



AUDIT

OF

UNDP REGIONAL CENTRE

IN

CAIRO

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Report on the audit of UNDP Regional Centre in Cairo Executive Summary

From 2 to 13 December 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Regional Centre in Cairo (the Regional Centre). The audit covered the activities of the Regional Centre during the period from 1 January 2011 to 30 November 2012. During the period reviewed, the Regional Centre recorded programme and management expenditures totalling \$6.2 million according to the UNDP Executive Snapshot. This is the first audit of the Regional Centre.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

OAI assessed the Regional Centre as **unsatisfactory**, which means “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.” This rating was mainly due to significant shortfalls in governance, strategic management and resource mobilization that hindered the effectiveness and efficiency of the Regional Centre. The lack of support from the Regional Bureau for Arab States Headquarters critically inhibits the effective functioning of the Regional Centre and its ability to sustain a high-level regional profile. The issues observed will significantly impact the performance of the Regional Centre unless they are properly addressed. This includes, but is not limited to: (a) inadequacies in the management arrangement for the Regional Programme and the Regional Centre Board; (b) communication and coordination between the Regional Centre and the Regional Bureau for Arab States; and (c) funding arrangements for key positions of the Regional Centre.

Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				
2. Service delivery				
2.1 Approach and planning	Partially Satisfactory			
2.2 Implementation	Partially Satisfactory			
2.3 Tracking	Partially Satisfactory			
3. Knowledge products				
4. Programme activities				
4.1 League of Arab States Project	Satisfactory			
4.2 Resource mobilization	Unsatisfactory			
5. Operations				
5.1 Human resources	Partially Satisfactory			
5.2 Finance	Satisfactory			
5.3 Procurement	Partially Satisfactory			
5.4 Travel	Partially Satisfactory			
5.5 Information and communication technology	Partially Satisfactory			
5.6 General administration	Satisfactory			
5.7 Safety and security	Satisfactory			

Key issues and recommendations

The audit raised nine issues and resulted in nine recommendations, of which two (22 percent) were ranked high (critical) priority, meaning “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.” Both of the two high priority issues identified were of corporate nature, requiring action by the Bureau of Management in consultation with other concerned offices (Issue 1) and the Regional Bureau for Arab States (Issue 2), respectively.

Governance
and strategic
management
(Issue 1)

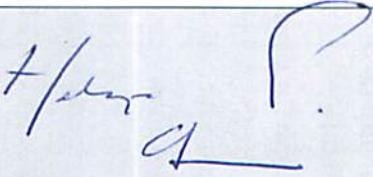
Corporate Issue: Absence of an organizational guide. OAI noted a lack of a finalized document clearly outlining the responsibilities of UNDP business units, including Regional Centres. While an “Organizational Guide” exists in a draft version from 2009 (replacing an official version from 1993), the document has never been finalized. The lack of a valid document clearly and comprehensively outlining the functions of all business units gives rise to an organizational risk. OAI recommends that the Bureau of Management, in consultation with other concerned offices, issue an Organizational Guide or develop an adequate replacement.

(Issue 2)

Corporate Issue: Inadequate governance and management arrangements. OAI noted a number of inadequacies in the governance and management arrangements for the Regional Centre. They encompass a wide range of areas, including arrangements for Regional Programme management, the functioning of the Regional Centre Board, clarity of the organizational structure, the staffing situation and funding of posts in the Regional Centre, and communication and coordination between the Regional Bureau for Arab States and the Regional Centre. OAI recommends that the Regional Bureau for Arab States address these issues in order to improve the organizational efficiency and delivery of services in the Arab States.

Management comments and action plan

The Assistant Administrator and Director of the Bureau of Management accepted the recommendation under his purview (Issue 1). The Assistant Secretary-General, Assistant Administrator and Regional Director, Regional Bureau for Arab States and the Manager of the Regional Centre accepted all the other eight recommendations and are in the process of implementing them.



Helge S. Osttveiten
Director
Office of Audit and Investigations

I. Introduction

From 2 to 13 December 2012, OAI conducted an audit of the UNDP Regional Centre in Cairo. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

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 audited office and other relevant business units in continuously improving governance, risk management, and control processes.

Specifically, this audit reviewed the following areas of the Regional Centre: governance and strategic management, service delivery, knowledge products, programme activities, and operations. The audit covered relevant activities during the period from 1 January 2011 to 30 November 2012. During the period reviewed, the Regional Centre recorded programme and management expenditures totalling \$6.2 million according to the UNDP Executive Snapshot. This was the first audit of the Regional Centre.

In order to assess the Regional Centre's performance in supporting Country Offices in the region, OAI developed a survey questionnaire. The survey consisted of 14 questions and replies were solicited on the basis of anonymity. The survey was sent to a total of 38 recipients (all Resident Representatives, Deputy Resident Representatives, Country Directors and Deputy Country Directors in the Arab States) on 19 November 2012.

A total of 27 responses (71 percent) were received upon closure of the survey on 10 December 2012. An analysis of the survey data showed that the survey was sufficiently representative.

II. About the Regional Centre

The Regional Centre was established in 2007. After an ensuing transition period, in which the former Sub-Regional Resource Facility in Beirut was closed and some functions were relocated from Beirut to Cairo, the Regional Centre became fully operational in Cairo in early 2009. In 2011, the Regional Centre moved from a location in downtown Cairo to the suburb of Heliopolis for security reasons (see section 5.7). The Regional Centre is now headed by a Manager who reports to the Deputy Regional Director of the Regional Bureau for Arab States. After a period of interim managers, the current Manager, Regional Centre in Cairo, started her job in June 2012. The Regional Centre is part of the Regional Bureau for Arab States and serves the Country Offices in the Arab region as an extension of the Regional Bureau.

At the time of the audit fieldwork, the Regional Centre had approximately 26 staff members and a number of vacancies existed at high levels (four out of six practice leader posts were vacant).

The Regional Centre includes staff members financed from sources other than regional funds. As such, the Bureau for Development Policy, the Bureau for Crisis Prevention and Recovery, the Bureau of Management, the Office of Communication, the Security Office and the United Nations Office for South-South Cooperation finance

either fully or partially certain key positions of the Regional Centre. These positions have reporting lines to the Regional Centre as well as the Central Bureaux and offices concerned.

According to the draft Organizational Guide of 2009, which provided a provisional reference for the definition of the Regional Centres, the main services of a Regional Centre can be summarized as follows:

- (a) strategic direction and monitoring in the development of a strategic plan and ensuring alignment between the Regional Bureau, Country Offices and regional projects;
- (b) strengthening United Nations coordination results by supporting the Regional Director Team;
- (c) strengthening development results through advisory services, knowledge management, implementation of regional programmes and evaluation; and
- (d) strengthening management results in coordination with the Regional Bureau's Country Office Division.

OAI noted that the Regional Bureau for Arab States had tasked a Management Consulting Team in September 2012 to review, *inter alia*, the workflows and the structure and accountabilities of the Regional Bureau Headquarters and the Regional Centre.

The Regional Centre is physically located in the same building as the UNDP Country Office in Egypt and the United Nations Office for Project Services (UNOPS)-managed regional projects for the Arab States.

The Arab region is, expenditure-wise, one of the smaller regions of UNDP, with 2012 programme delivery of around \$550 million and management and other expenditure around \$93 million. The region comprises 17 Country Offices, as well as the Programme of Assistance to the Palestinian People.

Political events had triggered major political, economic and developmental changes in the region in recent years.

III. Detailed assessment

1. Governance and strategic management

Unsatisfactory

OAI reviewed the governance and strategic management of the Regional Centre. In assessing this area, OAI referred to the guiding principles defined in the UNDP Accountability Framework, elements from the Committee of Sponsoring Organization's Enterprise Risk Management – Integrated Framework, the draft UNDP Organizational Guide from 2009 and the 2007 "Functional alignment of and implementation arrangements for Regional Service Centres". Clear allocation of the functions and definition of accountability are, among others, keys to the effectiveness and efficiency of organizational performance.

According to the result of the OAI survey, respondents were nearly equally divided about the clarity and the lack of clarity in the distribution of services between the Regional Bureau for Arab States Headquarters and its Regional Centre. As such, 30 percent of respondents indicated that the distribution of services between the Regional Bureau Headquarters and its Regional Centre was "very clear" and 33 percent of respondents replied "not clear". This data stands in contrast to the results of a comparable OAI survey conducted to assess the clarity in the distribution of services between the Regional Bureau for Asia and the Pacific and its Asia-Pacific Regional Centre in Bangkok, Thailand, in which almost 50 percent of respondents indicated that the allocation of functions between them was "very clear" and only 10 percent of respondents replied "not clear".

Among the functions typically distributed between the Headquarters of a Regional Bureau and their Regional Centres, management of regional programmes and projects received the lowest scores regarding the clarity of allocation of tasks between the Regional Bureau for Arab States Headquarters and its Regional Centre. As such, 39 percent of respondents indicated that the allocation of tasks was "not clear", while 27 percent replied "very clear" and 34 percent of the respondents were in the middle.

Issue 1 Corporate Issue: Absence of an organizational guide

According to the UNDP Accountability Framework, clarity of organizational responsibilities is one of the guiding principles of corporate accountability.

OAI noted that UNDP only had a draft version of a so-called "Organizational Guide", which indicated roles and responsibilities of each UNDP business unit. This guide replaced an earlier version from 1993 and has been in draft version since 2009. OAI was informed that the "Organizational Guide" project was abandoned in 2012, yet no replacement for the guide has been finalized.

In OAI's view, the lack of a clear comprehensive description of the roles and responsibilities of all business units constitutes an organizational risk.

In response to the OAI observation, the Bureau of Management replied that it agreed with the objective of developing a UNDP Organizational Guide which could serve as a useful starting point for new staff to clarify the roles and functions of UNDP Headquarters and Country Offices. Given the major organization-wide Structural Adaptation Agenda to be announced shortly by the Administrator to strategically reposition UNDP to deliver under the new Strategic Plan, the current plan is to revisit the idea of the Organizational Guide (in current or other formats and scope/content) in late 2014. In the interim, on 12 November 2012, the Bureau of Management globally launched a new online platform "YOUNDP: Your Introduction to UNDP" which is aimed at supporting both new personnel to UNDP and those who are reassigned to new jobs within the organization.

Priority	High (Critical)
Recommendation 1:	
The Bureau of Management, in consultation with other concerned offices, should develop and issue a UNDP Organizational Guide or its equivalent to clearly and comprehensively define the roles and responsibilities of all UNDP business units.	
Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	

Issue 2 Corporate Issue: Inadequate management and governance arrangements

According to the UNDP Accountability Framework, management arrangements need to be conducive to the achievement of corporate goals. In this regard, OAI noted a number of inadequacies that may seriously impact the likelihood of achievement of corporate goals in the Arab States. The governance issues identified and discussed below must be addressed to avoid ineffectiveness in delivery and inefficiency in the use of UNDP resources. Below are concrete issues that OAI noted in the governance and management areas.

(a) No clearly established business rationale for management of regional programme

The regional programme constitutes an important tool for Regional Bureaux. It helps them to pursue regional initiatives and priorities and may function as seed money for Country Office projects. Efficient management, proper alignment and interface with concerned UNDP offices and good coordination with other regional initiatives are important.

Unlike in other regions, such as Asia and the Pacific or Latin America and the Caribbean, the implementation of the programme for the Arab region was not delegated to the Regional Centre. While large parts of the regional programme that were implemented from Cairo were physically located in the same building as the Regional Centre, they were administered by UNOPS and overseen by the Regional Programme Division in the Regional Bureau for Arab States Headquarters. In response to OAI's question about the justification for such an arrangement, the Regional Bureau for Arab States stated that the Regional Centre did not have a mandate to implement the regional programme and such question needed to be raised at the time of the audit of the Regional Bureau. The Regional Bureau also stated that the Programme and Operations Policies and Procedures require that a capacity assessment of the implementing agency be undertaken before deciding on the implementation modality of a programme and that due to the limited operational capacity at both the Regional Bureau Headquarters and the Regional Centre at the time of project formulation, UNOPS modality was selected and approved by the Local Programme Appraisal Committee. Notwithstanding, OAI noted that there had been several initiatives to transfer oversight and management of the Cairo-based parts of the regional programme from the Regional Bureau Headquarters to the Regional Centre and from UNOPS to UNDP.

The Regional Centre Board (see item b below for its functions) suggested in February 2009 that the regional programme be further integrated into the Regional Centre's practice architecture. The 2010 "Evaluation of UNDP contribution at the regional level to development and corporate results" report also called for regional programmes to be managed by the corresponding Regional Centres in order to "increase effectiveness and develop capacity". The transfer was also principally agreed to by the then Regional Director in November 2011 and re-emphasized by several of the region's Resident

Coordinators at the Regional Centre Board meeting in March 2012. The previous Deputy Regional Director and the Regional Centre Manager also agreed to move the regional programme to the Regional Centre in September 2012. Most recently, the 2013 “Evaluation of the regional programme for Arab States” recommended to “place regional projects and project managers under the responsibility of the Regional Centre, as is standard practice in other regions...”

However, none of these initiatives had been completed. During the audit fieldwork, OAI was informed that the Management Consulting Team would be tasked to further look at this issue.

Concerning UNOPS implementation of the regional programme, in OAI’s assessment, it was questionable from a best value for money perspective. In addition to the UNDP-mandated General Management Support-Recovery, UNOPS charged a 7.5 percent management fee for implementation of the regional programme, thus reducing the amount available for programming purposes.

OAI also noted a lack of officially-established coordination channels between the UNOPS-implemented regional projects and the Regional Centre. In this regard, concerns of duplication between the regional programme and the Regional Centre were also indicated to OAI. This applies particularly to the work arrangements between the HIV/AIDS practice of the Regional Centre and the HIV/AIDS Regional Project for the Arab States.

While OAI understands the historic evolution of events and possible complexities of the circumstances that surrounded the implementation of the regional programme in the Arab States, the management arrangement in the present form cannot survive the test of value-for-money.

The Regional Bureau for Arab States explained that it was in the process of setting up an operational hub within the region and was gradually moving the regional programmes from UNOPS implementation to direct implementation. It was further stated that the decision and relevant analysis in this regard had taken place well before the audit commenced.

OAI wishes to emphasize the need for a well-developed business case when making any strategic decision to revise management arrangements.

(b) Insufficient governance arrangements and performance of the Regional Centre Board

The Regional Centre Board is an important oversight mechanism for the work of the Regional Centre. According to the draft terms of reference, the Board is mainly tasked with providing strategic guidance to the Regional Centre, approving its work plan and related budget, approving its initiatives and major activities and ensuring that it effectively and equitably services the Country Offices under its purview. The Board provides high level guidance to the Regional Centre’s work and serves as a forum for communication and exchange of views. The Regional Centre Board is chaired by the Regional Director. Its membership consists of a number of Resident Coordinators (on rotational basis), the deputies of concerned Central Bureaux in New York and representatives of the Regional Centre management.

In order to perform its tasks well, the Regional Centre Board needs clear terms of reference and an established regular meeting schedule that supports the functions it is required to perform.

OAI noted that the terms of reference of the Regional Centre Board have remained in draft version since 2008. In addition, it was noted that the Regional Centre Board met on an irregular basis. As such, meetings had been held in 2009 and 2010, but not in 2011. The last meeting of the Board (on 30 March

2012) was also held too late for it to contribute to the Regional Centre's annual integrated work plan and financial budget preparation exercise in a meaningful way, as required by the draft terms of reference.

Insufficient performance by the Regional Centre Board constitutes a risk for inadequate exchange among the concerned Central Bureaux, the Regional Bureau for Arab States Headquarters, the Regional Centre and Country Offices in pursuit of programmatic and operational guidance and coordination, and may result in inadequate oversight of the Regional Centre's activities.

In response to this issue, the Regional Centre stated that it would work on the draft terms of reference for the Regional Centre Board in the course of the second quarter of 2013 and that a final decision on the role of the Regional Centre Board would be made in the context of the structural review in the third quarter of 2013 and in the context of the organization-wide "Rationale for Change". OAI welcomes this initiative.

(c) Lack of a clear business rationale and clarity for a newly-implemented organizational structure

The Regional Centre had implemented a new organizational structure that had been mandated by the Bureau for Development Policy and the Regional Bureau for Arab States Headquarters in early 2012. The purpose of the new organizational structure was to enable the Regional Centre to react better to the impact of the recent political events.

The new organizational structure created a number of reporting lines, which have led to confusion among staff members. As examples: the new organizational structure required staff members of the Bureau for Crisis Prevention and Recovery to report to a staff member of the Bureau for Development Policy; the staff member in the Capacity Development and Knowledge Management of the Bureau for Development Policy was assigned to different organizational clusters despite their groups being merged at headquarters; and staff members of the United Nations Office for South-South Cooperation was required to report to the Knowledge Management Team Leader of the Bureau for Development Policy. To address the confusion among staff members, the Regional Centre management sent out an email clarifying the reporting lines and largely re-establishing the previous organizational structure.

Neither the purpose of nor the new structure itself had been discussed with the Regional Centre before the request for implementation in 2012. The Regional Centre raised concerns regarding the new organizational structure, but no answer was provided. Further, the new structure was implemented without the prior consultation with other important stakeholders of the Regional Centre, such as the Bureau for Crisis Prevention and Recovery, Office of Communication of the Bureau of Management and the United Nations Office for South-South Cooperation.

The lack of a clear business rationale and clarity for the Regional Centre's organizational structure gives rise to a risk of organizational inefficiency and may, in turn, impact the achievement of organizational goals.

The Regional Bureau for Arab States acknowledged this issue.

(d) Inadequate funding arrangements for key positions

Funding for three important posts in the Regional Centre (the Monitoring and Evaluation Specialist, the Gender Specialist and the Environment and Energy Specialist) was running out at the time of the audit

fieldwork. These posts were all funded from interest on cost-sharing funds. Since these funds were scheduled to be exhausted in early 2013, it would leave all three posts unfunded. While the issue has been raised repeatedly with the Regional Bureau for Arab States Headquarters, which authorized the funding, alternate funding sources have not been identified. In addition, the funding for at least two more positions (the Millennium Development Goals/Social Policy Advisor and the Capacity Assessment Specialist) had been insecure for several years.

Due to the lack of assurance on the funding sources, the posts of all five incumbents had only been extended by a few months at a time in recent years. This has led to a lack of job security for the affected incumbents and has increased the risk of loss of human capital and institutional memory for the organization.

OAI is particularly concerned regarding the Monitoring and Evaluation Specialist and the Gender Specialist posts, as these were the only staff members working on the respective topics in the Regional Centre during 2012. As a recently conducted Country Office self-assessment revealed, capacity in these two disciplines is low in the Arab States, thus making the presence of qualified advisory staff members in the Regional Centre imperative. It is also to be noted that monitoring and evaluation is a key topic of the Agenda for Organizational Change.

On the operational side, the funding arrangement was inadequate for the Operations Advisor (P5), who managed the Regional Centre's operations team while also functioning as the Project Manager for the League of Arab States Project (see section 4.1). The post was financed 100 percent from project funds, which were provided by the European Union (85 percent) and the League of Arab States (15 percent). OAI reviewed the project implementation arrangements with the European Union and noted that such support to the Regional Centre's management structure by project personnel was not foreseen in the project setup.

Inadequate funding for these posts give rise to uncertainty, increase organizational risks and might influence the effectiveness and efficiency in achieving the Regional Centre's objectives.

In response to this issue, the Regional Bureau for Arab States stated that these key positions would be identified in the context of the regional strategic framework and as part of the structural review. The Regional Bureau further stated that funding for the monitoring and evaluation post was available, but the decision on the location of the post would be made in the context of the structural review.

The Regional Bureau also mentioned that the post of the Operations Advisor did not exist and was not part of the Regional Centre's structure. In addition, the current low volume of operation and focus on programmatic support to Country Offices did not justify setting up the expensive Operations Advisor function, but instead a national officer post had been established and funding for the post had been provided. The Regional Bureau further outlined that there was sufficient funding available to cover the post of the project manager for the League of Arab States project and overall disagreed with OAI's assessment of inadequacy of funding arrangements for this post.

The Regional Bureau, however, agreed with the statement that the League of Arab States project must not cover internal operational functions of the Regional Centre.

OAI welcomes the initiative of the structural review. The decision to continue the funding for the monitoring and evaluation post was brought to OAI's attention much later after the audit fieldwork. As to the Operations Advisor function, OAI suggests that the Regional Bureau exercise its management

authority regarding the establishment of the operations post as a national officer or an international professional.

(e) Extended vacancies of key positions

Four out of five BDP-financed practice leader positions had been vacant for extended periods of time. As such, the practice leaders for environment and energy and for gender had never been recruited since the opening of the Regional Centre. Further, the practice leader for democratic governance left in February 2012 and a replacement had not been identified as of the end of December 2012. In addition, the practice leader post for knowledge, innovation and capacity had been vacant since May 2012. OAI also noted that the head of the Poverty Group was retiring in February 2013 and that the most senior staff member of the HIV/AIDS cluster was leaving at the end of 2012.

The relatively long timeline in the corporate recruitment processes as well as the difficulties to recruit qualified personnel for the Regional Centre may partially explain the delays in the recruitment processes. However, there was no explanation as to why the critical position of gender practice leader has not been recruited.

Prolonged vacancies of key positions will affect the effectiveness and efficiency of the Regional Centre in achieving its goals.

In response to this issue, the Regional Bureau for Arab States informed that the vacant practice leader positions had now been filled. OAI welcomes this initiative.

(f) Lack of coordination and communication between the Regional Bureau Headquarters and its Regional Centre

Regional Centres are part of Regional Bureaux. In order to maximize the development impact, it is imperative that work be well coordinated between Regional Bureau Headquarters and their Regional Centre. Many publicly-available documents, such as the Committee of Sponsoring Organization's Enterprise Risk Management – Integrated Framework, emphasize the importance of effective coordination and communication in control of activities and the achievement of corporate goals.

OAI noted severe communication and coordination deficiencies between the Regional Bureau for Arab States Headquarters and its Regional Centre. These continued to exist despite the improvements achieved under the previous Deputy Regional Director based in headquarters and the new Manager of the Regional Centre. In particular, OAI noted that:

- i. A lack of regular meetings and communication between the Regional Bureau for Arab States Headquarters and the Regional Centre. While a bi-weekly meeting between the Deputy Regional Director and the Regional Centre Manager had been established in the recent past, the Manager of the Regional Centre did not participate in the weekly management meetings with the Regional Bureau Headquarters as these were held on Fridays (the first day of the weekend in the Arab region);
- ii. The Regional Centre's advisory services were not coordinated with the work of the Regional Bureau Country Office Division in Headquarters despite this being explicitly mentioned in the draft Organizational Guide. All staff members interviewed in the Regional Centre advised that they had never been in touch with their colleagues from the Regional Bureau Country Office

Division in regard to any advisory or other services provided to Country Offices. OAI also noted that staff members from the Regional Bureau Headquarters had been appointed as thematic focal points, e.g., on democratic governance and other areas. These staff members were representing the Regional Bureau at meetings in their individual practices, while not coordinating or communicating with the Regional Centre-based staff members. This may create inefficiency in the Regional Centre's provision of advisory services;

- iii. The development of the integrated work plan was not sufficiently coordinated between the Regional Bureau Headquarters and its Regional Centre. The Regional Centre was not part of an integrated planning process that would ensure that the Regional Centre contributes to the achievement of strategic corporate objectives; and
- iv. The development of the *Arab Development Challenges Report* was not coordinated between the Regional Centre and the Regional Bureau Headquarters. Among other factors, the lack of coordination resulted in sub-optimal publicity for the report (see issue 5).

In response to OAI observations, in particular iii above, the Regional Bureau for Arab States emphasized that an adjustment to corporate results-based management system would be required to ensure true integration between the Regional Bureau and the Regional Centre work plans, as the current system is designed to treat the Regional Centre in the same manner as the Country Offices.

OAI had discussed this argument with the Regional Centre. While it is true that the results-based management system treats Regional Centres similarly to Country Offices, OAI is of the view that a lack of coordination and cooperation rather than the limitation of the tool has led to the disconnect between the work plans of the Regional Bureau for Arab States Headquarters and its Regional Centre. It is possible to develop an integrated work plan while satisfying the requirements of the tool.

Overall, OAI noted that the Regional Bureau Headquarters and its Regional Centre operate largely separately from each other, despite being two parts of the same bureau.

A lack of coordination and communication between the Regional Bureau Headquarters and its Regional Centre leads to ineffective delivery and inefficiency in governance, strategic management, programme management and operations.

(g) Lack of clarity regarding HIV/ AIDS practice leader post

OAI noted that, as part of the regionalization initiative and in line with all other Regional Centres, the Bureau for Development Policy had originally agreed to finance an HIV/AIDS practice leader in the Regional Centre. However, the planned P5 post was monetized in 2008 and used to hire an additional advisor in the Poverty/MDGs/Inclusive Growth practice team, driven by an initiative from the Regional Bureau for Arab States Headquarters. In turn, the Regional Bureau Headquarters itself financed an HIV/AIDS practice leader (D1 level) between 2008 and 2011. However, upon departure of the incumbent, a replacement for the post of HIV/AIDS practice leader was not recruited. The reasons for this could not be explained to OAI.

A lack of clarity regarding the advisory function for HIV/AIDS may impact the goal achievement of the Regional Centre in this area.

In response to this issue, the Regional Bureau for Arab States stated that the issue would be raised with the Bureau for Development Policy and addressed in the context of the structural review.

The region has a small portfolio of Global Environment Facility projects. Concerning support functions for these projects, the UNDP Regional Centre in Bratislava houses the unit responsible for Europe and the Commonwealth of Independent States, as well as the Arab States. OAI was advised that the Global Environment Facility portfolio in the Arab States was too small to merit the establishment of a separate unit in Cairo. Therefore, it was decided to have the Global Environment Facility unit in Bratislava manage both portfolios. OAI noted that one general service staff member in Bratislava was fully dedicated to the management of the Arab States Global Environment Facility portfolio, which had a total expenditure of approximately \$6.7 million in 2011. OAI was overall satisfied with the rationale given for the support from the Regional Centre in Bratislava in this regard.

As an overall response to this issue, the Regional Bureau for Arab States stated that with the help of a Management Consulting Team, it had already embarked on a comprehensive review of its structure and services, including the creation of an operational hub within the region. It further stated that a structural review of the Regional Centre was scheduled to take place in the third quarter of 2013 with the purpose of ensuring proper alignment with regional priorities and the provision of services to the region's Country Offices.

As stated above, OAI welcomes the structural review and wishes to re-emphasize the need for a solid business case for any major geographical and/ or strategic decision before implementation.

Priority	High (Critical)
Recommendation 2:	
<ol style="list-style-type: none"> 1. The Regional Bureau for Arab States should address the governance and management issues observed at its Regional Centre to improve organizational efficiency and delivery of services in the Arab States region. 2. To immediately address the audit issues raised, the Regional Bureau for Arab States should: <ol style="list-style-type: none"> (a) revise the management arrangements for implementation of the regional programme; particular attention should be given to the outsourcing arrangements with UNOPS; (b) finalize the terms of reference of the Regional Centre Board and ensure that the Board accordingly performs its tasks, such as: (i) holding annual meetings; (ii) establishing a regular meeting schedule that is conducive to the effective discharge of the Board's tasks; and (iii) playing a more active role in the approval of the Regional Centre's work plan and financial budget in its role as the only official forum of exchange in the region; (c) clarify the Regional Centre's organizational structure; (d) ensure sufficient funding arrangements for key positions of the Regional Centre, in particular of the monitoring and evaluation post; (e) expedite filling of vacant key positions; (f) strive to improve communication and better coordinate its work with the Regional Centre. In this regard: (i) the Regional Centre Manager should be invited to participate in the weekly 	

management meetings with the Regional Bureau for Arab States Headquarters and regular communication and exchanges should take place; (ii) the management of the Regional Bureau for Arab States should strive to better coordinate the work of the Regional Centre and the Country Office Division of the Regional Bureau for Arab States Headquarters; e.g., a regular communication link between the Regional Centre Advisors and the Desk Officers and thematic focal points in the Country Office Division in the Regional Bureau for Arab States should be established; (iii) the Regional Bureau for Arab States Headquarters should closely integrate the Regional Centre in the generation of its integrated work plan; and (iv) the Regional Bureau for Arab States Headquarters should develop a coordinated approach for future knowledge products; and

(g) clarify and streamline management arrangements with regard to the HIV/AIDS practice.

Management comments and action plan: Agreed Disagreed

2. Service delivery

Partially Satisfactory

As mentioned in Section II "About the Regional Centre", the main functions of the Regional Centre that are provisionally defined in the draft Organizational Guide of 2009 are:

- (a) strategic direction and monitoring, *inter alia*, in the development of the strategic plan and ensuring of alignment between the Regional Bureau, Country Offices and the regional projects;
- (b) strengthening United Nations coordination results by supporting the Regional Director Team;
- (c) strengthening development results, *inter alia*, through advisory services, knowledge management, implementation of regional programmes and evaluation; and
- (d) strengthening management results in coordination with the Regional Bureau's Country Office Division.

With respect to function 2, OAI noted that part of the functions assigned to the Regional Centre were delivered through the Regional Centre's role in the Peer Support Group, which provides technical support to Country Offices and United Nations Country Teams for the United Nations Development Assistance Framework, Country Programme Document and Common Country Assessment formulation. This function was not analyzed in depth by OAI. The audit team focused mainly on functions 1 and 3, which are of higher risks, according to OAI's analysis, and which represent the programmatic focus of the Regional Centre's work. Function 1 sets the strategic direction for function 3, the programmatic core of the Regional Centre's activities. For analysis on function 4, refer to the discussion in issue 2 and recommendation 2 of this report.

2.1 Approach and planning

Partially Satisfactory

OAI reviewed the approach and planning of the Regional Centre's advisory services to Country Offices through its meetings with key staff members and analyses of the survey results.

All advisors interviewed described their relationship with their respective Central Bureau as good or very good. They felt well integrated into corporate management structures and well informed regarding strategic and programmatic developments. All staff members interviewed further voiced their satisfaction with the cooperation among the individual practices within the Regional Centre and mentioned a number of examples for cross-practice coordination, such as a recent transitional workshop in Tunisia, the cooperation among many of the Regional Centre's clusters in the organization of Democratic Governance Week in late 2012, and a joint mission to Sudan by some of the Regional Centre's clusters. OAI had the overall impression that, driven by the good team work in the Regional Centre and its small size, cross-practice coordination was part of the Regional Centre's nature and strength.

The Regional Centre provides advisory services to the Country Offices of the Arab States. While Country Offices do not have to use the Regional Centre's advisory services, the Regional Centre has repeatedly encouraged Country Offices to utilize the capacities available in Cairo.

In the aftermath of recent political events, the Regional Centre developed a "Strategy of Response to Transformative Change Championed by Youth in the Arab Region". The strategy includes examples of how UNDP can assist the transformation of the Arab States. OAI noted, however, that the strategy had not been sufficiently integrated with the Regional Centre's work plans (see issue 3).

Advisory services are mostly provided on a cost-recovery basis, which includes travel and subsistence costs. An internal consultancy fee, as envisaged in the original setup of the Regional Centres and practiced in at least one other Regional Centre, is currently not being levied. OAI sees the benefits of charging an internal consultancy fee, but also understands the business rationale for only recovering travel and related costs. OAI and the Regional Centre also discussed a model in which advisory services would be provided free of charge to Country Offices and the Regional Centre would absorb all costs. However, most staff members interviewed felt that advisory services did not need to be provided entirely free of charge and could have a moderate price. Acknowledging management prerogative in this regard, OAI is not raising an issue.

OAI noted that the Regional Centre had recently started evaluating Country Offices' satisfaction with its advisory services. In addition, the unpublished "Satisfaction and Needs Survey in Country Offices – the Regional Bureau for Arab States Region 2012" included a Country Office self-assessment of capacities in 12 areas. OAI considers this self-assessment a useful tool for the future planning and marketing of the Regional Centre's services, but OAI also identified weaknesses in the methodology (see section 2.3).

Issue 3 Corporate Issue: Insufficient integration of the planning of advisory services vis-à-vis the Regional Bureau for Arab States

Advisory services from Regional Centres are an important tool for programmatic impetus in Country Offices and programme countries. They also serve to concretize and clarify UNDP's overall strategic goals and objectives in Country Office portfolios. As such, advisory services need to be planned and marketed based on the overall strategic priorities, as well as the capacities and needs of Country Offices.

The survey results indicated that the Regional Centre's provision of advisory services was not based on strategic considerations, but was reactive and based on demand from Country Offices (80 percent of respondents). This was further confirmed by all staff members interviewed by OAI. According to the interviewees, advisory services were often requested by Country Offices based on prior knowledge of the Regional Centre's staff members or based on recommendations from other Country Offices. As such, advisory services given were not necessarily assessed and prioritized based on the regional context of the strategic goals of UNDP and were not necessarily provided to the Country Offices with the comparatively larger strategic needs.

As for regional planning exercises, the Regional Centre was not adequately involved in overall regional planning and instead was treated like a Country Office. The Regional Centre was requested to plan their contributions to the overall goals of the Regional Bureau for Arab States, but was not part of an integrated planning process, which would consider strategic corporate objectives and Country Office demands, and then plan how the Regional Centre’s advisory services could be used strategically in order to satisfy those. In turn, the link between the Regional Centre and Country Office work plans was found to be weak.

OAI particularly noted the overall lack of integration of work plans regarding the “Strategy of Response to Transformative Change Championed by Youth in the Arab Region”. While some elements of the strategy had been included in the overall 2012 integrated work plan of the region, integration among the Regional Bureau for Arab States Headquarters, the Regional Centre and Country Offices was missing. Such an integration of plans could have helped to clearly identify how UNDP was intending to respond to recent political events and what results the planned activities were expected to create.

With regard to marketing the Regional Centre’s services, during the period audited the Regional Centre sent out various communications and made some teleconference presentations to the Country Offices indicating the services it offered. These marketing efforts were further intensified through videoconference and bilateral discussions between the Regional Centre and the Country Offices after the OAI audit field work and it covered a great majority of the Country Offices in the region. OAI welcomes such efforts and would like to encourage the Regional Centre to ensure the advisory services will be based on coordinated strategic planning exercises in the region.

As none of the Regional Centre’s staff members were familiar with their respective counterparts in the Regional Bureau for Arab States Country Office Division and all of them indicated that the work between the two units was not coordinated (see issue 2), close coordination between the two needs to be ensured in the future.

Regarding planning, further to the comments already raised, the Regional Bureau for Arab States mentioned that the corporate structure for planning and reporting was an underlying reason for planning problems. It was also mentioned that based on the UNDP Corporate Plan (2014-2017) and the Regional Bureau for Arab States Strategic Framework, it was advised that a single integrated work plan would be prepared and budgeted for the year 2014. This process would commence early to ensure Country Office-engagement, preferably by the end of November 2013.

OAI welcomes this initiative.

Priority	Medium (Important)
Recommendation 3:	
The Regional Bureau for Arab States should strengthen work planning processes by integrating the plans of its headquarters and its Regional Centre and strategically planning advisory services based on the overall regional strategic priorities as well as a structured needs and demands assessments from Country Offices.	
Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	

Priority	Medium (Important)
Recommendation 4:	
The Regional Centre should ensure marketing of the advisory services based on the demand assessment through coordinated regional strategic planning exercise.	
Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	

2.2 Implementation

Partially Satisfactory

According to the *Results-Oriented Annual Report 2011*, the Regional Centre provided about 440 advisory services during 2011. Out of those, there were more than 170 policy and technical advisory services, about 160 technical backstopping services and 110 knowledge services.

OAI noted that the numbers presented for advisory services may be inaccurate. As an example, it is difficult to understand how the Capacity Development Cluster (one staff member) was able to provide a total of 147 advisory services within one year while the Poverty Cluster (two staff members and two service contract holders) only provided a total of 84 advisory services and the Crisis Prevention and Recovery Team (two staff members) only provided 19 advisory services. OAI concluded that the definition of advisory services and the methods used to count and track them need to be reviewed (see issue 4).

As part of its survey, OAI polled Country Office senior management on their satisfaction with the Regional Centre's advisory services. OAI noted that the advisory services of all practices were rated at least "fair" by 80 percent or more of respondents. However, in detailed responses, OAI noted that while 62 percent of respondents assessed the advisory services as "useful", only 12 percent and 15 percent, respectively, rated them as "comprehensive" and "adapted to the reality of the office". Furthermore, only 35 percent and 42 percent of respondents, respectively, rated the advisory services as "timely" and "competent" and only 12 percent assessed them as "forward looking and pre-emptive".

Several comments on the survey also indicated that the long vacancy periods in key practice leader posts (see issue 2) contributed to the relatively poor ratings given by Country Office senior management in certain areas. While not raising a formal issue, OAI encourages the Regional Centre to use the OAI survey as a reference point for improvement. Also, the Regional Centre Board provides an excellent forum to engage in a discussion with Country Offices regarding how to improve advisory services in the future (see issues 2 and 3).

Driven by the survey results that showed areas in which improvements could be pursued, OAI rated this audit area as "partially satisfactory".

2.3 Tracking

Partially Satisfactory

Issue 4 Lack of full-fledged tracking for advisory services by the Regional Centre

For the Regional Centre to assess the relevance and results of its advisory services, as well as to efficiently evaluate customer satisfaction with its services, a solid tracking mechanism is required. This applies particularly as the results of the advisory services given by a Regional Centre often only materialize over time.

At the time of the audit, OAI noted that, with the exception of back-to-office reports, the Regional Centre did not have a means to track its advisory services on an on-going basis. The Regional Centre's old service tracker (an IT tool) had been managed by the Sub-Regional Resource Facility in Colombo, Sri Lanka. Upon closure of the Facility in 2010, the tracker was discontinued. Thereafter, in 2010 and 2011, the Regional Centre approached two other Regional Centres to ascertain if the service trackers used in those offices could be made available to Cairo, but it did not produce results.

Since then, the Regional Centre has tracked its advisory services manually for reporting purposes and had carried out the unpublished "Satisfaction and Needs Assessment" among Country Offices as a means to track customer satisfaction. However, these analyses were conducted with irregular frequency and did not adequately track the results of advisory services. Instead, the tracking recorded the conclusion of the advisory service on the Regional Centre side. Also, the manual tracking method used by the Regional Centre was prone to potential errors and differing interpretations of the categories of services provided (see section 2.2).

OAI discussed the issue with Regional Centre staff members and evaluated whether the back-to-office reports alone could be used for efficient tracking. OAI concluded that only a tool like the service tracker would allow for an efficient results assessment of advisory services, as well as an on-going satisfaction assessment for the recipient side in a systematic manner.

Without a service tracker the Regional Centre will continue to be unable to adequately assess the results of its advisory services. This may result in uncertainty about the quality of the Regional Centre's services, lead to demotivation among the Regional Centre staff members due to the lack of systematic feedback from the recipient side and make it increasingly difficult to justify the existence of a Regional Centre in light of overall cost cutting measures in the organization.

In response to this issue, the Regional Centre did a soft launch of a service tracker in April 2013 (after the audit field work in December 2012). OAI appreciates this initiative and recommends full implementation of a service tracker.

Priority	Medium (Important)
Recommendation 5:	
The Regional Centre should implement a fully-fledged service tracker, including a function to assess the results of and customer satisfaction with advisory services provided. This should also help the Regional Centre to clearly define and demarcate these types of services.	
Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	

3. Knowledge products **Partially Satisfactory**

Issue 5 Corporate Issue: Lack of coordinated approach for knowledge products

Like most Regional Bureaux and their Regional Centres, the Regional Bureau for Arab States and its Regional Centre are developing knowledge products in the form of reports dealing with developmental issues in their

region. OAI is aware that the UNDP Evaluation Office examined relevance and effectiveness of Arab-related knowledge products in detail. OAI's review is thus limited to an analysis of the coordination of the generation of knowledge products.

Clearly the most visible and widely-known knowledge product in the region is the *Arab Human Development Report*. Similar to other Regional Bureaux, the development of regional *Human Development Report* is based on regional projects that are managed by the Regional Bureau for Arab States. The reports constitute one of the most important flagship products of UNDP and serve to position the organization, in line with the Agenda for Organizational Change, as a knowledge-based organization in the development field. In this sense, the reports serve as important means to build and strengthen relationships with donors and other stakeholders.

The *Arab Human Development Report* was published in the years 2002, 2003, 2004, 2005 and 2009. A new *Arab Human Development Report* dealing with empowerment was planned to be issued in 2011, but needed to be revised in light of political events. Therefore, the report has not yet been published. OAI was told that the report would not be published in 2013 and "may never be published." The future course of action for the *Arab Human Development Report* needs to be clarified by the Regional Bureau for Arab States.

In addition to the headquarters-produced reports, the Regional Centre has taken the initiative to develop its own knowledge products, most notably the *Arab Development Challenges Report*. According to a 2013 evaluation of the regional programme for Arab States, the Regional Centre started issuing these reports principally "in an attempt to raise its profile and visibility with governments, partners and donors." The reports originate in cooperation between the Regional Centre and the League of Arab States. The first *Arab Development Challenges Report* was published in 2009. A second report followed in February 2012 (titled *Arab Development Challenges Report 2011*).

OAI noted that the *Arab Development Challenges Report* was developed largely independently by the Regional Centre. While the Regional Bureau for Arab States Headquarters was involved in the decision to produce the reports in response to a request from the League of Arab States, the preparation of the reports was not integrated with the Regional Bureau's Regional Programme Division, the unit that manages the production of the *Arab Human Development Reports*. Report production was also only to a limited extent coordinated with the management of the Regional Bureau. This can be seen in the fact that unlike all five published *Arab Human Development Reports* and the *Arab Knowledge Report*, the *2011 Arab Development Challenges Report* does not include a foreword from the Regional Director. Instead, it includes a foreword from the then Officer-in-Charge of the Regional Centre, as well as the Report Task Leader.

In line with issue 2, OAI is concerned about this lack of coordination as it may give rise to risks in developmental impact, reputation and value-for-money. According to the 2013 evaluation of the regional programme for Arab States, "there is now a proliferation of Arab-related reports, including some produced by UNDP itself [...], which creates confusion and results in a degree of dilution of the messages carried by each." OAI therefore encourages the Regional Bureau for Arab States and its Regional Centre to enhance their level of cooperation in the future.

Despite these coordination issues, OAI noted that the *Arab Development Challenges Report* triggered media coverage and interest in the Arab world, as well as with donors and senior management of UNDP. As such, the report played a role in the positioning of UNDP in response to the changes arising in the context of the Arab Spring. The report could have attracted even more attention had it been launched on a wider scale. However, initiatives to do this (e.g., with the Nordic Countries) were not approved by the Regional Bureau for Arab States Headquarters based on the argument that the *Arab Development Challenges Report* needs to be launched together with the *Arab Human Development Report*. Meanwhile, OAI was informed by the Regional Centre that the *Arab Development Challenges Report 2011* would be the last one in the series.

Due to the lack of coordination in the approach and production of key knowledge products and uncertainties surrounding the regional *Human Development Reports*, this audit area was rated “partially satisfactory”. A corresponding recommendation is integrated in Recommendation 2.

In response to the draft audit report, the Regional Bureau for Arab States agreed that coordination on this issue was a problematic area.

4. Programme activities

Partially Satisfactory

4.1 League of Arab States Project

Satisfactory

According to the organizational arrangements established for the region (see section I.), the Regional Centre has thus far not been authorized to manage regional projects. An exception in this regard is the project “Strengthening Crisis Response of the League of Arab States” (the Project), which was given to the Regional Centre by the UNDP Country Office in Egypt because of the regional dimension of the Project. The Project started in late 2010 and consists mainly of the construction of a crisis response room at the League of Arab States headquarters in Cairo as well as the modification of the League’s processes for crisis response and the provision of corresponding training to League employees.

OAI reviewed the project formulation, implementation, monitoring and reporting. A meeting with the League of Arab States during the audit fieldwork was not possible as a result of the prevailing security situation in Cairo at the time of the fieldwork.

The Project fits loosely under the 2010-2013 Regional Programme Document. It was scheduled to end in 2012, but was delayed, partially due to the recent political events. The Project will therefore continue until the end of 2013 on the basis of a no-cost extension to the donors. Out of contributions received from the European Union (\$2.7 million) and the League of Arab States (\$0.5 million), about \$1.3 million had been expended at the end of 2012.

OAI was generally satisfied with the Regional Centre’s management of the Project. The Project is based on contribution agreements with project documents duly signed by all parties involved. The Project has been submitted to a Project Advisory Committee and passed its scrutiny. The Project also properly included budgets for audit and evaluation. A sample examination of the purchase orders issued in respect of the Project did not reveal any issue (see Section 5.3).

4.2 Resource mobilization

Unsatisfactory

Issue 6 Corporate Issue: Lack of a regional resource mobilization strategy

OAI noted that the Regional Centre had been given limited authorization by the Regional Bureau for Arab States Headquarters to raise funds on a regional level. A recently secured \$600,000 grant from the Ford Foundation was the first grant of its kind at the Regional Centre, apart from the League of Arab States Project (see section 4.1).

OAI understands the Regional Centre’s financial predicament (see issue 2). As such, due to the unstable and shrinking allocation of funds from corporate sources, the Regional Centre is required to intensify exploration of

other funding options in order to remain relevant. However, OAI sees a risk in the fact that the Regional Centre’s fundraising was not based on a clear regional resource mobilization strategy that would encompass the Bureau for External Relations and Advocacy, the Regional Bureau for Arab States Headquarters and the region’s Country Offices. Such a strategy is important in order to clearly demarcate the fundraising responsibilities of the individual actors, ensure that contact with donors is coordinated and carefully orchestrated and make certain that the objectives of the raised funds are clearly aligned to UNDP’s global and regional programmatic priorities and strategy.

While OAI agrees with the idea that the Regional Centre may be able to access funds that are not accessible on a local (Country Office) or global (Regional Bureau for Arab States Headquarters) level, OAI sees reputational, financial, organizational and programmatic risks in uncoordinated and un-optimized fundraising approaches.

In response to this issue, the Regional Bureau for Arab States agreed with the need for a coordinated approach to resource mobilization, but disagreed with the relevance of this issue and recommendation to the scope of the Regional Centre audit based on the argument that OAI itself had “mentioned the need to align resource mobilization efforts with UNDP’s global and regional programmatic priorities and strategy”. The Regional Bureau further argued that this was a function of the Regional Bureau Directorate and not of the Regional Centre, though inputs and contributions from the Regional Centre and Country Offices would be sought.

OAI concurs with the view of the Regional Bureau for Arab States that a coordinated approach to resource mobilization is needed and that this is a task for the Regional Bureau Directorate. As such, the recommendation below was given to the Regional Bureau and not to the Regional Centre.

Priority	Medium (Important)
Recommendation 6:	
The Regional Bureau for Arab States, in coordination with the Bureau for External Relations and Advocacy, should develop a coordinated regional fundraising strategy which clearly delineates the fundraising goals, competencies and responsibilities for the Regional Bureau Headquarters, its Regional Centre and the Country Offices and ensures alignment with programmatic priorities and strategy.	
Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	

5. Operations **Partially Satisfactory**

OAI reviewed the Regional Centre’s human resources, finance, procurement, travel management, information and communication technology, general administration and safety and security processes.

With the exception of the pay cycle, which is run by UNDP Egypt, the Regional Centre is entirely autonomous in its operational functions. The Regional Centre’s operations are headed by an Operations Advisor (P5 level) financed from project funds (see Issue 2). In addition, there is one general service staff member for each operational area: finance, general administration, human resources, information and communication technology and procurement. The operations team also includes two drivers (one under a service contract) and two office helpers (both service contract holders), who report to the Administrative Associate.

Since some issues were identified in human resources, procurement and information and communication technology, this audit area was rated overall “partially satisfactory”.

5.1 Human resources

Partially Satisfactory

At the time of the audit fieldwork, the Regional Centre employed 26 staff members (20 international and six General Service). In addition, there was one international United Nations Volunteer and nine service contract holders. Several of the Regional Centre’s key posts were vacant (see issue 1).

OAI reviewed all three local staff member recruitments conducted during the audited period in order to verify the hiring and selection processes. The staff member separation process was tested based on a sample of five (33 percent) out of 15 staff members who separated during the audited period.

OAI also assessed the Regional Centre’s approach to training and noted that the Mutual Support Initiative for the Arab States, which provides in-house consultancy and support missions to Country Offices in need of assistance, was beneficial as training for staff members of the receiving office. This initiative is sponsored by the Regional Bureau for Arab States Headquarters and its Regional Centre as an alternative to engaging external consultants (at a higher cost) and has been running for over seven years. It aims to mobilize the skills and knowledge that exist in other Country Offices in the region and provide support to Country Offices requiring assistance in areas such as programme and project planning and operations. OAI encourages the Regional Bureau for Arab States Headquarters and its Regional Centre to continue pursuing mutual assistance within the region, while ensuring clearly set objectives, cost effectiveness, efficiency, actual demand for assistance and compliance with the established framework.

OAI noted insufficient completion rates of mandatory training courses by Regional Centre staff members. On average, only 47 percent of staff members had completed the courses. Also, the Regional Centre did not have a comprehensive learning plan. OAI advised the Regional Centre management to continue encouraging its staff members to comply with the mandatory training requirements. OAI also discussed the need for a comprehensive learning plan with the Regional Centre management, who agreed to take action.

OAI also reviewed the Regional Centre’s performance appraisal mechanisms and noted that only 25 percent of staff members had completed the 2011 Results and Competency Assessment. Moreover, only three percent of staff members had completed goal setting for the 2012 Results and Competency Assessment at the time of the audit fieldwork. While aware of the technical issues with the Results and Competency Assessment system, OAI wishes to emphasize that annual performance evaluations are a core element of human resources management. OAI discussed these issues with the Regional Centre management, who agreed to take action to address them.

Issue 7 Weaknesses in job candidate screening process

The long-listing and short-listing of candidates involves screening of applications by the hiring unit.

OAI reviewed the three recruitments of local staff members under Fixed Term Appointments conducted during the audit period and noted that the Regional Centre was not sufficiently documenting the candidate screening processes. The reasons for the exclusion of candidates from the recruitment process were mostly not traceable. Not properly documenting the screening exercise may give rise to questions about the fairness and transparency of the recruitment process and thus represents a reputational risk for UNDP.

The Regional Centre explained that with only one person in the human resources team, proper documentation of the candidate screening process had been a challenge.

In response to this finding, the Regional Bureau for Arab States replied that they would be committed to developing a single template/internal system for documenting and scoring of long-listed candidates by the end of June 2013. The Regional Bureau for Arab States also perceived a lack of clear corporate guidance regarding the screening process and committed to crosschecking with OAI and the Office of Human Resources in order to seek further guidance in this regard. The Regional Centre further indicated that it was requesting the Office of Human Resources to perform the long-listing of candidates.

OAI took note of the Regional Bureau for Arab States's planned initiative.

Priority	Medium (Important)
Recommendation 7:	
The Regional Centre should ensure documentation of the candidate screening process for the recruitment of local staff members under Fixed Term Appointments.	
Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	

5.2 Finance

Satisfactory

At the time of the audit fieldwork, the Finance Associate post funded by core funds was vacant and the Regional Centre was using a staff member on loan from the UNOPS-implemented regional projects to perform its finance function.

The Office recorded 1,505 vouchers with a value of \$3.7 million during the audit period. OAI reviewed 40 payment vouchers with a total value of \$1.1 million, representing about 30 percent of the voucher value for the period under review. Further, OAI reviewed the delegation of authorities as per the Regional Centre's Internal Control Framework and found it to be in line with the operational guidelines for the framework and UNDP Financial Regulations and Rules. OAI also reviewed allocation of the Regional Centre's operating expenditures, such as rent and utilities, to the different stakeholders of the Regional Centre and found it to be accurate and appropriate.

OAI noted one case in which the per diems for conference participants, amounting to roughly \$21,000, were distributed in cash by a staff member. While OAI appreciates that this was an emergency situation, OAI is of the opinion that, for security reasons, to the maximum extent feasible, requesting a staff member to carry significant amounts of cash on behalf of the organization is best avoided. As such, there is a need for a backup plan for similar situations in the future.

OAI also noted that, with regard to the receiving process, receipts of goods/services were recorded in Atlas by the Administrative Associate instead of a designated staff member from the requesting unit or the Project Manager as required by the Regional Centre's Internal Control Framework.

The audit team discussed the above-mentioned issues with the Regional Centre management, who agreed to take action to address them.

No other reportable issues were identified.

5.3 Procurement

Partially Satisfactory

The Regional Centre recorded 772 purchase orders with a value of \$3.3 million during the audited period. OAI tested a sample of 30 purchase orders valued at \$1.1 million, representing about 30 percent of the total value of items procured using purchase orders during the audit period. The test sample included six purchase orders amounting to \$0.5 million related to the League of Arab States Project.

OAI also reviewed 12 individual contracts related to six consultants and the findings are presented in Issue 8 below.

OAI noted that some purchase orders and their respective e-requisitions were only created upon receipt of the invoice and the Regional Centre issued manual purchase orders upon request of the vendor to create the contractual obligations. While recognizing the limitations of the Regional Centre's small operations unit, OAI advised the Regional Centre to review its internal control arrangements and use the capabilities of the corporate Enterprise Resource Planning system, Atlas, to create obligations on goods and services in the system.

OAI further noted that the Regional Centre did not have an integrated and comprehensive procurement plan. The audit team discussed with the Regional Centre management the need to develop and maintain such a plan at least on an annual basis, and management agreed to take action.

Issue 8 Weaknesses in engaging consultants

The engagement of consultants under the individual contract modality is subject to general procurement principles established by UNDP Financial Regulations and Rules, i.e. best value for money, fairness, integrity and transparency, effective international competition and the interests of UNDP. The Programme and Operations Policies and Procedures further stipulates more comprehensive requirements on the individual contract modality.

OAI reviewed 12 individual contracts related to six consultants. Out of these, two consultants were appointed through the direct contracting method and the remaining four were appointed based on a competitive process. OAI noted that the Regional Centre's engagement processes for consultants had several inadequacies and identified, *inter alia*, the following issues:

- (a) for all cases, the consultants sourcing and solicitation, as well as the receipt of offers and the evaluations, were carried out by the requesting units that would also receive the services of selected consultants, thus representing an internal control issue (improper segregation of duties);
- (b) absence of an evaluation team with at least one member from a unit other than the requesting unit in order to ensure the impartiality of the evaluation process (all cases); and
- (c) inclusion of candidates who did not submit offers in the evaluation process (two cases).

The Regional Centre explained that with only one staff member in the procurement team, proper segregation of duties had been a challenge. However, OAI stressed that the identified inadequacies cast doubt on the

competitiveness, best value-for-money, fairness and transparency of the Regional Centre’s consultant recruitment processes and thus represent a reputational risk for UNDP.

In response to this issue, The Regional Bureau for Arab States replied that they would be committed to looking into engaging other units to support the process of consultant recruitments and develop an evaluation committee that would be comprised of members not related to the hiring unit, among others.

OAI appreciates the initiatives taken.

Priority	Medium (Important)
Recommendation 8:	
The Regional Centre should: (a) ensure a proper segregation of duties in the engagement of consultants in line with the Operational Guide of the Internal Control Framework; and (b) conduct recruitment of consultants in accordance with the Programme and Operations Policies and Procedures and adhere to the organization’s general principles of procurement.	
Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	

5.4 Travel **Partially Satisfactory**

OAI reviewed a sample of 17 out of approximately 230 trips carried out during the audited period. OAI noted that F10 forms (UNDP’s travel claim settlement forms) were frequently submitted late or not at all. The process for the submission of F10s had improved in recent months. Also, back-to-office reports had been centrally requested and filed at the time of the audit. Upon the implementation of a new service tracker (see section 2.3), OAI suggests that the back-to-office reports be integrated with the service tracker for purposes of business process efficiency. OAI further noted that in a few cases, the Regional Centre did not account for differentials in flight prices in cases in which staff members added personal leave to official travel to the same destination. The flight cost may have been higher for the same routes for different travel dates.

The need to charge staff members the potential difference in flight prices when personal leave is added to business trips was raised with the Regional Centre management. Due to the financial implications associated with travel cost reconciliation, OAI also discussed with management the requirement for staff members to file F10s promptly. Management agreed to take action to address these issues.

While not raising any recommendation in this report as management already agreed to take action, OAI rated this audit area as “partially satisfactory”.

5.5 Information and communication technology **Partially Satisfactory**

Issue 9 Absence of off-site storage for backup tapes

OAI reviewed the disaster recovery and business continuity plans, data backup procedures, use of licensed software and procedures protecting information technology systems from viruses and attacks from hackers. They were found to be generally adequate, except for one issue; the Regional Centre’s backup tapes were not

stored outside of the office. Due to the security situation around the Regional Centre (see Section 5.7), OAI considers this arrangement to be a risk for disaster recovery and business continuity. In this connection, the Regional Centre management informed OAI that it was negotiating with another United Nations agency to store the backup tapes on their premises in central Cairo.

In response to this issue, the Regional Bureau for Arab States stated that the identification of a storage location for backup tapes was the responsibility of the UNDP Country Office in Egypt and that the Regional Centre was waiting for the Country Office to reach an agreement with a host in this regard. The Regional Bureau also explained the current backup procedures. The Regional Bureau contested the “partially satisfactory” rating in this area, as they claimed that the Information and Communication Technology at the Regional Centre was up to standards.

While the absence of an off-site storage location would normally not necessarily trigger a “partially satisfactory” assessment, the security situation around the Regional Centre makes this an exceptional case. Moreover, OAI noted that the Regional Centre acknowledged the need for a storage facility and is awaiting the Country Office to act in this regard. OAI fully appreciates the shared responsibility between the Regional Centre and the Country Office and has given the below recommendation to both units.

Priority	Medium (Important)
Recommendation 9:	
The Regional Centre, in coordination with the UNDP Country Office in Egypt, should secure an off-site location for storing back-up tapes as soon as possible.	
Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	

5.6 General administration

Satisfactory

OAI reviewed the Regional Centre’s asset management, vehicle log, petty cash and safe management. OAI did not identify any managerial issues on the vehicle log, petty cash and safe management. As for asset management, OAI noted that the cases of two laptops, which were stolen from two staff members during the audited period, were properly reported and the incidents reviewed. Also, at least two stolen or broken laptops were still listed in the inventory as of the date of audit fieldwork. OAI discussed with the Regional Centre management the need to update the inventory record accordingly.

OAI also reviewed the Regional Centre’s subletting arrangements with the landlord, the Centre for Environment and Development for the Arab Region and Europe, and the other subletting tenants (UNOPS, UNISDR and OCHA) and found no issues. The subletting arrangements with the other United Nations entities became necessary as the Regional Centre has a five-year rental agreement, but the Regional Centre and the Country Office in Egypt currently do not have enough staff members to fully utilize four rented floors.

The areas reviewed under general administration were found well managed and no audit issues were identified.

5.7 Safety and security

Satisfactory

The Regional Centre's international staff members were evacuated to Cyprus during the 2010 revolution in Egypt. The evacuation helped ensure that UNDP international staff members were not harmed during the revolution and the accompanying civil unrest.

The Regional Centre also relocated from the vicinity of Tahrir Square (the focus of the revolution) to the vicinity of the Presidential Palace in Heliopolis in 2011 for security reasons. However, the new location became the focus of the 2012 unrest, which started during the audit fieldwork. In this regard, OAI noted the well-functioning alert system that the Regional Centre had in place together with United Nations Department of Safety and Security. The alert system succeeded in keeping staff members informed about the latest events related to the protests and led to staff members being sent home early when protests were scheduled. OAI further noted the good relationship between the Regional Centre and the current landlord, who helped to add security features, such as biometric admission controls to the Regional Centre.

OAI also analyzed the 2012 Minimum Operating Security Standards compliance report for the Regional Centre, which resulted in an overall compliance rate of 93 percent. OAI was assured by the Regional Security Advisor that the upgrades required to achieve 100 percent compliance were to be implemented in early 2013.

No audit issues were identified.

ANNEX. 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.