

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP REGIONAL BUREAU

FOR

ASIA AND THE PACIFIC

Report No. 1033
Issue Date: 21 December 2012

LIST OF ACRONYMS

APRC	Asia-Pacific Regional Centre
BOM	Bureau of Management
DaO	Delivering as One
G2G	Good to Great
GLOC	Government Contributions to Local Office Costs
HQ	Headquarters
MSU	Management Support Unit
OFRM	Office of Financial Resources Management
RBAP	Regional Bureau for Asia and the Pacific
RDT	Regional Director's Team
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group

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Report on the audit of UNDP Regional Bureau for Asia and the Pacific Executive Summary

From 17 September to 5 October 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Regional Bureau for Asia and the Pacific (RBAP or the Bureau). The audit covered the activities of the Bureau during the period from 1 January 2011 to 30 June 2012. During the period reviewed, the Bureau recorded programme and management expenditures totaling \$18 million. This was the first time the Bureau was audited.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit included reviewing and analyzing, on a test basis, information that provided the basis for our conclusions.

Audit rating

OAI assessed the Bureau as **satisfactory**, which means “Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.”

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance				
1.1 Organizational structure	Satisfactory			
1.2 Delegation of Authority/Internal Control Framework	Satisfactory			
2. Strategic management				
2.1 Strategic management	Satisfactory			
2.2 Financial sustainability	Satisfactory			
2.3 Succession planning	Satisfactory			
3. Regional programmes	N/A			
4. United Nations system coordination				
5. Country office support and monitoring				
6. Operations				
6.1 Human Resources Management	Satisfactory			
6.2 Procurement	Unsatisfactory			
6.3 Travel	Partially Satisfactory			
6.4 Business continuity	Partially Satisfactory			

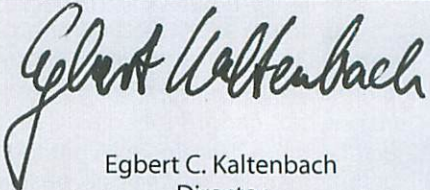
Key issue/s and recommendation/s

The audit raised three issues. There are three recommendations, of which one (33 percent) was ranked high (critical) priority, meaning that "Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP and may affect the organization at the global level."

Country Office support and monitoring (Issue #1)	<u>Unclear allocation of financial oversight responsibilities.</u> OAI noted that the financial backstopping and oversight responsibilities for the country offices in the region are shared between the Bureau and the Regional Monitoring Team of the Office of Financial Resources Management. In case of the Afghanistan programme these responsibilities are further shared between the Bureau's newly established Division for Afghanistan and the yet to be established Oversight and Compliance Unit of the Afghanistan Country Office. The Bureau, in consultation with the Office of Financial Resources Management, should clearly delineate the financial backstopping and oversight responsibilities of the relevant offices.
Procurement (Issue #2)	<u>Weaknesses in procurement.</u> OAI noted issues with respect to the engagement of short term consultants. The Bureau should ensure compliance with UNDP Programme and Operations Policies and Procedures and adherence to UNDP's procurement principles.

Management's comments

The Director of the Regional Bureau for Asia and the Pacific accepted all the three recommendations and has implemented or is in the process of implementing them.



Egbert C. Kaltenbach
Director
Office of Audit and Investigations

I. Introduction

From 17 September to 5 October 2012, OAI conducted an audit of the UNDP Regional Bureau for Asia and the Pacific (RBAP or the Bureau). The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit included reviewing and analyzing, on a test basis, information that provided the basis for our conclusions.

Audit scope and objectives

OAI's audits assess the adequacy and effectiveness of the governance, risk management, and control processes in order to provide reasonable assurance to the Administrator regarding the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with legislative mandates, regulations and rules, policies and procedures. They also aim to assist the management of the office and other relevant business units in continuously improving governance, risk management, and control processes.

This audit reviewed the following areas of the Bureau – governance, strategic management, United Nations system coordination, country office support and monitoring, and operations. The audit covered relevant activities during the period from 1 January 2011 to 30 June 2012. During the period reviewed, the Bureau recorded programme and management expenditures totaling \$18 million.

Specifically, this audit:

- (i) assessed the Bureau's functions and related performance with the view to identifying constraints, as well as risks, if any, that may affect the achievement of its objectives;
- (ii) assessed the Bureau's management and organizational structure, and the reporting and communication lines;
- (iii) assessed the effectiveness of the Bureau's discharging of its key functions in the areas of strategy-setting, support and oversight of country offices and regional programmes and projects; and
- (iv) evaluated key workflow processes to determine whether adequate guidance and procedures are in place to ensure the effectiveness and efficiency of internal controls.

This was the first time the Bureau was audited.

OAI developed a survey questionnaire to assess the Bureau's performance in supporting the country offices in the region. The survey consisted of 24 questions and replies were solicited on the basis of anonymity. The Survey was sent to a total of 64 recipients (all Resident Representatives, Deputy Resident Representatives, Country Directors and Deputy Country Directors in the region). By the deadline, a total of 37 responses (58 percent) were received. Overall, OAI noted positive responses to the survey.

II. About the Bureau

Development challenges in the Asia-Pacific region are as diverse and complex as the region itself. While the region has some of the world's most dynamic economies, it is also home to more than half of the world's poor; and it is the most disaster-prone region globally.

The UNDP Strategic Plan prescribes the focuses of UNDP work in: (i) Democratic Governance; (ii) Poverty Reduction; (iii) Crisis Prevention and Recovery; and (iv) Environment and Sustainable Development. Within these organizational focus areas, which constitute the regional developmental priorities, UNDP in Asia and the Pacific places emphasis on gender, climate change, social protection and inclusive growth.

UNDP in Asia and the Pacific consists of the Regional Bureau for Asia and the Pacific based in the UNDP Headquarters in New York, Country Offices in 24 countries and the Asia-Pacific Regional Centre (APRC) based in Bangkok with the Pacific Centre in Suva, Fiji.

The Bureau in New York has four divisions that are responsible for oversight over Regional and Country Programmes as follows:

- South and West Asia Division, responsible for Bangladesh, Bhutan, India, Iran, Maldives, Nepal, Pakistan and Sri Lanka;
- South East Asia and the Pacific Division, responsible for Timor Leste, Indonesia, Malaysia, Myanmar, Papua New Guinea, Philippines, Thailand as well as Fiji, Samoa and the Pacific Island Countries;
- North East Asia and Mekong Division, responsible for Cambodia, China, Democratic People's Republic of Korea, Laos, Mongolia and Viet Nam; and
- Division for Afghanistan.

Each Division is headed by a Chief at D-1 level and comprises two to three Programme Specialists; and one or two Programme Associates. The Bureau also has the Management Support Unit and the Policy Unit. The Regional Director is supported by a Directorate consisting of eight persons. In addition, the Resources Management Team (RMT) of the Office of Financial Resources Management (OFRM) and the Business Advisory Services (BAS) unit of the Office of Human Resources (OHR) provide client services to the Bureau and the country offices in the region.

As of 1 September 2012, the Bureau comprised 37 staff. The total expenditure during the audit period was \$18 million.

III. Detailed assessment

1. Governance

Satisfactory

OAI's review of governance at the Bureau did not reveal any issues and this area was found satisfactory. The audit review and discussion conducted for Section 1.2 below included the approval duties for country offices and these were found well-defined and detailed. The risk management review was within the scope of the review and discussion in Section 5 of this report on country office support and monitoring.

1.1 Organizational structure

Satisfactory

The Bureau has a clear organizational structure aligned with the corporate and regional strategy and priorities. The process of establishing key priorities as well as the design of the 2012 Integrated Work Plan (IWP) was based on the medium-term Strategic Plan for the Bureau, which was previously approved by the Executive Board. Following preparation of the IWP, the Bureau (together with the APRC in Bangkok and the Pacific Centre in Fiji) engaged in dialogues with all of the region's country offices on the selection of the annual priorities. In doing so, environmental, financial, operational and reputational risks were identified and a mechanism for their monitoring established. OAI, then, noted that the rationale for the distribution of portfolios among the divisions as well as the distribution of tasks, responsibilities and authorities among people and groups and communication and coordination of activities within the Bureau, were appropriate for the current portfolio and level of activities.

The Bureau's organizational structure, functions and staffing were generally found to be in line with the corporate strategic priorities. The job descriptions were up to date and matching key activities and expected results.

1.2 Delegation of authority/Internal Control Framework

Satisfactory

Delegation of authority and accountability was clearly defined and the decision-making process and mechanisms of monitoring and controlling were generally clear at the Bureau (observations on monitoring and oversight over the Afghanistan programme are provided under section 5).

OAI developed a survey questionnaire to assess the Bureau's performance in providing support to the country offices in the region. The survey consisted of 24 questions and was conducted on the basis of anonymity. The survey was sent to a total of 64 recipients (all Resident Representatives, Deputy Resident Representatives, Country Directors and Deputy Country Directors in the region). By the deadline, a total of 37 responses (58 percent) were received.

Respondents generally considered the functions of the Bureau as well as the distribution of functions between the Bureau and the APRC as clear to them. Respondents reported excellent relationship with the Division Chiefs and Programme Advisors. They in particular rated as excellent or good the Bureau's input to determining/formalizing the country office's strategies, the operational support and guidance, and the security management. Support to country offices was seen as a forward looking and pre-emptive, as well as organized and coordinated. Still, 39 percent of respondents were of the opinion that the support should be more proactive. The most effective support is received from Programme Advisors and Division Chiefs, whose responses were generally seen as timely, useful and adapted to the reality of the country offices. Respondents were generally satisfied with setting of strategic priorities and guidance provided by RBAP. The responses indicated that the RBAP staff regularly paid visits to the field, and average number of visits to countries during the last five years was three per year. OAI shared the analysis of the survey and recommended a follow-up analysis of causes

of perception that the country office support should be more proactive and forthcoming towards the needs of country offices.

As a result of the audit procedures performed, this area was rated as Satisfactory.

2. Strategic management

Satisfactory

2.1 Strategic management

Satisfactory

The Bureau is responsible for the overall guidance on strategic vision and policy for the region. In setting the strategy, the Bureau was identifying issues and priorities taking into account its external and internal factors. OAI reviewed the Bureau's strategy, annual priorities, indicators, expected results and responsibilities. The process of defining target countries for programmatic focuses and activities was also discussed and analyzed through discussions with relevant staff and analysis of the Management Dialogues and Engagement Plans. The Management Dialogues are forward looking, strategic discussions about the emerging issues, UNDP positioning, programme shape, high-level operational issues, strategy to achieve impact at scale, etc. and is conducted for selected countries. Participants in Management Dialogues are the managers of the country offices, the Bureau's Directorate, the Regional Manager at the Asia Pacific Regional Centre (APRC) in Bangkok, the Division Chiefs, the Country Programme Managers and others as warranted. The Management Dialogues took place throughout the year as per the established schedule that was pre-approved by the Regional Director during the third quarter of the previous year. The criteria for selection of countries included: presence/risk of crisis or transition, stage of the Country Programme Document/United Nations Development Assistance Framework cycle, pressing operational issues, among others. During 2011, the Management Dialogues were held for Bhutan, India, Papua New Guinea and Sri Lanka.

OAI is of the view that the Engagement Plans helped the APRC and the Bureau to better understand country level priorities and demand and enabled more efficient support and assistance to country offices work. The Plans allowed to: (i) map out the engagement framework and timeline with each country office; (ii) plan to deliver APRC's services the most effectively and; (iii) organize the most appropriate timing and schedule of support.

OAI noted a positive example of continuous monitoring and regular update of the Bureau's major objectives and priorities. The update is performed in a participatory manner, indicating assessments of regional situations, organizational performance, issues arising, as well as risks.

Another good initiative noted was the "UNDP Scaling Up in Asia-Pacific" initiative, based on a comprehensive analysis performed by the Bureau of the Country Programme Action Plans, Country Programme Documents, Evaluation Office's Assessments of Development Results and other evaluations in seven selected countries. These countries were selected based on the availability of relevant documentation and on representational grounds. On the latter criterion, large and small countries, low income and middle income countries, as well as stable and fragile countries were included. This has stimulated thinking about delivering programmes within the region that have more impact at scale. The analysis and lessons learned were shared within the region and supported the design of UNDAF's, CPDs and programmes/projects of other programme countries.

In August 2011, the Bureau developed a "Good 2 Great" (G2G) plan, supporting the Agenda for Organizational Change. Implementation of the G2G plan was continuously updated and monitored by the Bureau's management. The last update performed by the Directorate in September 2012 noted the Bureau's progress in enhancing programme quality; enhanced oversight; RBAP APRC integration; connecting knowledge for development; implementation of the Bureau's initiative named the Staff Technical Enhancement Programme (STEP); achievement in strategic partnerships (agreement signed with India in March 2012 and progress on agreement to be signed with Indonesia); and aligning development outcomes and work team architecture. A full-time Strategic Planning Advisor (P5) was recruited in mid-2012 to: (i) coordinate and lead consultations and contributions of the Bureau towards the UNDP Strategic Plan and the annual business planning process; (ii)

monitor the Bureau's performance, results and other reporting and provide advice to adjust actions if required; and (iii) help further develop the Bureau's strategic function(s) in line with the Agenda for Organizational Change and as specifically articulated in the Bureau's G2G plan.

As a result of the audit procedures performed, this area was rated as Satisfactory.

2.2 Financial Sustainability

Satisfactory

OAI reviewed the financial sustainability of the Bureau as well as of the region. The Bureau's management expenditures amounted to approximately \$9 million a year. Approximately two thirds of the Bureau's budget was financed from extra-budgetary sources, whereas one third came from core resources. At the end of 2011, the extra-budgetary reserve of the Bureau was at a level of 31 months, the higher end among the Regional Bureaux. The Bureau pointed out that the future development of its reserve was largely dependent on the delivery of the Afghanistan country office, which hinges to a large extent on one project (LOTFA).

Delivery-wise, the Asia Pacific region is UNDP's largest region with annual expenditure of approximately \$1.4 billion. Approximately 55 percent of the region's delivery is contributed by the Afghanistan country office. Other significant portfolios are the ones in Bangladesh, China and Pakistan (around six percent each). OAI noted the high level of financial exposure to the programme in Afghanistan, and further noted that the overall extra-budgetary reserve in the region (and not the Bureau alone) was at the level of 25 months at the end of 2011. The extra-budgetary reserve of the Afghanistan Country Office itself amounted to 33 months at the end of 2011.

OAI reviewed the Government Contributions to Local Office Costs (GLOC) performance in the region and noted that the Bureau fell short of its GLOC targets by about \$5 million in 2010 and 2011 alone. The overall GLOC deficit is estimated to be around \$10 million. OAI had raised this issue in its 2010/2011 review of GLOC; management action in this regard is in progress, but has not yet yielded results.

The Bureau's Management Support Unit (MSU) tracks country offices' income and expenditure level on an ongoing basis. Programme financial summaries are produced on a monthly basis for the Bureau management. They serve to monitor country offices' financial performance.

OAI discussed with management the extent of the Bureau's financial dependency on the Afghanistan programme and advised to analyze different funding scenarios and strategize the approach for future funding, including diversification.

Overall, OAI is satisfied with the close degree of monitoring exercised by the Bureau in this area; however, the current situation is somewhat fragile in view of the corporate-wide reductions in Regional Programming, the heavy financial dependency on the Afghanistan programme, the uncertain future funding of that programme, and the decision taken by the Executive Group to establish the Fund for Country Level Emerging Priorities and Innovation to be funded from extra budgetary income, which will lead to a reduction of extra-budgetary resources. Thus, this area must be kept under close watch.

2.3 Succession planning

Satisfactory

OAI reviewed the Bureau's approach to succession planning for senior management positions in country offices of the region. OAI's survey indicated that the Bureau had fewer problems of extensive periods of vacancies in country office management positions than other Regional Bureaux. OAI corroborated the survey data with the Bureau staff members in its interviews and tried to determine why the Bureau was apparently performing better with regards to succession planning.

OAI noted that the Bureau kept an Excel file that tracked the projected move and retirement dates of all senior staff members in country offices. The file served to advertise vacant positions promptly in order to avoid long

periods of vacancies at the country office senior management level. OAI further noted that the Bureau made extensive use of the so-called “pools” for the recruitment of its Country Directors, Deputy Resident Representatives and Deputy Country Directors. In 7 out of 19 recruitment cases during the audit period, candidates were selected from the so-called “candidate pools”, thus accelerating the recruitment process.

Overall, OAI was satisfied with the succession planning, as carried out by the Bureau. Since there were no reportable issues, this area was rated as Satisfactory.

3. Regional programmes

Not Applicable

The implementation of the Regional Programme was assigned to the Asia-Pacific Regional Centre in Bangkok (APRC) and OAI performed a detailed review of the Programme during the recent audit of APRC. The Regional Programme included 14 programmes with a total expenditure of \$15 million in 2011 and \$6 million up to June in 2012. All programmes were implemented through direct implementation (DIM) by APRC with an exception of the regional Human Development Report that was managed by the Bureau, the programme expenditure amount of which was \$0.7 million.

4. United Nations system coordination

Satisfactory

The Director of the Bureau chairs quarterly Regional Director’s Team (RDT) meetings. The RDT is comprised of representatives of 19 UN agencies functional in the region such as: ESCAP, FAO, ILO, OCHA, OHCHR, UNAIDS, UNIDO, UNDP, UNEP, UNESCO, UNFPA, UNHABITAT, UNHCR, UNICEF, UN Women, UNODC, UNOPS, WFP, and WHO. RDT meetings are conducted on-line, connecting these participating organizations.

The United Nations Development Groups (UNDG) in the region supports and works with 36 programme countries, with clearly established priorities defined in the regional position papers and translated into annual work plans. Two major regional position papers looking at different approaches to social protection and the other one on the role of the United Nations in Middle Income Countries have been completed by regional UNDG working groups. These have been widely shared with the UN agencies and United Nations Country Teams in the region to inform and facilitate coherent United Nations work as well as advocacy on regional development priorities at the country level.

OAI reviewed the UNDG strategic dialogue with the Resident Coordinators, the UNDG Asia and the Pacific meeting minutes and the reports, and discussed with relevant staff. The Peer Support Group includes representatives of the UNDG Executive Committee agencies (UNDP, UNFPA, WFP and UNICEF); UN Specialized Agencies; Regional Commission; Non-Resident Agencies; and the UN Development Operations Coordination Office (DOCO) The main responsibility of the Group is to accompany and support UN Country Teams during their analytic work and UNDAF development process.

The Regional Coordination Specialist/UN Coordination Specialist (P4) is out-posted to the Regional Centre (APRC) in Bangkok, providing support to Resident Coordinators and UN Country Teams in the region. Support to country offices is mainly in the areas of Country Assessments; UNDAF; Delivering as One (DaO); support to DaO self-starters, and lately to Common CPD design (CCPD).

In OAI’s analysis, the Bureau is providing good and appropriate support to the United Nations system coordination, in particular to UNDAF roll-out through the Peer Support Groups.

Since no reportable issues were identified, this area was rated as Satisfactory.

5. Country office support and monitoring

Partially Satisfactory

A country office support and monitoring and oversight is a broad function that involves multiple units in UNDP Headquarters, with primary responsibility for such oversight exercised by the Regional Bureaux. As such, it encompasses a multiplicity of actions by the Bureau to ensure effective programmatic and operational performance of the country offices, covering the programme management cycle, evaluation of development effectiveness, efficient utilization of resources and other areas. Financial oversight is one component of the oversight functions to ensure country offices comply with the corporate financial regulations and rules and make efficient use of the resources to achieve tangible results on the ground. The country office support, monitoring and oversight function of the Bureau is discharged mostly through the four Divisions. OAI assessed the quality and effectiveness of the support as well as the effectiveness of the oversight.

In its assessment, OAI reviewed the following: (i) timeliness and quality of substantive comments on Country Programme Documents; (ii) timeliness and quality of substantive comments on Results Oriented Activity Reports; (iii) quality and relevance of comments and questions raised on Management Dialogues (Strategic Notes); (iv) quality and relevance of Back To Office Reports and follow up on issues raised therein; (v) quality of write-ups and analyses; and (vi) quality of comments and follow up on country office risk logs.

As part of the Agenda for Organizational Change, the Bureau, through its G2G plan, established seven work-streams:

- Transforming programme quality
- Enhancing accountability and management arrangement
- Enhancing RBAP HQ/APRC integration
- Connecting knowledge for development solutions
- Enhancing human resource capacities
- Strengthening partnerships, communications and outreach
- Aligning development outcomes and work-team architecture.

These work-streams established expected results, timelines and the staff/teams responsible for the results. OAI noted that the programmatic support provided by the RBAP Divisions was generally effective. In order to improve accountability, capacities and management arrangements with regards to the Afghanistan portfolio and other special focus countries, a set of activities and outputs have been planned and initiated by the Bureau. The key results to be achieved during 2012 were: (i) provision of improved oversight; (ii) enhanced capacity for strong accountability and (iii) completion of the Management Review Dialogues.

The Management Support Unit was led by an Officer in Charge and during the audit fieldwork the Bureau had completed the recruitment of the Chief of MSU. Besides the Chief, the MSU comprises a Finance Specialist, an Information Management Associate and an Executive Associate. OAI noted that the Management Support Unit mainly provided support to Headquarters activities, but did not engage in financial oversight vis-à-vis country offices. Oversight was mainly assumed by the Regional Monitoring Team of the Office of Financial Resources Management.

In its 2009 Special audit of Country Office in Afghanistan (audit report no. 645), OAI identified weaknesses in the oversight arrangements over the Afghanistan programme. At that time, Afghanistan, together with eight other countries, was part of the portfolio of South and West Asia Division, with one Programme Advisor supported by a Programme Analyst dedicated to oversee the Afghanistan programme. OAI therefore recommended that "RBAP should make arrangements to provide stronger monitoring and more dedicated support to activities in Afghanistan. These arrangements could be either by dedicating resources available to the Bureau in New York and/or the Bangkok Regional Centre or by establishing a small unit dedicated to this purpose." Three years later, in May 2012, the Bureau created a dedicated Division for Afghanistan. The Division, led by a Chief at D1 level, comprises an Operations Management Advisor, and as of August 2012, two Programme Specialists supported by

a Programme Associate. OAI welcomes the strengthening of the oversight capacity for Afghanistan, but notes the significant delay in the action taken.

At the corporate level, there is also an Executive Team on Afghanistan chaired by the Associate Administrator and the Directors of Bureaux that meets on a regular basis and an Inter bureau Task Force in Afghanistan that meets on a fortnightly basis.

In addition to the Division for Afghanistan, the Bureau decided to establish Oversight and Compliance Unit within the Afghanistan Country Office, directly reporting to the Country Director. The decision aimed at proactively managing the risks associated to a programme that is complex, relevant and important as Afghanistan. The Unit would complement some of the functions already performed by the Programme Support Unit and other Programme Units of the Country Office with a specific focus on Afghanistan-specific risk management criteria. In doing so, the Unit would approach the compliance and oversight role in two-fold, via ex-ante quality assurance and ex-post oversight. At the time of the audit, the terms of reference for the Unit were being finalized and recruitment of the Head of the Unit was ongoing. Managed by a Head (P5), the Unit will include six persons: two Management Specialists, one Risk Management Specialist, one Management Analyst, one Programme Analyst and one Programme Assistant. A UNDP staff member had been on detail assignment as Acting Chief of this Unit since mid-October 2012.

OAI acknowledges the on-going efforts undertaken by the Bureau to further improve the structures and processes to oversee the programmatic and operational aspects of the Afghanistan Country Office which is operating in a highly risky environment; and to enhance the capacity for overall country office oversight and support during the period audited; meanwhile, OAI noted lack of clarity in allocation of certain duties as described below.

Issue 1 Unclear allocation of financial oversight duties

Proper financial oversight over country office activities is one of the main tasks of Regional Bureaux. This applies particularly to high risk countries.

OAI noted that financial backstopping and oversight tasks for country offices in the region are mainly provided by the Regional Monitoring Team (RMT) of the Office of Financial Resources Management. The RMT assigned to the Bureau also assumed financial backstopping and oversight tasks for the Regional Bureau for Europe and the Commonwealth of Independent States. OAI noted that the services for Asia Pacific were taking up a disproportionate amount of time of the Regional Monitoring Team, much more than in cases of other Regional Bureaux that have developed sufficient in-house capacity for financial oversight.

OAI noted a lack of clarity as to which Unit (RMT or the Bureau) was responsible for financial oversight. Furthermore, within the Bureau, the allocation of financial oversight functions between the Divisions and the Management Support Unit was not clear. With regards to Afghanistan, the Operations Management Advisor within the Division was focusing on HR-related matters, as considerable efforts had to be made towards recruitment of almost 80 international positions. This has left only limited capacity for a financial support and oversight.

The lack of clarity in the allocation of functions between OFRM/BOM and the Bureau as well as within the Bureau may also affect the provision of financial oversight by the new Oversight and Compliance Unit in the Afghanistan Country Office. While the terms of reference for the Unit as such are relatively clear, it is not clear to OAI to which extent the Unit will be backed by the Division for Afghanistan, the Management Support Unit and/or the RMT in the provision of financial oversight and where the Unit's responsibilities in this regard end and the Bureau's/ OFRM RMT's responsibilities start.

The unclear allocation of responsibilities between the various units involved may affect the effectiveness of financial oversight.

Priority	High (Critical)
Recommendation 1:	
<p>The Bureau should:</p> <ul style="list-style-type: none"> (i) in cooperation with the Office of Financial Resources Management (OFRM) clearly allocate the responsibilities for financial oversight between all concerned (i.e. the Division for Afghanistan, the Management Support Unit, the Regional Monitoring Team; and the Oversight and Compliance Unit of the Afghanistan Country Office; and (ii) conduct a review, by mid-2013, in order to validate the framework and adjust further as necessary. 	
<p>Management Comments and Action Plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed</p> <p>RBAP welcomes this observation and fully recognizes that the Bureau has the primary responsibility for financial oversight. RBAP will work with the Office of Financial Resources Management to establish clear operational procedures and guidelines to provide the requisite clarity. In these operational procedures and guidelines, RBAP will also ensure that there is a clear delineation of roles and responsibilities on financial oversight for the Oversight and Compliance Unit in the Afghanistan Country Office vis-a-vis the Office of Financial Resources Management and RBAP. RBAP commits to addressing this matter by the end February 2013. The Bureau is aware and appreciates the workload of the Afghanistan Country Office operating in a high risk environment and, as originally envisaged, will ensure that the functions of the Compliance unit are directly linked to RBAP's Division for Afghanistan.</p>	

6. Operations **Partially Satisfactory**

OAI reviewed the Bureau's human resources management, procurement and travel management. In addition, OAI also reviewed the Bureau's arrangements for Business Continuity. In light of the rating for the majority of the reviewed areas, Operations was rated as Partially Satisfactory.

6.1 Human Resources Management **Satisfactory**

OAI reviewed the human resource plan of the Bureau. The plan was based on priorities of the Office of Human Resources (OHR) and of the annual work plan of the Bureau and addresses important Human Resources-related issues, such as succession planning and achieving gender parity.

Given that the use of the so called corporately administered "candidate pools" as well as the Resident Representative selections are largely outside the control of the Bureau, OAI reviewed four out of five recruitment cases principally owned and administered by the Bureau. OAI did not identify any issues.

With regards to performance evaluation, OAI noted the low completion rates of the 2011 and 2012 Results and Competency Assessment (RCA) exercises, which amounted to less than 50 percent for each year at the time of the audit. OAI advised the Bureau to complete the 2011 and 2012 RCA exercises as soon as possible. In response to OAI's comments, the Bureau replied that the outstanding RCAs will be completed by the first quarter of 2013.

OAI also reviewed the Bureau's approach to training. The Bureau has a staff development and learning plan and has identified training as one of the main areas of its Good to Great (G2G) plan. The Bureau had a functioning

Learning Committee, consisting of general service and professional staff. It has supported detailed assignments (Staff Technical Enhancement Programme program), the training of its Desk Officers as part of the Agenda for Organizational Change as well as the participation of its employees in management training. In addition, the Bureau has promoted UNDP's educational assistance programme and has currently two general service staff members pursuing relevant Master's degrees. The Bureau also promoted the procurement and Prince2 certifications in its region. A large number of staff members have completed the respective classes.

Since no reportable issues were identified, this area was rated as Satisfactory.

6.2 Procurement

Unsatisfactory

During the audit period, out of the total procurement value of \$560,000, approximately \$150,000 (27 percent) pertained to the office renovation and \$310,000 (55 percent) was for consultant services. The Bureau's renovation project was carried out entirely based on existing corporate Long Term Agreements. OAI focused its review on the procurement of consultant services. During the audit period, the Bureau issued approximately 25 consultant contracts. OAI took a judgmental sample of seven contracts with a total value of approximately \$140,000 for detailed examination.

Issue 2 Issues identified in procurement (engagement of consultants)

Having well developed, efficiently functioning and fully compliant recruitment processes for consultants is essential for UNDP as well as any other organization.

OAI noted that the Bureau's engagement processes for consultants had a number of shortcomings and identified *inter alia* the following issues:

- a) Unclear shortlisting and selection of potential candidates: with the exception of one direct contract, all cases reviewed lacked documentation regarding the source of the resumes used in the hiring processes. OAI also noted the absence of the cover letters that are usual part of the application package. While the Bureau pointed out that a human resources roster was used, it was unclear due to the lack of documentation how the resumes were selected from the roster.
- b) Questionable usage/documentation of resumes: in three cases the resumes of candidates that were short-listed, but not chosen for the consultant contract either dated back several years or were more recent than the contract's starting date. In two cases the resumes of the short-listed but finally not selected candidates were missing. One of the candidates in a consultant selection process indicated to OAI that she had no knowledge of her candidacy in the process.
- c) No verification of availability and interest of short-listed candidates: in two cases it was proven that the availability and the interest of short-listed (but eventually not chosen) candidates had not been ascertained prior to the desk review of their resumes. In four cases there was no documentation in this regard.
- d) No documentation on performance evaluation: except for one case there was no documentation indicating that the consultants' performance had been evaluated at the end of the contract period.
- e) No certification of payment forms: except for one case there was no documentation indicating the certification of satisfactory completion of the work related to each payment.

Overall, OAI identified issues in all of the consultant engagement processes reviewed; and thus, this area was rated as Unsatisfactory.

Our observation casted doubts on the competitiveness, fairness, transparency as well as the best value for money of the Bureau's consultant engagement process and thus represented a reputational and financial risk for UNDP.

Priority	Medium (Important)
Recommendation 2:	
The Bureau should ensure that its processes for the engagement of consultants are in line with UNDP's Programme and Operations Policies and Procedures (POPP) and adhere to UNDP's procurement principles.	
Management Comments and Action Plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
<p>The Bureau has introduced new procedures and processes to fully comply with the requirements of POPP on the selection and management of short- term consultants and ensure:</p> <ul style="list-style-type: none"> (i) competitive selections; (ii) compliance with requirements for thresholds, caps and limitation for the functions, duration, travel and fees of consultants' assignments; and (iii) adequate supervision and documentation of certification of the service. <p>In cases when direct contracting is inevitable, the Bureau will make record of such in a Note to File.</p>	

6.3 Travel

Partially Satisfactory

Issue 3 Delayed settlement of travel claims

During the audited period, the Bureau has incurred approximately \$1 million of travel expenditure. OAI noted that the Regional Director had an annual travel plan, which was updated on a quarterly basis. Both the plan and the updates were sent to the Executive Office. Approvals were, according to the Bureau, given verbally in meetings and not in writing and therefore could not be verified by OAI. In addition, all Divisions had mission and leave plans.

OAI selected a judgmental sample of 22 out of 138 travel cases (\$0.23 million) during the audit period. In 9 out of these 22 cases (41 percent), travel claims were filed late.

Priority	Medium (Important)
Recommendation 3:	
The Bureau should ensure that all travel claims are settled without delay, in accordance with UNDP Programme and Operations Policies and Procedures.	

Management Comments and Action Plan: Agreed Disagreed

The Bureau has introduced new procedures to process travel claims on a timely basis, with the Management Support Unit providing the requisite support and follow-up as needed.

6.4 Business Continuity

Partially Satisfactory

OAI reviewed the Bureau's Business Continuity Plan and noted that it was adequate, but had not been tested in recent years. OAI advised the Bureau to test the OAI Business Continuity Plan, as required.

OAI also took note of the Bureau's initiative to simplify the Business Continuity Plan.

Due to the lack of the testing, this audit area was rated "Partially Satisfactory".

The Bureau informed that the Business Continuity Plan was recently tested at the time of Hurricane Sandy in October 2012. OAI encourages continuation of periodic testing in the future.

ANNEX I. Definitions of audit terms - Ratings and Priorities

A. AUDIT RATINGS

In providing the auditors' assessment, the Internal Audit Services of UNDP, UNFPA, UNICEF, and WFP use the following harmonized audit rating definitions. UNDP/OAI assesses the country office or audited HQ unit as a whole as well as the specific audit areas within the country office/HQ unit.

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity. *(While all UNDP offices strive at continuously enhancing their controls, governance and risk management, it is expected that this top rating will only be achieved by a limited number of business units.)*
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity. *(A partially satisfactory rating describes an overall acceptable situation with a need for improvement in specific areas. It is expected that the majority of business units will fall into this rating category.)*
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised. *(Given the environment UNDP operates in, it is unavoidable that a small number of business units with serious challenges will fall into this category.)*

B. PRIORITIES OF AUDIT RECOMMENDATIONS

The audit recommendations are categorized according to priority, as a further guide to UNDP management in addressing the issues. The following categories are used:

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP and may affect the organization at the global level.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action 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 subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.