Internal Control Framework Policy for UNDP

Bureau for Management Services

Office of Financial Management

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| **Document name** | | Internal Control Framework (ICF) Policy for UNDP | |
| **Language(s)** | | English | |
| **Responsible (unit)** | | Bureau for Management Services (BMS), Office of Financial Management (OFM) | |
| Creator (individual) | | Amat O. Kebbeh, Chief, Finance Business Advisors | |
| **Subject (taxonomy)** | | Management, Oversight, Operations | |
| **Date created** | | 1 January 2022 | |
| **Mandatory review** | | 1 January 2025 | |
| **Audience** | | All UNDP staff members and staff members of affiliated organizations and non-staff (e.g., SC, IC, NPSA, IPSA, UNV etc.). | |
| **Applicability** | | The ICF policy defines the purpose, objectives, components, principles, and participants essential to the functioning of an effective internal control system in UNDP. | |
| **Related documents** | | * UNDP Financial Regulations and Rules (FRR) (2012) * UN Staff Regulations and Rules (SRR) * UNDP Accountability Framework (2008) * UNDP Corporate Accountability Framework (2017) * UNDP Delegation of Authority Policy and Annex A (2017) * UNDP Enterprise Risk Management Policy (2023) and related Risk Appetite Statement (2021) * The Operational Guide of the Internal Control Framework for UNDP (2023) * UNDP Programme and Operations Policies and Procedures (POPP) | |
| **Version** | **Date** | **Author(s)** | **Revision Notes** |
| **4** | **20th December 2021** | **BMS/OFM** | ICF Policy established to articulate UNDP’s application of the COSO *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013 and *The Three Lines of Defence in Effective Risk Management and Control* issued by The Institute of Internal Auditors in January 2020.  Adoption of this model has been encouraged by the United Nations High Level Committee on Management (HLCM). |
| **5** | **30th September 2022** | **BMS/OFM** | The ICF policy was updated to incorporate references to the new Anti-Money Laundering and Countering the Financing of Terrorism Policy (AML/CFT Policy). The AML/CFT Policy is referenced in the list of Supportive Tools in Annex 2, principle 1 ‘Integrity and Ethical Values’ on page 21 in the ICF policy. The ICF Operational Guide was separately updated in parallel, and a new section 2.8 ‘Mitigating risks associated with money laundering and terrorist financing’ has been added on page 12 of the ICF Operational Guide. |
| **6** | **9th May 2023** | **BMS/OFM** | The ICF Policy was updated to clarify the roles and responsibilities of BMS/OHR versus BMS/GSSC for human resources policy versus service delivery, respectively. |
| **7** | **16th February 2024** | **BMS/OFM** | In response to an audit recommendation, the ICF policy was updated to demonstrate a clearer alignment with the *Three Lines Model* of the Institute of Internal Auditors, issued in July 2020. |

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# **Introduction**

This Internal Control Framework Policy (ICF Policy) defines the purpose and objectives of internal control and outlines how UNDP utilizes industry best practices to design, apply and continuously enhance internal controls to achieve its organizational objectives1. The ICF policy also specifies the roles and responsibilities of staff and non-staff at all levels of the organization in the achievement of internal control objectives, and the ways in which UNDP monitors and assesses internal control effectiveness.

This ICF Policy is supported by, and should be read in conjunction with, the **Operational Guide of the Internal Control Framework (2023),** which brings together the key internal control requirements articulated throughout the POPP to help UNDP offices implement effective internal controls in both clustered and non-clustered environments. Specifically, the Operational Guide: (i) articulates the key day-to-day internal control roles and their associated **authorities, accountabilities, and responsibilities**; (ii) describes at a high level some **key process control points;** and (iii) identifies the **supporting technology roles (i.e., ERP), rights, and available tools** to affect and monitor internal control implementation.

# **Objectives of internal control**

As articulated in the UNDP Accountability Framework (2008), UNDP defines internal control as a process, effected by the governing body, management, or other personnel of an organization, designed to provide reasonable assurance regarding the achievement of objectives in the categories of: (i) effectiveness and efficiency of operations; (ii) reliability of financial reporting; and (iii) compliance with applicable laws and regulations. Specifically:

1. ***Operations objectives*** – these pertain to the effectiveness and efficiency of UNDP’s management of programmes/projects and operations in pursuit of its Strategic Plan objectives, including programmatic and operational performance goals and safeguarding assets against loss.
2. ***Reporting objectives*** – these pertain to internal and external financial and non-financial reporting and encompass reliability, timeliness, transparency, or other terms set forth by regulators,

recognized standard setters (such as IPSAS), UNDP’s financial regulations and rules, UN Staff Regulations & Rules, and decisions and directives issued by the UNDP Executive Board.

1. ***Compliance objectives*** – these pertain to adherence to laws and regulations to which UNDP is subject, including the UN Charter, UNDP Financial Regulations & Rules, UN Staff Regulations & Rules, and UNDP Executive Board decisions and directives.

1 UNDP utilizes two frameworks: (i) The Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 *Internal Control – Integrated Framework* (May 2013), which is commonly recognized as the leading framework on which to build and assess the effectiveness of internal controls in an organization; and (ii) *The Three Lines Model,* The Institute of Internal Auditors, July 2020. The COSO framework describes what we do in internal control and the Three Lines Model describes who does it. Both frameworks have been endorsed by the High-Level Committee on Management.

# **Limitation of Internal Control – the concept of reasonable assurance**

Internal control helps an organization achieve its strategic objectives, produce reliable financial and performance information, and comply with relevant policies and procedures. In addition, a solid internal control framework is conducive to an organizational environment and culture where all personnel are inspired by integrity and ethical values in their actions and behaviors.

**Segregation of duties** is anchored in UNDP financial regulation 20.02 and is a keystone control that helps UNDP safeguard its assets and mitigate the risk of fraud and error. Segregation of duties is based on ensuring that no one staff member can: (i) have custody of assets; (ii) authorize and approve the use of assets; and (iii) record and report assets. Additionally, UNDP requires all staff to be vigilant in monitoring of **conflicts of interest**. Staff regulation 1.2(g) states that UNDP staff should not use knowledge gained from their official functions for private gain, financial or otherwise, or for the gain of any third party, including family, friends, and those whom they favor. Situations may arise where an individual acting for UNDP faces a potential conflict between the interests of UNDP and the interests of the individual. Internal procedures and controls must be applied in every office to identify and to manage any potential conflicts, so that the interests of UNDP are always protected. q) Staff members shall use the property and assets of the Organization only for official purposes and shall exercise reasonable care when utilizing such property and assets; (r) Staff members must respond fully to requests for information from staff members and other officials of the Organization authorized to investigate the possible misuse of funds, waste or abuse.

However, internal control cannot influence external factors such as reduced funding levels or operational constraints resulting from political or military actions. Proscribed practices including fraud and collusion also undermine the effectiveness of internal controls. UNDP personnel should recognize that the aim of internal control is to achieve reasonable assurance that the organization will achieve its objectives in an efficient manner. Internal control systems cannot provide absolute assurance that UNDP will achieve all its objectives.

# **Overview of UNDP’s Internal Control Implementation Framework**

Internal controls are a foundational component of organizational management and help UNDP to achieve its strategic objectives in an effective, efficient, transparent, and accountable manner. The **foundational components** of UNDP’s internal control framework are articulated in:

* *Legislative documents* approved by the UN General Assembly and the UNDP Executive Board, including the UN Charter; UN General Assembly resolutions pertaining to UNDP specifically and to funds and programmes generally; UN Staff Regulations & Rules; UNDP Financial Regulations & Rules; UNDP Executive Board directives and decisions; and the UNDP Accountability Framework.
* *Administrative documents* issued by the Administrator, Bureau Directors, or functional leads, such as the Chief Procurement Officer (CPO), Chief Financial Officer (CFO), and Treasurer, including the Delegation of Authority Policy; the Enterprise Risk Management Policy; the Anti-Fraud Policy; the Code of Ethics; the Corporate Accountability Framework; and the Programme & Operations Policies & Procedures (POPP).
* *Legal agreements* signed with partners and other stakeholders that establish specific fiduciary commitments (i.e., Financing Agreements, Master Banking Agreements, Investment Management Agreements, etc.).

**To support implementation** of internal control, UNDP utilizes:

1. The *COSO Internal Control – Integrated Framework* (“the COSO framework”): as a tool to organize, implement and evaluate the key elements and principles of an effective internal control system, that features five components: (i) A strong control environment; (ii) Active assessment of risk; (iii) Selective deployment of controls; (iv) Effective and timely information & communication; and (v) Ongoing and periodic monitoring activities. These five components are supported by seventeen principles, which are further described in section 5 of this policy.
2. *The Three Lines Model* see further section 6 below): as a tool to identify structures and processes that best assist the achievement of objectives and facilitate strong governance and risk management. UNDP uses this model to organize and articulate the roles and responsibilities of the different organizational levels and offices in the implementation and monitoring of internal control within UNDP, as well as the roles of external assurance providers and the UNDP governing body. The **first line** involves all personnel that establish and **implement** internal controls in their daily work, including supervisors and managers, heads of offices, and those within the BMS/GSSC in its role as a shared service provider. The **second line** includes those that perform **monitoring and oversight** functions, including regional and central bureaus and the Ethics office, as well as affiliated programmes. The **third line** is provided by independent internal offices that conduct **objective assurance** activities, including OAI, Independent Evaluation Office and Ombudsperson. These three lines are supplemented with **external assurance** provided by external **oversight bodies**, including the Audit & Evaluation Advisory Committee, the UN Board of Audit (external audit), and the Joint Inspection Unit (JIU). Additionally, the UNDP Executive Board serves as **the governing body of UNDP** and provides direction and supervision in accordance with the overall policy guidance of the General Assembly and Economic and Social Council, and the responsibilities set out in the United Nations Charter.

In essence, the COSO framework helps UNDP to define what it does in internal control and the Three Lines Model helps to define who does it. UNDP’s application of these best practice frameworks is further described in Sections 5 and 6, respectively.

**UNDP’s business model** for internal control implementation features **two platforms**, being:

1. **Platform 1: The Bureau for Management Services Global Shared Services Unit (BMS/GSSC):** BMS/GSSC performs certain globally clustered processes (i.e., for both country offices & HQ units), including revenue, asset, and inventory accounting; and payroll and benefits & entitlements for all International Professional (IP) staff; as well as a comprehensive range of business processes for Country Offices. This includes the following finance and human resources processes for **all country offices:** 
   * **Finance** – Accounts Payable, Vendor Management, Travel Payment & Reconciliation, Revenue Management, General Accounting, Cost Recovery Accounting, Agency Services, Treasury Operations, Deals & Imprests, and Financial Closure of Development Projects.
   * **Human Resources** – Recruitment (with some facets devolved), Employee Services, Compensation & Benefits, Payroll Services, People Development.
2. **Platform 2: Individual offices for non-clustered processes (HQ units, and COs for specific non- clustered processes)** – non-clustered finance, human resources and procurement processes undertaken by offices themselves, with the support of BMS units in some areas such as bank account management (deposits & disbursements) (BMS/Treasury), human resources (BMS/Human Resources), procurement (BMS/Central Procurement Unit), and operations (BMS/Operations). Additionally, some processes in Country Offices are not clustered, including planning, budgeting & forecasting; cost management; financial performance management; cash management; and internal control monitoring & reporting.

The specific roles and responsibilities of the participants in shared services is described in section 6 of this policy and are supplemented by the Operational Guide of the Internal Control Framework.

**To action internal controls**, UNDP works through **three critical pillars**:

* **People**: with clear objectives, authorities, accountabilities, roles and responsibilities; acting with the highest standards of efficiency, competence and integrity; receiving routine training and performance feedback; with access to open communication channels for reporting internal control matters);
* **Processes**: that: (a) are clearly defined; (b) mitigate risk through selective deployment of preventive, detective, and corrective controls; (c) are routinely monitored for efficiency and effectiveness (including cost-effectiveness); and (d) are continuously enhanced through implementation experience, and audit & evaluation findings; and
* **Technology:** that: (a) supports efficient and effective implementation of policies and procedures; (b) mitigates risk through defined and segregated roles and rights; (c) is safeguarded and appropriately used; and (d) supports monitoring of internal control effectiveness (including considerations of cost effectiveness).

Details of the roles that people, process and technology play in achieving UNDP’s internal control objectives are further described in the POPP and the Operational Guide to the Internal Control Framework.

# **5. UNDP Internal Control Framework Components and Principles (“what we do”)**

Consistent with the COSO framework, the UNDP internal control framework features five components and seventeen principles for integrated and effective internal control: They include:

**Component 1: Internal Environment:** is the set of standards, processes and structures that provide the basis for carrying out internal control across UNDP. It includes establishing the tone at the top regarding the importance of internal control and expected standards of conduct. It is the foundation for all other components of internal control. The principles supporting the Internal Environment component are:

1. **Integrity and Ethical Values:** The Organization demonstrates a commitment to integrity and ethical values and has established Standards of ethical behavior and encouraged staff to fulfil their duties with integrity.
2. **Board Oversight:** An Executive Board structure exists that demonstrates independence from management and exercises oversight for the development and performance of internal control.
3. **Structure, Authorities and Responsibilities:** An organizational structure is defined and clearly communicated, including reporting relationships and assignment of responsibility and delegation of authorities, and the related policies are established in support of the UNDP’s objectives.
4. **Human Resources Policies and Practices:** Policies and procedures are in place to attract, develop and retain competent individuals in support of UNDP’s objectives, including policies and practices for managing performance.
5. **Accountability:** Policies and procedures are in place to hold individuals accountable for their internal control responsibilities in the pursuit of objectives, including delegation of authority.

**Component 2: Risk Assessment:** involves a process for the identification and analysis of relevant risks to the achievement of objectives, with consideration of established risk tolerances and risk appetite. Risk assessment forms the basis for determining how risks will be managed. The principles supporting the Risk Assessment component are:

1. **Specifying Objectives:** The strategic direction and priorities of the Organization are established and form the basis for assessing risks and operational effectiveness.
2. **Risk Identification:** Risks to the achievement of objectives across UNDP are identified and analyzed as a basis for determining how they should be managed, whether to accept, avoid, reduce, or share the risk.
3. **Fraud risk evaluation:** The risks to the achievement of UNDP objectives are assessed, including the potential for fraud or other misconduct or breach of rules.
4. **Risk Monitoring:** Significant internal and external changes that might affect risk are identified and analyzed.

**Component 3: Control Activities:** are the actions established through policies and procedures that help ensure that UNDP Management’s directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of UNDP, at various stages within business processes, and over the technology environment. They seek to strike a balance between agility and risk management through the effective application of preventive and detective controls. Corrective controls are used to manage the assessed risk of recurrence of an error or irregularity once discovered. The principles supporting the Control Activities component are:

1. **Selection and Development of Control Activities:** Control activities that contribute to the management of risks to acceptable levels are selected and developed taking into consideration the operational environment.
2. **General Control Activities Over Technology (i.e., ERP):** General control activities using information technology are selected, developed, or assessed to support the achievement of UNDP’s objectives.
3. **Policies and Procedures:** Control activities include the development and use of policies that establish what is expected or required, and procedures that put the policies into action. They are built into business processes and day-to-day activities. Compliance and the consequences of non- compliance are also contained within each policy and/or procedure.

**Component 4: Information and Communication:** involves the identification, capture or generation, and use of relevant and quality information from both internal and external sources to support the functioning of the other components of internal control. It also involves the communication of necessary information in a form and timeframe that enables management and staff to carry out their responsibilities. The principles supporting the Information and Communication component are:

1. **Information and Reporting:** Relevant and quality information is obtained or generated to support the functioning of internal controls, decision-making, oversight, and monitoring.
2. **Internal Communication:** An efficient and effective system of internal communication exists to ensure that individual staff members have the information they require to carry out their duties, and to support the functioning of internal control.
3. **External Communication:** An efficient and effective system of external communication exists to ensure: (a) necessary externally-sourced information is received; and (b) that external stakeholders, such as contributors, partners, and governing and oversight bodies are provided with necessary relevant and quality information on matters affecting the functioning of internal control in response to requirements and expectations.

**Component 5: Monitoring:** involves assessing whether each of the five components of internal control is present and functioning. This is accomplished through on-going monitoring activities, separate reviews, or a combination of the two. The principles supporting the Monitoring component are:

1. **On-going or Separate Monitoring:** On-going and/or separate reviews are selected, developed, and performed to ascertain that each of the components of internal control that are built into business processes are functioning effectively.
2. **Reporting Internal Control Deficiencies:** Deficiencies in the operation of internal control are systematically evaluated and reported to those parties responsible for taking corrective action. Appropriate corrective action is taken in a timely manner to address the reported deficiencies.

The principles of internal control and examples of how they may be implemented and applied to management and staff within UNDP are presented in Annex 2.

# **UNDP’s three lines in internal control (“who does it”)**

To ensure the effective application of controls across the organization, UNDP applies the industry best practice ‘three lines model.’ This model features six principles related to: (i) governance; (ii) governing body roles; (iii) management and first and second line roles; (iv) third lines roles; (v) third line independence; and (vi) creating and protecting value.

Consistent with Principles 1 and 2, theUNDP Executive Board leads with integrity and transparency, and ensures appropriate structures and processes are in place for effective governance and oversight of internal controls within UNDP. Within the overall policy guidance of the General Assembly and Economic and Social Council, and the responsibilities set out in the United Nations Charter, the UNDP Executive Board: (i) delegates responsibility and provides resources to UNDP management to achieve internal control objectives while ensuring legal, regulatory and ethical expectations are met; and (ii) establishes and oversees an independent, objective, and competent internal audit function to provide clarity and confidence on progress toward the achievement of internal control objectives.

Consistent with Principle 3, UNDP management has an obligation to design and implement frameworks and mechanisms that clearly articulate the roles, responsibilities, authorities, and accountabilities of staff members at all levels for the achievement of internal control objectives. All UNDP staff members have a corresponding obligation to act with the “highest standards of efficiency, competence and integrity,” as prescribed by the *Charter of the United Nations* (Article 101, paragraph 3).

Consistent with Principles 4 and 5, and in accordance with UNDP Financial Regulation 4.01 established by the UNDP Executive Board, OAI is responsible for the internal audit of UNDP. OAI provides independent and objective assurance and advisory activities in conformity with Global Internal Audit Standards. It evaluates the adequacy and effectiveness of UNDP’s governance, risk management and control processes, and reports its findings to management and the UNDP Executive Board to promote and facilitate continuous improvement. OAI’s independence from the responsibilities of UNDP management is critical to its objectivity, authority, and credibility, and OAI reports on its organizational independence in its Annual Report to the UNDP Executive Board. Additionally, the Independent Evaluation Office (IEO) supports the UNDP Executive Board in its oversight work and the Administrator in his/her substantive accountability.

Consistent with Principle 6, alignment of internal control activities is achieved through communication, cooperation, and collaboration in multiple UNDP organizational structures, processes, ERP tools, and forums. This ensures the reliability, coherence, and transparency of information needed for risk-based decision making.

UNDP’s Three Lines Model is illustrated below.

###### Picture 1: UNDP’s three lines in internal control

**Second line**

**Monitoring:** The second line is provided by organizational units with monitoring and oversight responsibilities. This line develops and/or implements controls to monitor the operational effectiveness of “first-line” controls and mitigates risks related to the achievement of programmatic and operational objectives. In UNDP, this includes Regional and HQ Bureau Directors and Executive Directors of affiliated programmes in their oversight capacity; BMS in its compliance monitoring and audit coordination role; the CPO, CFO, and Treasurer as functional authority owners under the UNDP FRRs, and the Ethics office.

**First line**

**Implementing:** The first line is built by all organizational personnel at field, regional and headquarters offices and shared services centers through applying existing policies and procedures in their daily work to ensure that objectives are met, and resources entrusted to UNDP are effectively managed. In UNDP, this includes all personnel in all roles; managers and supervisors; Heads of Offices; and BMS/GSSC in its administrative role as a shared service provider executing processes (or elements thereof) on behalf of Country Offices & HQ offices/units.

**Third line**

**Assurance:** The third line is provided by internal oversight offices that provide independent and objective assurance on the efficiency and effectiveness of processes and controls established by management. This line includes the work of the OAI and IEO, both of whom issue annual reports to the UNDP Executive Board.

**External line – Governing Body direction & oversight of UNDP’s achievement of internal control objectives – Executive Board, aligned with Economic & Social Council, General Assembly direction.**

**UNDP management**

**Internal assurance**

**External line – UNDP Audit & Evaluation Advisory Committee, UNBOA (external audit), JIU and ACABQ**

Accountability, reporting

Delegation, direction, resources, oversight

Alignment, communication, coordination, collaboration

**KEY:**

**The specific roles and responsibilities of the participants in each line are provided below.**

The UNDP Financial Regulations & Rules, the UNDP Accountability Framework (2008), the Corporate Accountability Framework (2017), and the Delegation of Authority Policy describe the roles and accountabilities of different organizational levels within UNDP. Within this legislative and policy framework, each level plays a significant role in designing, implementing, and/or monitoring the

effectiveness of internal control across all facets of UNDP’s programmatic and operational activities.

The Administrator is accountable to the Executive Board and is responsible for all phases and aspects of management and implementation of UNDP activities. The Associate Administrator functions as the chief operating officer and chief risk officer, responsible for overseeing UNDP’s programmatic and operational activities. As part of their first and second line roles, UNDP’s two highest internal governing bodies, the Executive Group and the Organizational Performance Group, led by the Administrator and the Associate Administrator, respectively, set the values, standards, expectations, and accountability for internal controls.

## First line in internal control – “Implementing”

1. **All personnel in all roles:** All UNDP personnel have a responsibility to employ effective internal controls. They should communicate to their supervisors any operational problem, incident of fraud or other risks that may jeopardize the achievement of UNDP’s objectives. They must comply with internal rules, as set out in UNDP regulations, rules, directives, policies, and procedures. Furthermore, financial rule 102.02 of UNDP Financial Regulations and Rules states, “All personnel of UNDP are responsible to the Administrator for the regularity of actions taken by them in the course of their official duties. Any personnel who take any action contrary to these financial rules or the instructions which may be issued in connection therewith may be held **personally responsible and financially liable** for the consequence of such action.”
2. **Managers and supervisors:** Each manager is accountable to the next higher level for their role within the internal control system, with the Administrator being ultimately accountable to the Executive Board. Managers and supervisors are directly involved in executing policies and procedures. They are also responsible for executing remedial actions to address control gaps or strengthen controls or other issues that may arise. This may involve *inter alia* investigating data entry errors, transactions flagged on exception reports, business unit expense budget variances, etc. Managers are expected to communicate any control gaps or breaches of compliance up UNDP’s reporting structure according to the level of severity and in line with procedures.
3. **Heads of Offices/Units (country office, HQ office/unit, representation office, liaison office, policy office, regional centers and hubs):** are accountable to their Bureau Director for monitoring the performance of their respective office/unit and taking steps to address recurring programmatic and operational issues. They:

* Provide leadership and direction in the office/unit in reinforcing the values, standards, expectations, and accountability of the internal control system.
* Implement specific internal control policies and procedures in the office/unit.
* Manage programmes/projects and other activities in line with agreed upon priorities and in compliance with programme/project planning, implementation, monitoring and closure policies and procedures.
* Ensure compliance with operational policies and procedures, including for financial resources, human resources, procurement, asset management, and travel.
* Identify and address known and significant internal control weaknesses and risks.
* Communicate to their respective Bureau Director significant programmatic and/or operational risks that could prevent the achievement of objectives.
* Complete the annual Internal Control Representation statement on the functioning of internal controls within their management responsibilities.

1. **The Bureau for Management Services/Global Shared Services Unit (BMS/GSSC) as a shared service provider:** The BMS/GSSC performs an administrative (first line) role in the processing of transactions in line with UNDP’s regulations and rules. Specifically, in its administrative role, the BMS/GSSC executes certain processes or elements of processes (clustered services) on behalf of Country Offices and HQ units/offices, including performing certain transaction control points (such as the payment/disbursement control point). The BMS Procurement Services Office and BMS General Operations Unit also offer centralized procurement and general operations services.

Further information on the BMS/GSSC transactional monitoring/compliance role is provided in section 6.2 below and further information on its shared services role is included in Section 7 below.

## Second line in internal control – “Monitoring and Oversight”

1. **Regional Bureau Directors:** As articulated in the UNDP Accountability Framework (2008), Regional Bureau Directors are accountable to the Associate Administrator for monitoring the performance of their respective country offices and taking steps to address recurring programmatic and operational issues.
   * Provide leadership and direction in their regions to reinforce the values, standards, expectations, and accountability of the internal control system.
   * Implement internal control policies and procedures delegated to them by the Administrator, Associate Administrator or by functional authority owners, such as the Chief Procurement Officer and the Chief Financial Officer.
   * Ensure that Heads of UNDP Offices within their region comply with internal control policies and procedures and identify and address known and significant internal control weaknesses.
   * Ensure that Heads of UNDP offices within their region complete and submit the annual internal control representation statement in a timely manner.
   * Communicate to the Associate Administrator and the ERM Committee (a sub-committee of the Executive Group) significant operational risks that could prevent the achievement of objectives.
   * Delegate responsibility for the implementation of internal control policies and procedures to the Heads of Offices and other managers in their organizational unit, if need be.
   * Clear exceptions and actions that require authority owner approval or are deemed necessary for risk management purposes.
2. **HQ Bureau Directors (including Bureau for Policy & Programme Support (BPPS), Crisis Bureau (CB), Bureau for External Relations & Advocacy (BERA), and BMS:** As articulated in the UNDP Accountability Framework (2008), HQ Bureau Directors are accountable to the Associate Administrator for monitoring the quality of their policy and practice support to UNDP offices. They:
   * Serve as Global Process Owners, developing policies, procedures, and tools to help managers and staff to implement control activities.
   * Provide guidance, advice and assessment of internal control related to their areas of expertise.
   * Share and evaluate issues and trends that transcend organizational units or functions and keep the Organization informed of relevant requirements as they evolve over time.
   * Clear exceptions and actions that require authority owner approval or are deemed necessary for risk management purposes.
   * Ensure that Heads of UNDP offices within their areas of responsibility complete and submit the annual internal control representation statement in a timely manner.
   * In accordance with the Corporate Accountability Framework, various BMS units perform bureau-level compliance oversight according to their functional areas, in addition to the audit coordination role performed by BMS/BPC.
3. **BMS/GSSC in its transactional compliance monitoring role:** As noted in the May 2019 sharedservices business case endorsed by the Executive Group, a key role of the BMS/GSSC is to further strengthen adherence to controls and compliance requirements within UNDP. As part of its compliance role, the BMS/GSSC: (i) performs certain detective controls (such as reconciliations); (ii) performs post-facto transaction monitoring through its quality assurance unit; and (iii) supports Regional & Central Bureaus in their oversight and compliance monitoring capacities through the provision of periodic reports on shared services performance issues. These quality assurance services are provided by the GSSC in supporting Regional Bureaus in the undertaking of their second line functions.
4. **Chief Procurement Officer (functional authority owner under UNDP FRRs):** Is accountable to the Administrator for all procurement functions of UNDP for all its locations (except those related to individual consultants). The CPO:
   * Develops and implements the necessary controls (including delegations of procurement authority, establishment of review committees, etc.) across UNDP to ensure that procurement functions are carried out in accordance with the FRRs.
   * Establishes an effective oversight function through the Procurement Oversight Unit.
   * Clears exceptions and actions that require authority owner approval or are deemed necessary for risk management purposes.
5. **Chief Financial Officer (functional authority owner under UNDP FRRs):** Is accountable to the Administrator through the BMS Director for the effective and efficient management of UNDP’s financial resources. The CFO:
   * Ensures financial controls are developed and implemented across UNDP to fulfill legislative requirements articulated in the FRRs, Executive Board decisions and directives, and regulatory requirements, including those pertaining to International Public Sector Accounting Standards (IPSAS).
   * Coordinates and reports on internal financial control effectiveness/compliance.
   * Ensures action is taken to address known and significant internal financial control weaknesses as soon as these become apparent and with due regard to both the risks involved and the costs of addressing them.
   * Produces accurate, timely financial statements and donor financial reports.
   * Clears exceptions and actions that require authority owner approval or are deemed necessary for risk management purposes, including segregation of duties exceptions.
6. **Treasurer (functional authority owner under UNDP FRRs):** Is accountable to the Administrator through the CFO and BMS Director for the effective and efficient management of cash resources in UNDP custody, including risk-managed investment thereof. The Treasurer:
   * Establishes financial controls across UNDP for investment, banking, and cash management activities, including designating qualified banks and vendor approver limits.
   * Ensures action is taken to address known and significant internal control weaknesses pertaining to investment, banking, and cash management as soon as these become apparent and with due regard to both the risks involved and the costs of addressing them.
   * Clears exceptions and actions that require authority owner approval or are deemed necessary for risk management purposes.
7. **Ethics Office:** UNDP’s Ethics Office is independent of all units, offices, and bureaux, and reports directly to the Administrator. The Ethics Office has five main responsibilities:
   * Developing and communicating policies and standards on ethics issues and providing input to all policy development.
   * Providing training and education opportunities to staff and other personnel, on ethics, values and standards; this includes efforts aimed at raising ethics awareness and strengthening the ethical culture.
   * Offering confidential advice and guidance to staff, management, and contractors to help prevent conflicts of interest and other potential ethical lapses.
   * Administering an annual financial disclosure programme.
   * Protecting staff against retaliation for reporting misconduct or participating in investigations or audits.

## Third line in internal control – “Independent Internal Assurance”

The Director of OAI and the Director of the Independent Evaluation Office report to the Administrator with the purpose of independently advising management. Each office reports to the Executive Board independently on its findings and concerns.

1. **Office of Audit & Investigations (OAI) (internal audit):** Is responsible for conducting independent, objective assurance and advisory activities, to evaluate governance, risk management and control processes in UNDP. Specifically, OAI:
   * Issues an annual opinion, based on the scope of work undertaken, concerning the adequacy and effectiveness of the UNDP framework of governance, risk management and control.
   * Assesses and investigates allegations of fraud and corruption committed by UNDP personnel or committed by others to the detriment of UNDP.
   * Provides an Annual Report to the UNDP Executive Board outlining its observations and recommendations, along with confirmation of its organizational independence, including a statement on whether it was free from interference in determining its audit and investigation scope, performing its work and communicating its results.
2. **Independent Evaluation Office (IEO):** Is responsible for supporting the Executive Board in its oversight and the Administrator in their substantive accountability. Specifically, IEO:
   * Contributes to organizational learning through provision of systematic, independent assessment of the results, effectiveness, and impact of the substantive activities of programmes.
   * Sets standards and guidelines on evaluation, monitors compliance on evaluation and shares lessons for improved programming.
   * Provides an Annual Report to the UNDP Executive Board outlining its observations and recommendations.

## External line in internal control – “Independent External Assurance & Oversight”

1. **UNDP Audit and Evaluation Advisory Committee (AEAC):** The AEAC is an independent body that assists the Administrator in fulfilling their responsibilities regarding oversight, financial management and reporting, internal audit and investigation, external audit, risk management, the evaluation and ethics functions, and systems of internal control and accountability. Additionally, the AEAC provides an Annual Report to the UNDP Executive Board outlining its observations and recommendations.
2. **UN Board of Auditors (UNBOA) (external audit):** Conducts independent annual audits of UNDP and issues a report to the General Assembly on: (a) the audit of the financial statements and relevant schedules relating to the accounts of UNDP for the financial period; (b) compliance of transactions with the Financial Regulations and legislative authority; and (c) such information as the Board of Auditors deems necessary with regard to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the organization.
3. **Joint Inspection Unit (JIU):** The JIU is an external oversight body mandated to conduct system-wide evaluations, inspections, and investigations, with reports submitted to the General Assembly and the governing bodies of the specialized agencies, funds and programmes of the United Nations. The UNDP Administrator presents his/her annual report to the Executive Board on the follow-up and implementation of the JIU recommendations.
4. **The Advisory Committee on Administrative & Budgetary Questions (ACABQ):** The ACABQ is an external independent advisory committee that provides advice to the UNDP Executive Board on UNDP budgetary matters and comments on the annual auditors’ reports on UNDP’s accounts.

# **7. Specific Roles and Responsibilities for Shared Services**

BMS/GSSC provides a broad spectrum of transactional finance, human resources, and procurement services **to country offices**, including accounts payable, accounts receivable, general accounting and project accounting (clustered services). Additionally, BMS/GSSC provides certain globally centralized process services **to all offices**, including revenue, asset, and inventory accounting; benefits & entitlements and payroll services. Requests for processes to be undertaken by the BMS/GSSC may originate from a requestor within a Country Office or Headquarter Unit, as defined in the BMS/GSSC’s Service Level Agreements (SLAs) with respective bureaus/offices; from requests submitted through ERP- based service request portals; or exceptionally, by email or other form of correspondence by designated personnel.

As stated in the BMS Service Delivery Model (October 2015), the accountability for the services provided by the BMS/GSSC remains with the respective requesting Country Offices and Headquarter Units, with the BMS/GSSC being accountable fully for the service quality of the activities it provides **within the various segments of those business processes.**

This section describes the roles and responsibilities of the participants in shared services, including:

1. Country Office or HQ unit, as service requester and recipient (the Requesting Unit).
2. BMS/GSSC as shared service provider.
3. Regional Bureaus fulfilling country office performance oversight responsibility.
4. HQ Bureaus as Global Process Owners (GPOs).
5. BMS performing bureau-level audit coordination & compliance oversight.

##### The Country Office or HQ unit as service requester and recipient is responsible for:

* Ensuring proper internal controls are present and functioning in their office, including ensuring that duly segregated staff within the office properly execute the internal control roles and responsibilities relevant to shared services business processes, as further articulated in the Operational Guide of the Internal Control Framework.
* Putting in place processes to ensure adequate review of transactions by a designated official(s) prior to submission to the BMS/GSSC, including processes to confirm the validity of supporting documentation being submitted to the BMS/GSSC to prevent or promptly detect possible fraud.
* Providing the minimum required supporting information to enable the BMS/GSSC to complete the requested process, as set out in the related SLA and Standard Operating Procedures (SOPs).
* Monitoring the office’s performance in clustered processes using tools and forums provided by BMS/GSSC (meetings/dashboards) and/or that the Regional Bureau may develop to address region or country specific risks.

##### BMS/GSSC as the shared service provider is responsible for:

* Defining services, including developing SOPs for each clustered business process in collaboration with, and for final approval by, the relevant HQ Bureau Global Process Owner.
* Ensuring that all financial, human resource and procurement shared services it provides are executed in accordance with the UNDP’s legislative and administrative framework documents (e.g., FRRs, Staff Regulations & Rules, POPP, the Operational Guide of the Internal Control Framework), and with BMS/GSSC Standard Operating Procedures relevant to each service.
* Processing each submitted service request based on authorization from Requesting Unit designated staff, including executing the internal control roles and responsibilities as described in the Operational Guide of the Internal Control Framework, such as the first, second and/or third authority in the creation and approval of the relevant ERP transactions, without further recourse to the Requesting Office.
* Performing transactional compliance monitoring, including reviewing transactions presented for processing to ensure compliance with UNDP regulations, rules, policies, and procedures; and performing post-facto transaction monitoring and account reconciliations.
* Referring to the Regional or Central Bureau and/or HQ Global Process Owner, as appropriate, any transactions that require approval or clearance of an exception by an authority owner or that

exceeds the BMS/GSSC’s approval threshold, where such authority or clearance has not been obtained by the Requesting Unit prior to submitting the service request to the BMS/GSSC.

* Obtaining guidance from the Global Process Owner where policy interpretation is needed for significant transactions that could impact internal control objectives.
* Providing the relevant Client Regional Bureau/HQ Bureau and Requesting Unit with monitoring tools (e.g., dashboards, survey results), reports, analyses, and meeting forums to support the analysis of trends and opportunities for performance and/or process improvement, as needed.

##### Regional Bureaus (or HQ Bureaus for HQ units) in their performance oversight and/or monitoring role (respectively) are responsible for:

* Providing or facilitating approval or clearance, as appropriate and where required by the Delegation of Authority policy and/or the POPP, for transactions referred to it by the BMS/GSSC that: (i) require approval or clearance of an exception by an authority owner; or (ii) that exceeds the BMS/GSSC’s approval flexibility threshold, where such authority or clearance has not been obtained by the Requesting Unit prior to submitting the service request to the BMS/GSSC.
* Reviewing oversight and/or monitoring reports, analyses, and tools (e.g., dashboards) and participating in meeting forums initiated by the BMS/GSSC designed to assist with analysis of trends and opportunities for performance and/or process improvement for offices within the Bureau’s oversight responsibility; and taking steps to address any recurring or systemic performance or process issues.

##### Central Bureaus as Global Process Owners or Authority Owners are responsible for:

* Providing policy and practice support for the development, implementation and monitoring of shared services. This includes setting policy frameworks, interpreting policy as needed, and implementing monitoring of compliance.

Within this context, and as Global Process Owner for Finance, Administration, Human Resources and Procurement, **BMS is accountable for**:

* Setting the policy framework for Finance, Administration, Human Resources, Procurement and legal services.
* Updating policies as necessary to adapt to evolving business needs.
* Interpreting policy where clarification is requested by BMS/GSSC, Bureaus or Country/HQ Offices.
* Providing approvals, clearances, waivers or exceptions where such authority is vested in BMS functional leads (such as the CPO, CFO, Treasurer) and cannot be sub-delegated per the FRRs or the Delegation of Authority Policy Annex A.
* Providing monitoring tools, analyses and reports to support the effective implementation of internal controls (e.g., dashboards, performance discussion forums, etc.).
* Following up with Bureaus on compliance and audit oversight matters, such as systemic or recurring performance issues, long outstanding audit recommendations, etc. in their area of responsibility.

Further detail on the specific roles and responsibilities of each party for clustered business services is provided in Annex 3.

# **Assessing and reporting on internal control effectiveness**

In fulfilling their responsibilities and accountabilities under the UNDP Financial Regulations and Rules, as well as adopting best practices in internal control oversight, the Administrator, the BMS Director, and the CFO sign an annual certification that forms part of the UNDP financial statements. In this certification, they collectively confirm the integrity and objectivity of the financial information included in the annual financial statements, including that: (i) the financial statements have been prepared in accordance with IPSAS; and (ii) the accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties.

Additionally, the Administrator, the BMS Director, the CFO and the BMS Legal Office Director collectively sign a Representation Letter requested by the UN Board of Auditors as part of their annual audit of UNDP. This letter confirms that the financial statements and other presentations made to the UNBOA in connection thereto by UNDP Management are sufficient and appropriate and without omission of material facts.

The signing of these annual certifications is informed by:

* **An Annual Representation Statement signed by each Head of Office** including Resident Representatives for Country Offices, and Directors for Regional Bureaux, Central Bureaux and Independent Units confirming that:
  + Key internal controls outlined in the Internal Control Framework have been in operation.
  + The office has complied with UNDP Policies and Procedures and Financial Regulations and Rules.
  + The office’s financial information reflected in the ERP and submitted to BMS/OFM as part of the financial closure process is complete and accurate.
  + Significant issues arising from non-compliance with any of the above have been disclosed in the Representation checklist and issues impacting the financial statements have been communicated to BMS/OFM for consideration in the preparation of the financial statements.
* **The results of continuous monitoring actions** implemented through automated dashboards and periodic performance reviews held throughout the year by those executing the second line, including the various units within BMS.

# **Independent assurance on internal control effectiveness**

In its Annual Report, OAI provides an opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the UNDP framework of governance, risk management and control. The work and resulting assurance opinion issued by OAI is a critical and independent source of evidence for the Administrator and the Executive Board regarding the overall effectiveness of UNDP’s internal controls.

# **Annex 1: Overview: UNDP’s Internal Control Implementation Framework**

Implemented through:

To achieve:

 **Operational Objectives**: Programmes/projects and operations are efficiently and effectively managed in pursuit of the UNDP Strategic Plan objectives, including programmatic and operational performance goals and safeguarding assets against loss.

 **Reporting Objectives:** Internal & external financial and non-financial reporting is reliable, timely, transparent, and meets the requirements set forth by regulators, recognized standard setters (such as IPSAS), UNDP’s FRRs, UN Staff Regulations & Rules, and UNDP EB decisions & directives.

 **Compliance Objectives:** UNDP adheres to laws & regulations to which it is subject, including the UN Charter, UNGA Resolutions, UNDP FRRs, UN Staff Regulations & Rules, and UNDP EB decisions & directives.



Internal Control Objectives

Implementation Pillars & Platforms

Foundational Components

5 Components, 17 Principles & 3 lines

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| UN  Charter | UN General Assembly Resolutions  (pertaining to UNDP specifically, and to funds & programmes, generally) | | | | | | UN Staff Regulations & Rules | | |
| UNDP Financial Regulations & Rules | | | UNDP Executive Board Directives & Decisions | | Fiduciary commitments in signed partner agreements | | | | UNDP Accountability Framework |
| Delegation of Authority Policy | | Enterprise Risk Management Policy | | Anti-Fraud Policy | | Code of Ethics | | Corporate Accountability Framework | |
| Programme & Operations Policies & Procedures | | | | | | | | | |

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| **People**   With clear objectives, authorities, accountabilities, roles & responsibilities   Acting with the highest standards of efficiency, competence, and integrity   Receiving routine training & performance feedback   With access to open communication channels for reporting internal control matters | **Processes**   That are clearly defined.   Mitigate risk through selective deployment of preventive, detective, and corrective controls.   Routinely monitored for efficiency & effectiveness   Continuously enhanced through implementation experience, and audit & evaluation. | **Technology**   That supports efficient and effective implementation of policies & procedures.   Mitigates risk through defined and segregated roles and rights.   Safeguarded & appropriately used.   Supports monitoring internal control effectiveness. |
| **Global Shared Services Unit for clustered functions (COs,& HQ units for certain global accounting & HR processes)** | | |
| **Individual offices for non-clustered functions (HQ units, & COs for specific non-clustered processes)** | | |

# **Annex 2: UNDP’s 17 internal control principles & how they are applied**

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| **#** | **Principles** | **Corporate Lead/Function**  **al Lead** | **Applicability to all staff and managers** | **Supportive Tools** |
| **1** | **Integrity and Ethical Values:** Standards of ethical behavior exist and processes are in place to encourage staff to fulfil their duties with integrity. | Administrator  Ethics Office (functional lead) | Managers and staff should follow the ethical guidance provided and carry out their duties with integrity. | * UN Charter * UN Staff Regulations & Rules * Legal Framework for Addressing Non- Compliance with UN Standards of Conduct * UNDP Financial Regulations & Rules (FRRs) * UNDP Code of Ethics * UNDP Anti-Fraud Policy * AML-CFT Policy * POPP * Financial Disclosure Programme * Investigations Hotline * Office of the Joint   Ombudsperson   * Protection against retaliation policy |
| 2 | **Board Oversight:** An executive board structure exists that demonstrates independence from management and exercises oversight for the development and performance of internal control. | UNDP Executive Board | Managers & staff should follow UNDP’s policy on open and transparent interaction with all oversight bodies. | * General Assembly resolution A/RES/48/162 * UNDP FRRs * Executive Board decisions & directives |
| 3 | **Structure, Authorities and Responsibilities:** An organizational structure is defined and clearly communicated, including reporting relationships and assignment of responsibility and delegation of authorities, and the related policies are established in support of the UNDP’s objectives. | Administrator with Executive Group | Managers should apply this principle to the organizational structures under their direct supervision. | * UNDP Strategic Plan * UNDP Integrated Budget * UNDP Accountability Framework * Corporate Accountability Framework * Delegation of Authority Policy * FRRs, Staff Regulations & Rules * Management directives, POPP |

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| **#** | **Principles** | **Corporate**  **Lead/Function al Lead** | **Applicability to all staff and managers** | **Supportive Tools** |
| 4 | **Human Resources Policies and Practices:** Policies and procedures are in place to attract, develop and retain competent individuals in support of UNDP’s objectives, including policies and practices for managing performance. | BMS/Human Resources (functional lead) | The Director, Bureau for Management Services (BMS), with the Director, Office of Human Resources, BMS as the functional lead for human resources, is accountable to ensure that policies and processes align with the ICF, including monitoring compliance. The Director, Global Shared Services Center, BMS is accountable for the quality of the services provided by BMS/GSSC in payroll, benefits and entitlement administration, recruitment, position management and other services carried out under their management responsibility, in response to requests approved and submitted by authorized officials of client offices.  Managers and staff should implement up-to-date human resource policies in line with the policies and guidance issued by BMS/Human Resources including monitoring, compliance and  taking corrective measures. | * UN Staff Regulations & Rules * UNDP People 2030 strategy * Management directives, POPP Human Resources Management * Training & Development * Performance Management * Operational Guide of the ICF |
| 5 | **Accountability:** Policies and procedures are in place to hold individuals accountable for their internal control responsibilities in the pursuit of objectives, including delegation of authority. | BMS/Chief Financial Officer (functional lead) | BMS Director, with CFO as the functional lead, maintains the UNDP internal control framework.  Managers should put in place internal accountability processes for functions assigned to staff within their offices, including performance measures.  Managers and staff should ensure compliance to the ICF, utilizing the POPP, Operational Guide of the ICF, and annual representation statement, and implement corrective measures  as appropriate. | * UNDP Accountability Framework * Corporate Accountability Framework * Delegation of Authority Policy * FRRs, Staff Regulations & Rules * Management directives, POPP * Operational Guide of the ICF * Annual Representation Statement |
| **#** | **Principles** | **Corporate**  **Lead/Function al Lead** | **Applicability to all staff and managers** | **Supportive Tools** |
| 6 | **Specifying Objectives:** The strategic direction and priorities of the Organization are established and form the basis for assessing risks and operational effectiveness. | Administrator, with Executive Group | Managers should apply this principle to the organizational structures under their direct supervision. | * UNDP mission and mandate * UNDP Strategic Plan * Annual Workplans * RBM * ROAR |
| 7 | **Risk Identification:** Risks to the achievement of objectives across UNDP are identified and analyzed as a  basis for determining  how they should be managed, whether to accept, avoid, reduce, or share the risk. | Executive Group Risk Committee  BMS and the Bureau for  Policy &  Programme Support (BPPS) (co-functional leads on ERM)  Regional & HQ Bureau Directors  Heads of Offices | Managers should apply this principle to the objectives included in their annual workplans, as well as in programmes & projects. | * UNDP Enterprise Risk Management Policy * UNDP ERM systems, including corporate, programme/unit, and project-level Risk   Registers, associated  mitigation plans, risk escalation & periodic review and reporting requirements   * UNDP Risk Appetite Statement * POPP for functional areas, including programme, finance, procurement, human resources, security, ICT, etc. |
| 8 | **Risk Assessment:** The risks to the achievement of UNDP objectives are assessed, including the potential for fraud or other misconduct or breach of rules. |
| 9 | **Risk Monitoring:** Significant internal and external changes that might affect risk are identified and analyzed. |
| 10 | **Selection and Development of Control Activities:** Control activities that contribute to the management of risks to acceptable levels are selected and developed taking into consideration the operational environment. | Functional leads for:   * Programmes (BPPS and CB) * Partnerships (BERA) * Operations (BMS) | Managers should apply this principle to the objectives included in their annual workplans, as well as in programmes & projects. | * Annual Integrated Workplans (IWPs) * Programme & Project Plans * FRRs, Staff Regulations & Rules, POPP, Operational Guide of the ICF * ERP enforced controls, including budgetary controls and segregation of duties |
| **#** | **Principles** | **Corporate**  **Lead/Function al Lead** | **Applicability to all staff and managers** | **Supportive Tools** |
| 11 | **General Control Activities Over Technology:** General control activities using information technology are selected, developed, or assessed to support the achievement of UNDP’s objectives. | BMS Director, supported by functional leads and the Chief Information Officer | Managers and staff should apply the standards laid down by the BMS Director | * Delegation of Authority Policy * POPP Information & Communications Technology * Operational Guide of the ICF |
| 12 | **Policies and Procedures:** Control activities include the  development and use  of policies that establish what is expected or required, and procedures that put the policies into action. They are built into business processes and day-to- day activities. | Functional leads for:   * Programmes (BPPS and CB) * Partnerships (BERA) * Operations (BMS) | Functional leads are accountable for ensuring policies, processes and procedures comply with the  ICF, including monitoring compliance.  Managers should apply this principle in relation to the objectives in their annual workplans, as well as in programmes & projects.  Staff are expected to follow the requirements set out in the POPP that govern their area of work, and in accordance with established roles and  responsibilities. | * Delegation of Authority Policy * FRRs, Staff Regulations &   Rules, POPP   * Operational Guide of the ICF |
| 13 | **Information and Reporting:** Relevant and quality information is obtained or generated to support the functioning of internal controls, decision- making, and oversight. | Functional leads in generating and disseminating relevant information | Managers and staff should apply this principle to the organizational structures under their direct supervision through sharing and promoting the use of relevant and quality information | * EB decisions and directives * Strategic Plan * Annual Reports (corporate, financial statements, donor reports, etc.) * Audits & Evaluation * UNDP Information Disclosure Policy * POPP * Dashboards * Certifications & Representation statements * Training platforms |
| **#** | **Principles** | **Corporate**  **Lead/Function al Lead** | **Applicability to all staff and managers** | **Supportive Tools** |
| 14 | **Internal Communication:** An efficient and effective system of internal communication exists to ensure that individual staff members have the information they require to carry out their duties, and to support the functioning of internal control. | Functional leads in generating and disseminating relevant information | Managers should apply this principle to the organizational structures under their direct supervision through sharing and promoting the use of relevant and quality information.  Staff are expected to abide by the Organization’s information and communication policies and procedures related to internal information and communications. | * EB decisions and directives * Strategic Plan * Annual Reports (corporate, financial statements, donor reports, etc.) * Audits & Evaluation * UNDP Information Disclosure Policy * POPP * Executive management dashboards (e.g., Executive Snapshot, IRMF, etc.) * Functional performance dashboards (e.g., Integrated Financial Dashboard, BMS/GSSC dashboard, etc.) * Certifications & Representation   Statements   * Training platforms |
| 15 | **External Communication:** An efficient and effective system of external communication exists to ensure: (a) necessary externally- sourced information is received; and (b) that external stakeholders, such as contributors, partners, and governing and oversight bodies are provided with necessary relevant and quality information on matters affecting the functioning of internal control in response to requirements and expectations. | Functional leads in generating and disseminating relevant external information | Managers should apply this principle to the external communication responsibilities assigned to them.  Staff are expected to abide by the Organization’s information  and communication policies and procedures relating to the sourcing and reporting of external information. | * UNDP Information Disclosure Policy * IATI * UNDP Transparency Portal * UNBOA annual audit reports * Annual financial statements and certified donor reports * UNDP publications, such as Human Development Report * Social media |
| **#** | **Principles** | **Corporate**  **Lead/Function al Lead** | **Applicability to all staff and managers** | **Supportive Tools** |
| 16 | **On-going or Separate Monitoring:** On-going and/or separate reviews are selected, developed, and performed to ascertain that each of the components of internal control that are built into business processes are functioning effectively. | Functional leads for:   * Programmes (BPPS and CB) * Partnerships (BERA) * Operations (BMS) | Managers should apply this principle to the organizational structures under their direct supervision. | * UNDP Accountability Framework * UNDP Strategic Plan Mid- term reviews * Integrated Budget Mid- term reviews * Internal audit & implementation of audit recommendations in CARDS * Programme & project evaluations & implementation of recommendations * Review committees (e.g., CRB, ACP, CAP, etc.) * External committees, such as AEAC * UNBOA annual external audit |
| 17 | **Reporting Internal Control Deficiencies:** Deficiencies in the operation of internal control are systematically evaluated and reported to those parties responsible for taking corrective action. Appropriate corrective action is taken in a timely manner to address the reported deficiencies. | BMS Director, supported by CFO | Managers and staff should apply this principle to the organizational structures under their direct supervision in line with the UNDP POPP. | * Delegation of authority and management responsibilities. * Letter of representation. * Management Certification. * Reports from external audit, financial statements, annual report to EB. * Annual Representation statement. |

# **Annex 3: Further details on shared services roles and responsibilities**

### Country Offices (or HQ office) as requester and recipient of shared services

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| **Shared services**  **actions** | **Country Office Roles & Responsibilities** |
| **Service Requests** | * Ensuring proper internal controls are present and functioning in their office, as set out in the Financial Regulations & Rules, UN Staff Regulations & Rules, UNDP Accountability Framework, Delegation of Authority Policy, POPP, this Internal Control Framework, and the Operational Guide of the Internal Control Framework. * Ensuring that duly segregated staff within the office properly execute the first, second or third authorities, as relevant to shared services business processes, and as further articulated in the Operational Guide of the Internal Control Framework. * In situations where a Central Bureau (BPPS/GPN or CB) as budget owner passes funding to the Country Office to implement activities, ensuring that the Country Office assumes full ownership of the delegated authority and the associated accountability for transaction approvals and service requests submitted to BMS/GSSC; and keeping the Regional Bureau informed of any process performance issues. * Putting in place processes to ensure adequate review of transactions by a designated official(s) prior to submission to the BMS/GSSC, including processes to confirm the validity of supporting documentation being submitted to the BMS/GSSC to prevent or promptly detect possible fraud. * Submitting service requests to the BMS/GSSC through established service request portals, as relevant, and providing comprehensive and accurate information and documentation at the time of submitting a service request; and promptly responding to BMS/GSSC requests for information/ documentation.   The submission of a service request by the Requesting Unit **constitutes all the necessary authorization for the BMS/GSSC to perform the transaction** in its entirety on behalf of the office submitting the request. Agreed shared services provided monthly without a service request include B2B Reconciliations, Local Payroll and Pay Cycle (as and when the services are made available to the Requesting Unit by BMS/GSSC).  The point of request or origination of a service requests represents the formal “Handshake” between the Requesting Unit and the BMS/GSSC, where responsibility passes from the Requesting Unit to the BMS/GSSC. This transition point is reflected in the Responsibilities Table specified in |

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| **Shared services**  **actions** | **Country Office Roles & Responsibilities** |
|  | each BMS/GSSC service line SOP and is the point at which appropriate  documentation is provided as an input to the process. |
| **Minimizing excess demand/backlogs** | * Providing the BMS/GSSC with a minimum of 14 calendar days advance notice of instances of high service volume so that capacity arrangements can be made. |
| **Emergency Transaction Management** | * After confirmation from the BMS/GSSC that it cannot process an emergency transaction, and with authorization from the RR/DRR/Head of Office/Deputy, the relevant office can process emergency transactions, with a copy to the relevant Bureau (Rbx/Cbx). (ERP rights normally executed by BMS/GSSC but retained by Country/HQ offices should be used for emergency purposes, where emergency). The Requesting Unit must provide the BMS/GSSC with a list of all emergency transactions processed by the Country/HQ office on the first working day or each calendar month, with a copy to the relevant Bureau (RBx/Cbx). |
| **Issue Management and Escalation** | * Notify the BMS/GSSC (and Rbx if necessary) promptly of any issues, concerns or complaints; and record a case in the CRM system and resolve and/or escalate issues to the relevant next level authority, as needed. |
| **Services provided to UN agencies** | * Charging the appropriate cost recovery through the ERP billing module for services provided by the BMS/GSSC to UN Agencies through the Country Office. |
| **Responsibility for Errors** | * Coordinating with Regional Bureau for the settlement of any financial obligation arising out of all other errors including the submission of fraudulent or altered documents by a country office. |
| **Monitoring & Performance** | * Monitoring CO performance in clustered processes using tools and forums provided by BMS/GSSC (meetings/dashboards) and/or that the Regional Bureau may develop to address region or country specific risks. |
| **Document Retention** | * Retaining original support documents for requested transactions, including hard copies where applicable, in accordance with UNDP’s document retention policy. |
| **Audit Support** | * The Requesting Units, as well as the BMS/GSSC, are subject to audit from time to time. The Requesting Units remain responsible for responding to audit queries related to their activities and related transactions. The BMS/GSSC will support the Requesting Units in responding to audit queries of services provided by the BMS/GSSC on their behalf. Likewise, the BMS/GSSC will be responsible for responding to audit queries related to its activities and may seek the support of the Requesting Units in responding   to audit queries related to their transactions. |

### BMS/GSSC as the shared service provider

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| **Shared services**  **actions** | **BMS/GSSC Roles & Responsibilities** |
| **Establishing SLAs** | * Negotiating SLAs with Regional Bureau (or Central Bureau) to define the scope and service levels expected of clustered services to be delivered to COs (or HQ units/offices). |
| **Defining & Delivering Services** | * In collaboration with Global Process Owners, developing and finalizing SOPs for each clustered business process. * Providing transactional services that comply with UNDP’s legislative and administrative framework documents (e.g., FRRs, Staff Regulations & Rules, ICF, Operational Guide of the ICF, POPP, SOPs). This includes responsibility for **performing their specific processing tasks in line** with UNDP’s policies and procedures, based on the information and supporting documentation provided to them. Where an incomplete request has been received, the BMS/GSSC is authorized to return the request to the Requesting Unit for completion prior to completing the processing. * Delivering services within the timeframes agreed in signed SLAs and informing the Country or HQ office of the completion of the service request. * Observing all corporate deadlines relevant to the business process services being provided; and applying corporate procedures regarding quarterly certifications and end-year closure. * Ensuring the required segregation of duties is met in all services it provides, including those related to the first, second and third authorities (as articulated in the Operational Guide of the Internal Control Framework), and the segregation of incompatible roles. The BMS/GSSC is accountable for ensuring that it fulfills the responsibilities of the second and third approval authority roles in accordance with the FRRs and POPP, the specifics of which are articulated in the Operational Guide of the Internal Control Framework. |
| **Dealing with Policy/Process Exceptions** | * Approving and executing all process variations that fall within thresholds assigned to the BMS/GSSC, as specified in SOPs that have been approved by the relevant Global Process Owner. The relevant delegation of authority from a Country Office, Headquarter Unit or Global Process Owner with respect to a transaction to be processed by BMS/GSSC will be deemed to have been transmitted on the signature of the SOP by BMS/GSSC and the relevant Global Process Owner. * Referring to the Regional Bureau or HQ Global Process Owner, as appropriate, any transactions that require approval or clearance of an   exception by an authority owner or that exceeds the BMS/GSSC’s approval |

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| **Shared services**  **actions** | **BMS/GSSC Roles & Responsibilities** |
|  | threshold, where such authority or clearance has not been obtained by the Requesting Unit prior to submitting the service request to the BMS/GSSC.   * Obtaining guidance from the Global Process Owner where policy interpretation is needed for significant transactions that could impact internal control objectives. * Identifying opportunities for process change/improvement. |
| **Prioritizing excess demand/ backlogs** | * Providing services on a first-in first-out (FiFo) basis, except in periods of excess demand or service backlogs. * In periods of excess demand or service backlogs, prioritizing service requests to ensure the most critical services are performed first and notifying the relevant Country or HQ office of the prioritization. If critical issues are encountered, BMS/GSSC will keep the relevant Bureau involved, either for information or definition of priorities, through agreed Bureau focal points. |
| **Emergency Transaction Management** | * Informing the requesting Country or HQ office if BMS/GSSC cannot process emergency transactions within 4 hours of receipt of the request. An emergency includes an event recognized by the UN and the Host Government to be a human-caused or natural disaster and other emergencies (such as epidemics/pandemics). * Receiving and keeping a central repository of all emergency transactions processed by Country/HQ offices and making this information available through the BMS/GSSC Performance Dashboard. |
| **Issue Management and Escalation** | * Notifying the requesting Country Office (or HQ unit/office) and/or Regional Bureau (or Central Bureau) promptly of any issues, concerns, or complaints; and resolving and/or escalating issues to the relevant next level authority, as needed. |
| **Services provided to UN agencies** | * Providing services to UN agencies through Country Offices at a cost recovery rate agreed between the Country Office and the UN Agency. * Providing services directly to UN Agencies through a separate agreement with the UN Agency and implementing cost recovery and billing arrangements with the UN Agency. |
| **Responsibility for Errors** | * Settling any financial or other obligations arising out of errors made by the BMS/GSSC, including errors arising from non-compliance of the relevant business process SOP. |

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| **Shared services**  **actions** | **BMS/GSSC Roles & Responsibilities** |
| **Monitoring & Performance** | * Making qualitative and quantitative reports available monthly (primarily through the BMS/GSSC Dashboard) and supporting Bureaus and Country/HQ offices with analysis of trends and opportunities for process improvement as needed. Monitoring & performance reports include:   + Service Performance Reporting based on KPIs set out in the relevant SLA   + Client satisfaction reporting from CRM system   + Continuous improvement updates   + Summary of emergency cases processed by COs, outside BMS/GSSC regular operations   + Exceptions report that merits Regional Bureau attention (e.g., non- compliance with SOPs by Country Offices, trends of delays, errors   + Recurrent issues for analysis and to determine the root cause and identify solutions. * In the first six months of services to a Bx, **initiating monthly services discussions with BMS/GSSC and Bureau senior management** to discuss service delivery progress and performance. After six months services, **initiating quarterly meetings with the Bureau, BMS/GSSC, Executive Office, and** OFM to discuss and review service matters, including trends, repetitive errors, emerging issues and systems performance and utilization. * Discussing with Rbx/Country offices (or Cbx/HQ unit) audit reports related to services provided and the Escalation issue log; and promptly providing information as requested by auditors and other UNDP parties. |
| **Document Retention** | * Retaining documents related to BMS/GSSC activities that are in hardcopy form; and retaining electronic copies used by the BMS/GSSC to process requests in accordance with UNDP’s electronic documentation retention policy. |
| **Audit Support** | * The Requesting Units, as well as the BMS/GSSC, will be subject to audit from time to time. The Requesting Units remain responsible for responding to audit queries related to their activities and related transactions. The BMS/GSSC will support the Requesting Units in responding to audit queries of transactions processed by the BMS/GSSC on their behalf. Likewise, the BMS/GSSC will be responsible for responding to audit queries related to its activities and may seek the support of the Requesting Units in responding to audit queries related to their transactions. |

### Regional Bureaus in fulfilling their Country Office performance oversight responsibilities

#### (HQ Bureaus for HQ units)

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| **Shared services**  **actions** | **Regional Bureau Roles & Responsibilities** |
| **Signing the SLA** | * Negotiating and signing the shared services SLA with the BMS/GSSC on behalf of Country Offices in their region. |
| **Dealing with Policy/Process Exceptions** | * Pre-approving actions or transactions that require Regional Bureau approval as the authority owner or delegated authority owner under the DOA Policy, Annex A or the POPP. * Pre-approving exceptions that fall beyond the BMS/GSSC’s approval thresholds and that are not within the purview of a Central Bureau (i.e., the Central Bureau’s clearance is not required to be sought under the DOA policy Annex A or POPP). * Participating with the Country Office and the BMS/GSSC in resolving or clearing requests that must be approved by a Central Bureau Director or the Administrator, such as for write-off requests > US$1,000. |
| **Prioritizing excess demand/ backlogs** | * If critical issues are encountered, respond to BMS/GSSC request for involvement, either for information or definition of priorities, through agreed Bureau focal points. |
| **Emergency Transaction**  **Management** | * Oversee the and clear the authorization from Country Offices to process transactions if the BMS/GSSC is unable to render services in a crisis. |
| **Issue Management and Escalation** | * Notify the BMS/GSSC promptly of any issues, concerns or complaints; and record a case in the CRM system and resolve and/or escalate issues to the relevant next level authority, as needed. |
| **Responsibility for Errors** | * In coordination with Country Offices, responsible for the settlement of any financial obligation arising out of all other errors including the submission of fraudulent or altered documents by a country office. |
| **Monitoring & Performance** | * Monitoring CO and HQ unit performance in clustered processes using tools and forums provided by BMS/GSSC (quarterly meetings/dashboards) and/or that the Regional Bureau or HQ unit may develop to address region or country specific risks. * In the first six months of BMS/GSSC service provision, participating in **monthly meetings with BMS/GSSC senior management** to discuss service delivery progress and performance. After six months of services, participating in **quarterly meetings with the BMS/GSSC, Executive Office and OFM** to discuss and review service matters, including trends, repetitive errors, emerging issues and systems performance and utilization; and take follow up action with Country Offices, as needed. |