UNITED NATIONS DEVELOPMENT PROGRAMME

Office of Audit and Investigations

PERFORMANCE AUDIT

OF

THE REGIONAL PROJECT FOR ADVANCING

INCLUSIVE AND SUSTAINABLE HUMAN DEVELOPMENT

IN ASIA AND THE PACIFIC

Report No. 1841

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Report on the Audit of the Regional Project for
Advancing Inclusive and Sustainable Human Development in Asia and the Pacific
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted a performance audit of the Regional Project for Advancing Inclusive and Sustainable Human Development (SHD) (the Regional Project) in Asia and the Pacific from 24 April to 9 June 2017.

Performance auditing is an independent examination of an entity to assess whether the entity is achieving economy, efficiency and results in the employment of available resources.

The overall audit objective was to establish if the Regional Project reached, or was likely to reach its target outputs to the extent foreseen in the project document. The audit focused on two main questions:

(a) Was the Regional Project adequately costed and delivered on schedule?
(b) Has the Regional Project achieved or is likely to achieve its target outputs?

The audit covered project design and implementation from 1 January 2014 to 31 March 2017. This audit was carried out in parallel with the audit of the Regional Bureau for Asia and the Pacific, which included a review of the Regional Programme of which the Regional Project is a component (Audit Report No. 1840). This was the first audit of the Regional Project.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.
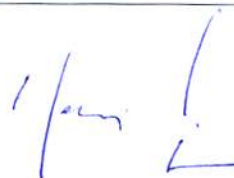
Overall audit rating

OAI assessed the Regional Project's implementation as **satisfactory,** meaning that "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area."

Key recommendations: Total = **1**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, which means "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP." The recommendation aims to enhance the overall coherence and design of future regional projects.

The Director of the Regional Bureau for Asia and the Pacific accepted the recommendation and is in the process of implementing it. Comments and/or additional information provided have been incorporated in the report.

Low priority issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Osttveiten
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I. About the Regional Project for Advancing Inclusive and Sustainable Human Development in Asia and the Pacific

The Regional Project for Advancing Inclusive and Sustainable Human Development in Asia and the Pacific (the Regional Project), is an "umbrella project" for supporting the achievement of four outcomes envisaged in the Regional Programme for Asia, including some activities carried out in the Pacific. The project started in 2014 and is due to end in December 2017. The selected outcomes are aligned with the following outcomes of UNDP's Strategic Plan 2014-2017:

- Outcome 1: Growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded.

- Outcome 2: Citizen expectations for voice, development, the rule of law and accountability are met by stronger systems of democratic governance.

- Outcome 5: Countries are able to reduce the likelihood of conflict and lower the risk of natural disasters, including from climate change.

- Outcome 7: Development debates and actions at all levels prioritize poverty, inequality and exclusion, consistent with our engagement principles.

The Regional Project included a wide range of activities aiming at enhancing development effectiveness and development results by providing technical policy advice to Country Offices and regional projects; facilitation role to create multi-stakeholder dialogues, especially to advocate on sensitive/marginalized issues; production of knowledge products and training. Sub-projects had their own project documents, management structures, and governance bodies. Sub-projects received cost-sharing funding from various donors.

The major donors for the project were the Global Environment Fund (GEF), The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), the Swedish International Development Agency (SIDA), the Asian Development Bank (ADB), and the Government of Norway.

Most of the reported results of the Regional Project were achieved via the implementation of specific regional projects. These sub-projects were most often implemented at the Country Office level. Sub-projects are overseen by the Regional Hub. The project beneficiaries of the project included governments, civil society organizations, communities and country offices in the Asia-Pacific region.

Due to 40 percent in cuts in core resources, the budget and the Integrated Results and Resources Framework were revised in early 2015. The figure hereunder shows how the financing of the Regional Project developed.
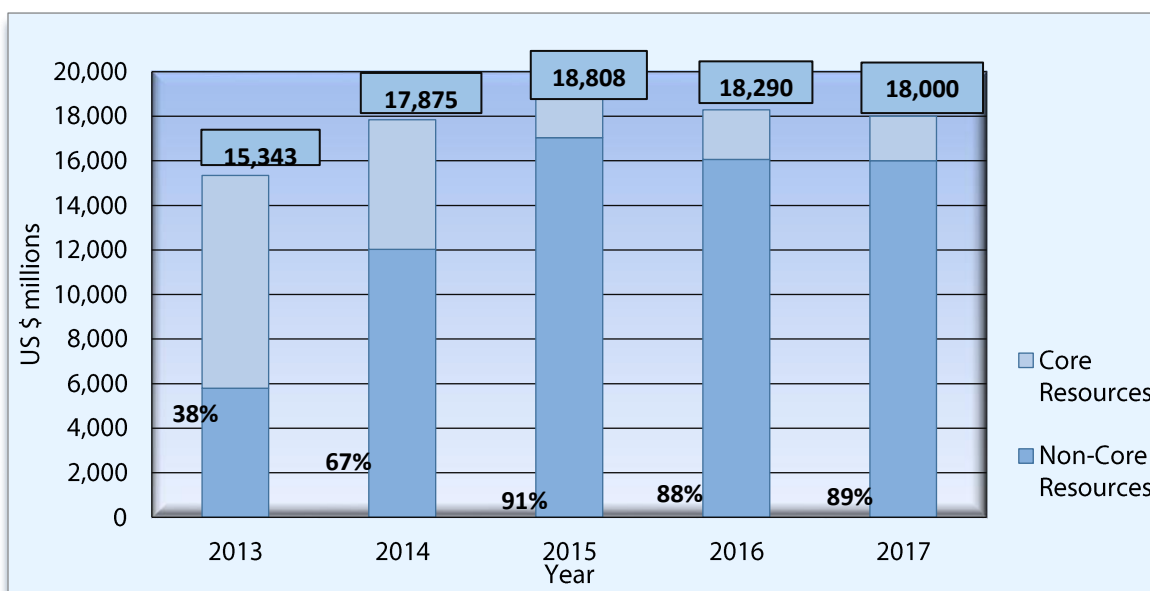
(*Source: RBAP - Regional Programme Impacts Report – Advancing Sustainable Development in Asia and the Pacific 2014-2016*)

The Regional Bureau for Asia and the Pacific reports yearly on achieved results to the Project Outcome Board. This information is then included in the reporting of the Regional Programme. An assessment of the progress made by the Regional Project was incorporated in the mid-term review of the Regional Programme, completed in January 2016.

The project was selected for audit as part of OAI's 2017 risk assessment exercise. The risk assessment took into consideration the project's budget, delivery, nature (i.e. management or development), whether the project had been audited in its lifetime, and any special interests or concerns of UNDP stakeholders.

Audit questions

The overall audit objective was to establish if the Regional Project reached, or was likely to reach its target outputs to the extent foreseen in the project document. The audit focused on two main questions:

    (a)   Was the Regional Project adequately costed and delivered on schedule?
    (b)   Has the Regional Project achieved or is likely to achieve its target outputs?

Audit scope and methodology

The audit covered the project design and implementation from 1 January 2014 to 31 March 2017. The audit was carried out in parallel with the audit of the Regional Bureau for Asia and the Pacific, which included the Regional Programme.

Audit criteria

Audit criteria include policies, procedures and requirements against which facts can be assessed.

The main audit criteria for this audit were:

- UNDP Strategic Plan 2014-2017: The UNDP Strategic Plan 2014-2017 aimed at higher quality programmes, instrumented by better project planning, design, monitoring, evaluation and results based management. This aim was the overarching criterion for the audit of the Regional Project.
- The project document for the Regional Project's identified outcomes, outputs and sub-outputs that were supported by progress indicators and milestones.
- The 'UNDP Programme and Operations Policies and Procedures' on regional programmes and project management were used as specific audit criteria where relevant.
- The UNDP 'Handbook on Planning, Monitoring and Evaluating for Development Results', representing good results based management practices.
- The 2013 evaluation of the Regional Programme, among other things, recommended the following:
  - Strong embedding of the Regional Programme: Articulate clearly how it will contribute to development results *together* with the global and country programmes.
  - Monitor more systematically progress made and results achieved by the Regional Programme initiatives and technical support rendered to the Country Offices.

II.   Audit results

Satisfactory performance was noted in the following areas:

- The reported progress against output indicators was for its greater part accurate as the evidence was complete, reliable and representative. Some results reported were achieved at the country office level.
- The outputs did feed logically into the outcomes.
- Out of the 14 project outputs, 10 were fully on track, 2 were to a larger extent on track, and two were unlikely to be achieved. The Regional Project was therefore achieving most of its goals at the output level. This conclusion was supported by the fact that 26 out of the 34 key result areas were fully achieved, while 3 were mostly on track, and only 5 were unlikely to be achieved.
- The Regional Project's evidence for progress to output goals can be considered as complete, as the information available was covering the full set of project outputs and was sufficiently detailed and accessible.
- The evidence was reliable and valid as the data sources were transparent, verifiable, and representative.
- The management of risks was successful in practice as risks were consequently escalated to the Bureau senior management. Risks were recorded in the Integrated Work Plan.
- The Regional Project was active in the production and dissemination of knowledge products. The establishment of "development solution groups" enhanced the learning function, by exchanging different approaches and field of expertise beyond the outcome groups.

OAI made one recommendation ranked medium (important) priority.

Medium priority recommendation:

Enhance the overall coherence and design of future regional projects (Recommendation 1).

Low priority issues/recommendations were discussed directly and agreed with the Bureau and are not included in this report.

The detailed assessment is presented below, per audit question addressed:

A. Was the Regional Project adequately costed and delivered on schedule?

The audit concluded that the sub-projects were adequately costed and delivery was largely on schedule. All sub-projects budgets were based on planned activities, the budget utilization for the Regional Project was over 80 percent; the remaining 20 percent underutilization took place in three projects that were part of the Regional Project. Underutilization was caused by the late receipt of funds (in one case) or by savings in the other projects.

The audit noted that there was no system to accurately determine and cost the time spent by Policy Advisors on the Regional Project. The Country Office Service Management Operating System (COSMOS) used for tracking support to Country Offices did not include time recording. To address this, the Regional Bureau for Asia and the Pacific developed a time tracking system. A recommendation regarding the use of COSMOS to track support services had already been raised in the audit report for the Regional Bureau for Asia and the Pacific (Audit Report No. 1840, Recommendation No. 5), and therefore OAI is not issuing a recommendation.

B. Has the Regional Project achieved or is likely to achieve its target outputs?

The audit concluded that the Regional Project's outcomes were logically supported by the intended outputs and that the monitoring and measuring of progress to output levels was for the greater part adequate.

Of the 14 project outputs, 10 were fully on track, 2 were to a large extent on track, and 2 were unlikely to be achieved. It can therefore be concluded that the Regional Project was achieving the greater part of its target outputs. This conclusion was supported by the fact that 26 out of the 34 constituent key results were fully achieved, while three were to a large extent on track, and only 5 were unlikely to be achieved

The audit noted that although the Regional Project was reported as quality assured, this was not the case, as the quality assurance only referred to a sub-project (Governance of Climate Finance and Development Finance, Project No. 00092193) which constituted 44 percent in the Regional Project. This issue was raised in the audit report for the Regional Bureau for Asia and the Pacific (Audit Report No. 1840, Recommendation No. 6).

This audit noted the following issue:

Issue 1   <u>Project design flaws impacting results measurement</u>

The UNDP 'Handbook on Planning, Monitoring and Evaluating for Development Results', reflects the basic quality criteria for project design. Project documents need to include comprehensive activity planning based on the logical framework or Theory of Change. The outcomes and results should be specific, measurable, achievable, relevant and time bound. The Handbook states on monitoring: "Without clearly defining the kind of evidence that will be required to ascertain the achievement of results, without fully considering the implications of obtaining such evidence in terms of effort and cost, planners put the integrity of the programme at risk."

- The project document template requires a comprehensive activity plan to measure results. However, the project document only stated intended results.

- A fully costed monitoring framework, based on the activity planning, was not developed in parallel with the Regional Project design.

If activities and results are unclear and indicators are absent or poorly formulated, monitoring and evaluating progress will be challenging, making it difficult for staff and managers to know how well plans are progressing and when to take corrective actions.

Priority	Medium (Important)

Recommendation 1: The Regional Bureau for Asia and the Pacific should enhance the overall coherence and design of future regional projects by developing: (a) activity planning at the output level which will facilitate measuring of attribution to intended results; and (b) a detailed and fully costed monitoring framework.
Management action plan: The Regional Bureau for Asia and the Pacific agreed with this recommendation, and will address it starting with the new regional project. **Estimated completion date**: March 2018

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory**
The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.

- **Partially Satisfactory / Some Improvement Needed**
The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.

- **Partially Satisfactory / Major Improvement Needed**
The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.

- **Unsatisfactory**
The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)**
Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to act could result in major negative consequences for UNDP.

- **Medium (Important)**
Action is required to ensure that UNDP is not exposed to risks. Failure to act could result in negative consequences for UNDP.

- **Low**
Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo after the fieldwork. Therefore, low priority recommendations are <u>not included in this report</u>.