated programmes twice a year for the purpose of exchanging experiences and best practices • Extensions and/or revisions of Technical Cooperation activities (including budget revisions) are subject to review, with three different procedures to be followed, depending on the source of funding (GEF, UNDP and all other sources) • An electronic Results Reporting System is under development to enable systematic reporting on the results achieved under the UNIDO Programme & Budget. A pilot phase was implemented in 2007 with a sample of some 40 Technical Cooperation projects • The draft Results-based Management Implementation Plan for 2008-9 includes actions/benchmarks towards achieving effective monitoring and reporting of TC activities 	<ul style="list-style-type: none"> • Director-General's Administrative Instruction No. 17/Rev.1 of 26 August 2006 – "Guidelines for the Technical Cooperation Programme and project Cycle" Chapter III (Integrated Programmes), Stage 4 and Monitoring & Self-evaluation; Chapter IV (Projects), Stage 4 and Monitoring & Self-evaluation • "Draft RBM Implementation Plan with Milestones for the Biennium 2008-2009" of 30 November 2007

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>b) Development of a systematic entity/portfolio monitoring across the board</p> <p>c) Introduce mechanism for monitoring at the project/activity level above and independent from</p>	<p>Undertake a thorough review of the Technical Cooperation monitoring process to bring it into line with GEF requirements September 2008.</p>

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
project managers d) Put in place a system aimed at monitoring and identifying risks. e) Introduce a central mechanism for the overall coordination of the monitoring function	

(4) Evaluation Function

The evaluation function assesses the extent to which projects, programs, strategies, policies, sectors, focal areas, or other activities achieve their objectives. The goals of evaluation are to provide an objective basis for assessing results, to provide accountability in the achievement of agency objectives, and to learn from experience. The GEF monitoring and evaluation policy, adopted by Council in February 2006, establishes minimum requirements based on widely recognized, best practice norms and standards for monitoring in the GEF, including impartiality, professionalism, and a high degree of independence.

- a. Independent evaluations are undertaken by an established body or function as part of a systematic program of assessing results, consistent with the requirements of the GEF monitoring and evaluation policy.
- b. The evaluation function follows impartial, widely recognized, documented and professional standards and methods.
- c. The evaluations body or function is structured to have the maximum independence possible from the organization's operations, consistent with the structure of the agency, ideally reporting directly to the governing board. If its structural independence is limited, the evaluations body or function has transparent reporting to management and /or the governing board.
- d. An evaluation disclosure policy is in place. Evaluation reports are disseminated as widely as possible, and at a minimum to all parties directly or indirectly involved with the project. To enhance transparency, to the extent possible, reports are available to the public.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>a) The UNIDO Evaluation Policy defines the functions, roles, principles and procedures of evaluation under the following sections:</p> <ul style="list-style-type: none"> ▪ Functions and types of evaluations in UNIDO ▪ Roles and responsibilities for parties involved with evaluations ▪ Principles to adhere to while conducting an evaluation ▪ Evaluation principles ▪ Evaluation management ▪ Follow-up of evaluations <p>The UNIDO Evaluation Policy does conform to UN Evaluation Group Norms and Standards for Evaluation in the UN System, which has been approved by the United Nations Evaluation Group</p>	<p>The UNIDO Evaluation Policy has been established by the Director General of UNIDO (UNIDO/DGB (M). 98 22 May 2006)</p>

Inventory of Current Organizational Environment	Documentation References
<p>(UNEG) on 4/29/2005.</p> <p>UNIDO technical cooperation activities conform with the UNIDO Technical Cooperation Guidelines, which provide detailed definitions and inputs for independent evaluation as a specific stage of the life cycle of projects and integrated programs.</p>	<p>Guidelines on Technical Cooperation Programmes and Projects (ref pg 37/- 42/)</p>
<p>b) The UNIDO Evaluation Policy establishes in detail the following evaluation principles</p> <ul style="list-style-type: none"> ▪ Evaluation ethics ▪ Involvement and consultation of stakeholders ▪ Impartiality and independence ▪ Competencies and professional standards <p>With regard to impartiality and professional standards the Evaluation Policy stipulates that evaluators must have no vested interest and be free to conduct their evaluative work impartially. The members of an evaluation team must not have been directly responsible for the policy-setting, design or overall management of the subject of evaluation (nor expect to be so in the near future). External evaluators contracted for the purpose of an evaluation must be selected in a transparent manner. Contracts are conditional upon their signing a confidentiality agreement and a disclaimer confirming the absence of conflict of interest.</p>	<p>UNIDO Evaluation Policy (ref pg 8-9/12 – paras 42 - 52)</p>
<p>c) The UNIDO Evaluation Policy establishes the independence of the evaluation body as follows:</p> <p><i>The director of EVA is appointed by the Director-General who shall ensure the evaluation function's independence and impartiality. Further, the Director of EVA has the independence to supervise and report on evaluations.</i></p> <p><i>The UNIDO Evaluation Group is part of the Bureau for Organizational Strategy and Learning (OSL). Its location is independent of any line management functions in the Divisions involved with project/programme development and implementation. EVA staff members should not perform financial transactions outside EVA, nor should they be decision-makers or chair of a decision-making or appeals committee.</i></p> <p><i>The Industrial Development Board fosters an enabling environment for evaluation throughout UNIDO. Under the bi-annual programming cycle of the agency, the secretariat submits to the IDB a report on evaluation activities of UNIDO. The IDB comments on the bi-annual report. If deemed necessary, it may also request ad-hoc evaluations, including thematic evaluations, on specific subjects.</i></p> <p><i>The Director-General and the Executive Board of UNIDO enable the UNIDO Evaluation Group to operate effectively and with due independence. The D-G and the EB ensure that necessary</i></p>	<p>UNIDO Evaluation Policy (ref pg 7/12 -para 33)</p> <p>UNIDO Evaluation Policy (ref pg 7/12 - para 34)</p> <p>UNIDO Evaluation Policy (ref pg 7/12 - para 28)</p> <p>UNIDO Evaluation Policy (ref pg 7/12 - para 29)</p>

Inventory of Current Organizational Environment	Documentation References
<i>measures are taken to institutionalize the evaluation policy throughout UNIDO.</i>	
<p>d) The UNIDO Evaluation Policy defines the dissemination and disclosure policy for independent evaluations as follows:</p> <p><i>The EVA biennial work programme, the terms of reference of independent evaluations and the evaluation reports are posted on the relevant pages of the UNIDO public website.</i></p>	<p>UNIDO Evaluation Policy (ref pg 12/12 – para 78)</p> <p>http://www.unido.org/doc/5122</p>

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall

C. Investigations


(1) Investigation Function

The investigation function provides for independent, objective investigation of allegations of fraud and corruption in agency operations, and of allegations of possible agency staff misconduct.

- a. The investigations function has publicly available terms of reference that outline the purpose, authority, and accountability of the function.
- b. To ensure independence, the investigations function is headed by an officer who reports to the head of the agency and/or an oversight body, such as a committee of the board of directors or a comparable body.
- c. The investigations function has published guidelines for processing cases, including standardized procedures for handling complaints received by the function and managing cases before, during and after the investigation process.
- d. The investigations function has a defined process for periodically reporting case trends. To enhance accountability and transparency, to the extent possible, case trend reports and other information are made available to senior management and respective functional business areas.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
a) The investigative function is part of the Office of Internal Oversight (IOS) mandate, as defined in its Charter.	See comment and information provided in part A.5. Internal Audit.
b) The Director, IOS has been reporting directly to the Director-General since 27 February 2006.	See organization chart included in part A.5. Internal Audit.

Inventory of Current Organizational Environment	Documentation References
<p>c) IOS follows the Uniform Guidelines for Investigations as endorsed by the 3rd Conference of International Investigators on 8 March 2002. (It should be noted that its revision is under consideration by the Conference of International Investigators).</p>	 <p>Investigation guidelines UN system</p>
<p>d) The number of cases that IOS has dealt with so far has been very limited. It should be noted that all investigative reports are issued to the Director-General, with recommendations –as appropriate- for actions related to staff or other parties, as well as systemic improvements.</p>	

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>a) In view of IOS size and in order to segregate to the extent possible internal audit from investigative activities, IOS will recruit an investigator who will pair up as necessary with existing IOS professional staff.</p>	<p>Recruitment of P3 investigator. Tentative entry on duty date: September 2008</p>
<p>c) IOS is in the process of developing/ furthering its detailed written investigation procedures, harmonizing to the greatest extent possible with other UN system organizations.</p>	<p>Completion of work undertaken. Deadline: June 2008</p>
<p>d) Based on the experience of other organizations, it is expected that the introduction of expanded hotline tool planned for early 2008 (see C.2 a) will significantly increase the number of situations reported to IOS. After triage, the number of cases treated will be a function of available IOS resources. Trend reporting which presupposes a large number of cases on similar issues will be included in the IOS activity report to the Director-General, as applicable.</p>	<p>Starting with report 2007 to the Director-General</p>

(2) Hotline & Whistleblower Protection

Agency policies provide avenues for reporting suspected ethics violations and protections for individuals reporting such violations.

- a. A hotline or comparable mechanism is in place to ensure the capacity to take in reports of suspected unethical, corrupt, fraudulent or similar activity.
- b. An intake function coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. The intake function maintains a certain level of autonomy from the investigations function.
- c. A whistleblower protection policy covering who is protected and defining protected disclosures (such as violations of law, rule or regulation, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety). The policy defines the standard of protection from retaliation (such as placing the burden on the agency to provide evidence that the involved official would have taken the same action absent the protected disclosure).
- d. Policies are in place to ensure confidentiality and/or anonymity, as requested, of whistleblowers or others making reports (such as by using appropriate hotline technology, and preserving anonymity in reporting processes).
- e. Procedures are in place for the periodic review of the handling of hotline, whistleblower and other reporting information to determine whether the process to protect these parties is in place and is effective.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>a) Since 1999, UNIDO has had a hotline email address, which is available to all staff within the organization. It was however noted that since mid-2003 (tenure of the present Director, IOS), complaints were brought to IOS attention using reporting means other than the hotline. In order to expand reporting possibilities, IOS has devised a new web-based reporting tool, which is ready to be launched (see below).</p>	<p>Oversight-hotline@unido.org</p>
<p>b) The wrong-doing intake function is included in IOS. IOS refers to other units situations which do not fall in its mandate. Therefore, in some instances, reporting and investigating may be separate (see also below).</p>	
<p>c) IOS conducts its work with stringent regard for confidentiality and safekeeping, as per its</p>	

Inventory of Current Organizational Environment	Documentation References
<p>Charter as well as the professional standards to which it abides (IIA PPF, Investigation guidelines). The fraud awareness policy also states the protection of those cooperating with IOS on good faith. However, a formal whistleblower policy is under consideration (see below)</p>	
<p>d) IOS ensures confidentiality and anonymity to the extent possible. Identity of whistleblowers or informants who wish to remain anonymous is only known to IOS staff. Names and details are kept under lock in the Office of the Director, IOS.</p> <p>Based on current experience, IOS also notes that informants/ complainants use Internet technical possibilities in order to remain anonymous, e.g. the use of alias name and generic email address (e.g. yahoo or hotmail addresses).</p>	
<p>e) The review of the hotline is performed by the EA.</p>	<p>See reports of the EA on IOS activities.</p>

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>a) The new IOS web-based wrong-doing reporting tool is ready to be launched. Its launch has been put on hold in view of the consideration of the ethics and ombudsman functions, as management envisages a single 'entry point' for reporting grievances or wrong-doing in the Organization. The placement of such tool (intranet only, or also internet) is under consideration.</p>	<p>Introduction of web-based tool. Deadline: June 2008</p>
<p>b) As mentioned above, the intake function is included in IOS. For those situations included in the IOS mandate, reporting and investigating wrongdoings cannot be separate</p>	<p>Shortfall cannot be remedied without additional on-going resources dedicated to separating the two functions. It needs further examination.</p>
<p>c) A whistleblower protection policy as described in the Standards is under consideration learning from the experience of the few organizations already having one in place.</p>	<p>The policy document shall be finalized and ready for issuance by 31 May 2008.</p>

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>d) Confidentiality/ anonymity of reporting is also considered with the new website tool as the email sent after filling out the web-form is with a generic name and keeps track of the first IP address from which the mail was sent (proxy server or standard PC IP address). The informant/ complainant can however voluntarily disclose his/her identity if he/she so wishes.</p>	