



PERFORMANCE AUDIT

OF THE

**REGIONAL BUREAU FOR EUROPE AND THE
COMMONWEALTH OF INDEPENDENT STATES**

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**Report on the Performance Audit of the Regional Bureau for Europe and
the Commonwealth of Independent States
Executive Summary**

The UNDP Office of Audit and Investigations (OAI) conducted a performance audit of the Regional Bureau for Europe and the Commonwealth of Independent States (the Bureau) from 28 September to 22 October 2021. The overall objective of the performance audit was to assess the extent to which the Bureau was effectively carrying out its functions of providing strategic direction, oversight, and assistance to Country Offices and programme countries (refer to About the Bureau section) in their efforts to support the achievement the Sustainable Development Goals.

The audit was guided by the following audit questions:

1. Is the governance and organizational structure of the Bureau adequate to support the work of Country Offices in delivering on their commitments within programme countries?
2. Is the Regional Programme managed effectively and on track to achieve its results?
3. Are the Bureau's operations performed in compliance with UNDP policies and procedures?

The audit covered the activities of the Bureau from 1 January 2020 to 31 August 2021. The Bureau recorded programme and management expenses of approximately \$40.5 million during the audit period. The last audit of the Bureau was conducted by OAI in 2010.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

- (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Bureau for all audit areas reviewed.
- (b) Meetings with Bureau staff and personnel were carried out virtually, which limited the audit team's understanding of the Bureau's working environment.
- (c) Project visits (location, site visits, meetings with counterparts/beneficiaries) were not conducted.
- (d) A physical verification of assets was not performed.

Overall audit rating

OAI assessed the performance of the Regional Bureau as **fully satisfactory**, which means, "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area."

Key recommendations: Total = **3**, high priority = **0**

The three recommendations aim to ensure the achievement of the organization's strategic objectives.

The audit did not result in any high (critical) priority recommendations. There are three medium (important) priority recommendations, which means "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address the increasing demand for operational support from the Istanbul Regional Hub (IRH), global and regional projects not being linked to the Regional Programme, and weaknesses in the management of individual contracts.

Management comments and action plan

The Assistant Administrator and Director of the Bureau accepted the three recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

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

Helge S. Ostveiten
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I. About the Bureau

The Bureau leads and oversees all aspects of UNDP's work in Europe and the Commonwealth of Independent States. It provides oversight and support to 17 Country Offices in the region, an office in the territory of Kosovo, and project offices in the Republic of Cyprus and the Russian Federation. The Bureau's main functions include the following: strategy setting; communication; external and UN system relations; operational and programme support; and the development and management of regional programmes.

The Bureau's headquarters is composed of the Directorate and teams based in New York, Istanbul, Moscow, Bratislava, and Brussels. It oversees and coordinates the UNDP Regional Hub based in Istanbul.

The oversight and monitoring function of the Bureau rests with the Deputy Regional Director, who is supported by the Policy and Operations Team (POSU) based in New York and by the Regional Programme Coordination and Country Office Support Team (COST/RP) based in Istanbul. The Bureau is under the overall leadership of the UNDP Regional Director.

- The Policy and Operations Team (POSU – New York) supports the Bureau's senior management as follows:
 - ensuring alignment of regional and country plans with strategic resource allocation;
 - compliance with the corporate policies and reporting cycles;
 - planning and monitoring of human resources, finance and budgets, procurement, IT and general administration; and
 - compliance and audit oversight of the Bureau and Country Offices in the region.
- The Regional Programme Coordination and Country Office Support Team (COST/RP), based in Istanbul, provides:
 - technical and operational support to the Country Offices.
 - assistance to the Country Office's in the development and quality control of Country Programme Documents as well as their operationalization.

At the time of the audit, the Istanbul Regional Hub (IRH) Manager's terms of reference was being reviewed to reflect the future management arrangement of the Hub and the post of Deputy Director, vacant at the time of the audit, was being transferred from Istanbul to New York.

II. Good practice

OAI identified the following good practice related to the **use of innovative monitoring systems**

Two monitoring systems, "Vital Sign Diagnostics" and "Country Scan" were developed to enable the Bureau to assess in real time the performance of the various Country Offices and their compliance with UNDP policies and procedures. They also assist Country Offices in identifying gaps in internal controls.

III. Audit results

Satisfactory performance was noted in the following areas:

- (a) Operations – Finance: The review of financial transactions (e.g., payment vouchers, invoices, etc.) did not result in any reportable issues.
- (b) Operations – Human resources: The review of the human resources processes, including the recruitment and separation of personnel, did not result in any reportable issues.
- (c) Operations – General administration: The review of administrative services, including travel and assets management, did not result in any reportable audit issues.

OAI made three recommendations ranked medium (important) priority.

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

Medium priority recommendations:

- (a) Perform an Istanbul Regional Hub (IRH) workload analysis and fill the vacant posts (Recommendation 1).
- (b) Finalize the process of mapping the results, accountability, and reporting framework of the global and regional projects and ensure that only project implementation results contributing to its Regional Programme are reported in the Results Oriented Annual Report (Recommendation 2).
- (c) Strengthen the management of individual contracts (Recommendation 3).

The detailed assessment is presented below:

Question 1. Is the governance and organizational structure of the Bureau adequate to support the work of Country Offices in delivering on their commitments within programme countries?

Overall, the Bureau's governance and organizational structure was adequate to support the work of Country Offices.

At the beginning of each year, the Bureau establishes a 'Strategic Note' with annual targets for each Country Office and monitors progress against these targets on a regular basis.

The audit team reviewed the actions taken by the Bureau and confirmed that development activities were monitored in a timely manner and that mitigating actions were taken whenever needed. The audit team held discussions with Resident Representatives and/or Deputy Resident Representatives from 10 Country Offices who confirmed regular communication (i.e., bi-weekly meetings) with the Bureau's senior management and timely support as needed. The Offices acknowledged the monitoring systems (including "Vital Sign Diagnostics", and "Country Scan") facilitated compliance with UNDP policies and procedures and assisted Country Offices in identifying gaps in internal controls.

From the review of supporting documents and existing monitoring tools, the audit team identified areas for improvement, as follows:

Issue 1 Increasing demand for operational support from the Istanbul Regional Hub

As per its terms of reference, the Bureau oversees the Istanbul Regional Hub (IRH), which includes managing human resources of the hub as well as its budget.

The audit team was informed of an increasing demand for IRH's operational support from the different business units within UNDP (e.g., Bureau for Policy Programme Support, Bureau for Management Services, and UNDP Global Policy Centre for Private Sector in Development) as well as outside UNDP (i.e., other UN agencies and UN Volunteers).

According to the IRH Operations and Common Services Team, they were providing operational support (mostly related to onboarding of personnel and IT support) for 204 personnel within 10 business units in 2019. This number increased to 361 personnel (or 77 percent) within 16 business units in 2021.

At the time of the audit, no analysis had been performed to assess the amount of additional work that might be generated following the increase in personnel. A functional review and workload assessment of

the IRH Operations and the Common Services Team was planned in the first half of 2022, although it was contingent upon the clustering roll out.

As of October 2021, out of 20 posts within the IRH Operations and Common Services Team, 3 posts were vacant since first the quarter of the year (ICT Specialist [P3 level], HR Associate [G6 level], and Procurement Assistant [G5 level]). Any delays in recruitment could exacerbate the Team's ability to provide adequate support to its clients.

The lack of a workload analysis and delays in filling vacant posts may limit the Bureau's ability to provide effective and efficient operational support to its clients.

Priority	Medium (Important)
Recommendation 1: The Regional Bureau for Europe and the Commonwealth of Independent States should strengthen operations: (a) perform an Istanbul Regional Hub (IRH) workload assessment to ensure that the staffing is adequate, taking into account the impact of the clustering of operations; and (b) filling the vacant posts in a timely manner.	
Management action plan: The Bureau will take the following actions: (a) Conduct the IRH workload assessment. This exercise is also contingent upon clustering project roll-out in Istanbul. The exact timeline of each remains unclear at present. (b) Proceed to fill the vacant posts. Estimated completion date: December 2022	

Question 2. Is the Regional Programme managed effectively and on track to achieve its results?

Overall, the Bureau was managing its Regional Programme in an effective way. Aside from two indicators, the Regional Programme was on track to achieve the intended results.

The Regional Programme (2018-2021) focused on regional public goods and common development challenges, identified in the country programmes of the region. Under the overall objective of accelerating achievement of the 2030 Agenda and the sustainable development goals in Europe and the Commonwealth of Independent States, the priorities of the regional programme were captured in three programme outcomes, namely: (1) accelerating structural transformations for sustainable development through more effective governance systems; (2) addressing poverty and inequalities through more inclusive growth; and (3) building resilience to shocks and crises.

The mid-term evaluation report 'Mid-Term Evaluation of UNDP Regional Programme for Europe and CIS 2018-2021' issued in September 2021 indicated that out of 21 indicators, 13 had achieved or exceeded targets, 6 were on track in achieving targets, and 2 were not on track.

The two indicators that were not on track to achieve targets by the end of 2021 were:

- output 1.4.1, “Number of new forms of evidence and methods explored and leveraged to address public service challenges” and
- output 2.5.1, “Number of countries benefitting from diagnostic assessments for sustainable commodities and green and inclusive value chains”.

The Bureau explained that the COVID-19 pandemic resulted in operational limitations, which affected the delivery of results for both indicators.

Issue 2 Global and regional projects not linked to the Regional Programme

The Bureau had 45 projects mapped to the Regional Programme’s three outcomes. Specifically, 22 projects were linked to outcome one, 18 projects to outcome two, and the remaining 5 projects to outcome three.

For 9 projects of the 45 Regional Projects, the Bureau reported the results of the projects in its 2020 Results Oriented Annual Report, although they were not linked to its Regional Programme and implemented in the region. For example, the Bureau reported the results of project 109494, “Reducing Maritime Trafficking of Wildlife between Africa and Asia”, which had been implemented in Kenya and United Republic of Tanzania (both under the Regional Bureau for Africa). The same happened for project 120806, “ISLANDS Indian Ocean Child Project (PPG)” implemented in the Comoros (under the Regional Bureau of Africa), Maldives, Mauritius and Seychelles (under the Regional Bureau for Asia and the Pacific).

The audit team was informed that there had been an ongoing discussion between the Bureau and the Bureau for Programme and Policy Support on how to map the results and accountability framework of the global and regional projects that were being implemented in other regions. These discussions had not been concluded at the time of the audit fieldwork.

Reporting results of global and regional projects that are not part of the Regional Programme may impact the reliability of the Bureau’s reported achievements.

Priority	Medium (Important)
Recommendation 2: The Regional Bureau for Europe and the Commonwealth of Independent States should improve the management of the regional programme by: <ul style="list-style-type: none"> (a) ensuring that only project implementation results contributing to its Regional Programme are reported in the Results Oriented Annual Report; and (b) finalizing the process of mapping the results, accountability, and reporting framework of the global and regional projects being managed by the Bureau. 	
Management action plan: The Bureau will review the governance and management arrangements and discuss the delinking of the global and other regions’ GEF projects from the Bureau’s Regional Programme. Taking into account that such an exercise will have impact on other regions and global operations and their readiness to absorb management and governance of the ongoing portfolios, the Bureau will endeavor to finalize the related discussions and transfer the responsibilities by the time the new Regional Programme Document is in place for 2022–2025.	
Estimated completion date: June 2022	

Question 3. Are the Bureau's operations performed in compliance with UNDP policies and procedures?

The audit team reviewed the Bureau's operations functions, including finance, procurement, human resources, travel, and assets.

The audit team observed that the Bureau's operations were managed in accordance with UNDP policies and procedures, except for the weaknesses within the management of individual contracts, as described below:

Issue 3 Weaknesses in the management of individual contracts

The 'UNDP Programme and Operations and Policies and Procedures' require that delegations of authority be clearly stated, understood, and accepted by both the person delegating the authority as well as by the person to whom the authority has been delegated. Further, negotiations on procurement actions below the CAP threshold shall be initiated after authorization by the Head of Business Unit or staff designated with procurement authority.

The Bureau processed 647 purchase orders for a total value of \$12.6 million during the period under review. The audit selected a sample of 35 purchase orders amounting to \$3.8 million and noted the following:

- Two purchase orders (Nos. 33817 and 34219) with a total value of \$151,200 pertained to individual contract amendments. The two contract extensions were authorized by the IRH Manager, without the appropriate delegation.
- One purchase order (No. 33875) valued at \$98,000 pertained to an individual contract. After the procurement evaluation team completed its evaluation of offers, the project staff negotiated the daily fee rate with the recommended candidate. However, this action did not meet the requirement of the 'UNDP Programme and Operations and Policies and Procedures' because no prior approval from the procurement authority was obtained before negotiating with the candidate. The Note-to-File indicated that the decision to negotiate with the selected candidate was based on the project budget being insufficient to cover the daily fee.
- One purchase order (No. 33969) valued at \$78,016 pertained to the extension of an individual contract. The contract extension was signed five days after the initial contract expired. The consultant continued working even though the contract extension had not been signed. The Bureau explained that the extension request was received from the requesting unit a day before the contract expired.

Weak management of individual contracts may undermine the integrity and fairness of the procurement processes, which could affect UNDP's reputation.

Priority	Medium (Important)
Recommendation 3:	
The Regional Bureau for Europe and the Commonwealth of Independent States should strengthen the management of individual contracts by:	
(a) ensuring that the delegation of authority is updated;	

- (b) ensuring bid evaluations include an assessment of the available budget and contract negotiations are approved by the appropriate procurement authority; and
- (c) contract extensions are completed in a timely manner.

Management action plan:

The Bureau will further refine the delegation of authority of the IRH Manager following a full review of the function, completion of the Deputy Regional Director post transition and the workload/functional review mentioned under Recommendation 1. Internal discussion will take place with the IRH Operations Team to avoid instances of inadequate management of consultants' daily fees and contract extensions. The Regional Procurement Advisor will review IRH Procurement Operations from the risk-based and efficiency perspective and suggest further steps of improvement to Bureau management.

Estimated completion date: March 2022

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Fully Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

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