

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



THEMATIC AUDIT

OF

PROJECT MONITORING AND OVERSIGHT PRACTICES

IN

REGIONAL BUREAU

FOR EUROPE AND THE COMMONWEALTH OF INDEPENDENT STATES

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Report on the Thematic Audit of Project Monitoring and Oversight Practices in the Regional Bureau for Europe and the Commonwealth of Independent States Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted a thematic audit of project monitoring and oversight practices in the Regional Bureau for Europe and the Commonwealth of Independent States (RBEC or the Regional Bureau) from 16 September to 14 October 2022.

The audit covered the period from 1 January 2020 to 31 March 2022 and was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors (The IIA). The audit was conducted remotely.

This thematic audit was undertaken using performance audit methodology. Performance auditing is an independent examination of an entity to assess whether the entity is achieving economy, efficiency, and effectiveness in the employment of available resources.

The audit assessed whether project monitoring and oversight practices at the Regional Bureau level and at the Country Offices supported their Country Programme results. The review included an assessment of the design of project monitoring frameworks, Country Office capacities to adequately monitor projects, and quality assurance processes to validate data used for decision-making and risk management. In assessing this, the audit team reviewed the Country Offices' capacities for effective implementation of programmes and projects, including a review of the corporate monitoring system for results tracking and risk management.

Further, the audit team reviewed the role of the Regional Bureau in exercising its oversight function as the "second line" for effective programme delivery.

The following performance audit questions guided the work of the audit team:

Question 1. Were Country Offices successful in monitoring the achievement of project results and addressing any deviations from agreed work plans?

Question 2. Has the Regional Bureau established effective oversight mechanisms to ensure adequate monitoring of projects and programmes at the Country Office level?

Overall audit rating

OAI assessed the project monitoring and oversight practices at the Regional Bureau level as **satisfactory / some improvement needed**, which means, "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. This rating was mainly due to inadequate planning of monitoring resources and implementation of monitoring activities, and inadequate risk monitoring practices.

RBEC established effective oversight mechanisms and tools to ensure adequate monitoring of projects and programmes at the Country Office level. RBEC also held semi-annual discussions with the Country Offices, during which the targets and indicators, project implementation and monitoring capacity, partnership and pipelines, and operations and risk management were reviewed, among others. The results were documented in the Country Office Scans reports.

Key recommendations: Total = **2**, high priority = **0**



Management comments and action plan

The Assistant Administrator and Director of the Regional Bureau for Europe and the Commonwealth of Independent States accepted both 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.

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I. About project monitoring and oversight practices in the region

The Regional Bureau for Europe and the Commonwealth of Independent States (RBEC or the Regional Bureau) has a total of 18 Country Offices (including Kosovo, in the context of Security Council Resolution 1244 (1999) and one Project Management Office in Cyprus. As of 21 November 2022, the total 2022 programme budget of RBEC amounted to \$641.5 million with total programme delivery of \$431.4 million or 67.2 percent. Details per Country Office are as follows:

Country	2022 Programme Budget (\$)	2022 Programme Expenditures (\$)	Programme Delivery Rate Nov 2022 (%)
Albania	50,205,911	40,652,522	80.97
Armenia	27,215,564	13,506,894	49.63
Azerbaijan	18,227,374	11,260,352	61.78
Bosnia and Herzegovina	51,005,250	37,065,584	72.67
Belarus	50,159,362	37,771,780	75.30
Cyprus	16,079,097	14,124,587	87.84
Georgia	35,894,606	23,974,356	66.79
Kazakhstan	22,567,708	10,678,998	47.32
Kyrgyzstan	29,649,974	18,355,571	61.91
Kosovo, context of UNSCR 1244 (1999)	9,960,422	7,220,773	72.49
Moldova	26,505,547	19,191,854	72.41
North Macedonia	16,882,230	12,452,552	73.76
Montenegro	9,818,447	7,700,494	78.43
Serbia	37,487,426	25,334,284	67.58
Tajikistan	33,794,103	20,865,241	61.74
Turkmenistan	43,381,952	31,744,478	73.17
Turkey	36,499,862	26,992,622	73.95
Ukraine	94,011,789	50,019,109	62.87
Uzbekistan	32,189,436	22,486,769	69.86
Total	641,536,060	431,398,820	67.24

Note: 2022 programme budget and programme expenditure amounts were as of 21 November 2022.

RBEC established various oversight mechanisms and utilized supportive tools to ensure adequate monitoring of Country Offices in the implementation of projects and programmes. Most of these tools were organized in the STREAM platform. These databases and platforms were reviewed by the Regional Bureau and the Country Offices twice a year and documented in the Country Office Scan reports as part of their oversight function.

II. Audit methodology

The audit was based on a review of documents, interviews, and written inquiries. In addition, OAI conducted a survey regarding project monitoring and the Regional Bureau's support, to which 12 out of the 18 Country Offices and 1 Project Management Office (63 percent) in the region responded.

All performance audit questions were addressed through a combination of document reviews, system walkthroughs, and interviews with key staff in a select number of Country Offices and the Regional Bureau.

III. Audit criteria

The audit team used the UNDP Accountability Framework and Oversight Policy (DP/2008/16), UNDP Programme and Operations Policies and Procedures and UNDP Enterprise Risk Management (ERM) Policy as audit criteria to assess whether project monitoring and oversight practices at the Country Office level and at the Regional Bureau level supported the achievement of Country Programme results.



The key elements within these policies relied upon by the Audit team when referring to the audit criteria are as below:

UNDP Accountability System – Accountability Framework and Oversight Policy (DP/2008/16):

The Assistant Administrators and Directors of Regional Bureaux are accountable to the Associate Administrator for monitoring the performance of the respective Country Offices and taking steps to address recurring programmatic and operational issues.

UNDP periodic and quarterly Regional Bureaux management reviews are utilized to address key aspects of UNDP performance, including Country Office programme and project performance, audit, evaluation, financial and procurement management.

Individuals (including managers) in UNDP are accountable to the organization for expected ethical and professional conduct, and to their managers for how they discharge the authority delegated to them in delivering agreed performance results and budgets.

The Programme and Project Management section of the UNDP Programme and Operations Policies and Procedures: Criteria for Monitoring of Programmes and Projects:

- All UNDP programming activities are required to adhere to monitoring standards and policies, for which managers of regional and country programmes and all projects are accountable.
- The frequency of monitoring must be appropriate for decision-making, including joint governance mechanisms such as programme boards/ Cooperation Framework steering committees, and defined during programming design. Outcomes must be monitored at least annually through the Results-Oriented Annual Report, and outputs must be monitored through the integrated work plan/Results-Oriented Annual Report and project-specific output monitoring.
- Monitoring includes: (a) tracking performance through the collection of appropriate and credible data and other evidence; (b) analysing evidence to inform management decision-making, improve effectiveness and efficiency, and adjust programming as necessary; and (c) reporting on performance and lessons to facilitate learning and support accountability.
- Resources for monitoring should include adequate staffing for monitoring and evaluation based on the size of the Office as outlined in the policy.

UNDP ERM Policy: ERM applies an integrated approach to risk management, across all types of risks, and from projects up to the corporate level.

IV. Audit results

OAI made two 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, arranged according to significance:

- (a) Improve project monitoring (Recommendation 1)
- (b) Improve project risk monitoring (Recommendation 2)

Overall, the audit conclusions are as follows:



Question 1. Were Country Offices successful in monitoring the achievement of project results and addressing any deviations from agreed work plans?

Six out of the eight Country Offices reviewed (See Annex I) had dedicated monitoring and evaluation (M&E) personnel, with one Country Office in the process of recruiting M&E personnel. Discussions with the Country Offices and a review of job descriptions disclosed that they benefitted from having dedicated M&E personnel who enabled the following: effective implementation of UNDP monitoring and evaluation policies; the alignment of new programmes and projects with the UNDP monitoring framework; the introduction of monitoring and evaluation tools to enable data collection and analysis; and the regular programme-wide and project-specific reporting for the Results-Oriented Annual Report, Integrated Work Plan and other corporate systems. However, the dedicated M&E personnel were not always involved in individual project monitoring activities as this was normally performed by project staff. Some improvements in this area were needed, as discussed in the details of the issues presented in this report.

Question 2: Have Regional Bureaux established effective oversight mechanisms to ensure adequate monitoring of projects and programmes at the Country Offices level?

RBEC established effective oversight mechanisms and tools to ensure adequate monitoring of projects and programmes at the Country Office level. RBEC also held semi-annual discussions with the Country Offices, during which the targets and indicators, project implementation and monitoring capacity, partnership and pipelines, and operations and risk management were reviewed, among others. The results were documented in the Country Office Scans reports. The audit did not disclose reportable issues relating to this performance audit question.

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

The detailed assessment is presented below as per audit question:

Question 1. Were Country Offices successful in monitoring the achievement of project results and addressing any deviations from agreed work plans?

Issue 1 Inadequate planning of monitoring resources and implementation of monitoring activities

The Programme and Project Management section of the UNDP Programme and Operations Policies and Procedures state that resources for monitoring should include adequate staffing for monitoring and evaluation based on the size of the Country Office as outlined in the policy. Programming activities should collect appropriate and credible data as evidence for adequate monitoring. Outcomes and outputs should be SMART—specific, measurable, attainable, realistic, and time-bound—and elaborated in a quality results framework and multi-year work plan.

In 6 out of 16 projects from four out of the eight Country Offices reviewed (See Annex I), the project monitoring and evaluation resources were not defined in the project documents to facilitate planning and tracking of monitoring activities. Consequently, the Country Offices could not undertake some monitoring activities as designed in the project monitoring framework, such as the monthly collection of data. The Country Offices explained that monitoring activities were normally performed by the project staff, who were funded through management and project costs. However, project monitoring plans did not indicate annual milestones, which impacted project monitoring visits and verification missions, as noted below:

- Progress data on the achievement of output indicator targets was either not recorded or varied across the monitoring platforms in 6 out of the 16 projects from three out of the eight Country Offices



reviewed. For instance, 8 out of 14 output indicators for two projects had varied data between Atlas,¹ the progress reports, and office monitoring data sheets. For another project, 11 out of 14 indicator targets were not monitored in Atlas; thus, there were no progress reports for four indicators in the annual report.

- The progress indicated in the annual reports did not provide accurate or sufficiently verified information. The audit team sampled evidence of 42 indicators across three Country Offices and could not sufficiently verify the reported progress for 18 indicators (43 percent). There was either no evidence provided, or the evidence provided did not indicate how the activities contributed to the outcome indicator target, or the evidence mainly consisted of partner reports, without supporting documents.
- Challenges encountered during project implementation were not identified and addressed in a timely manner. For instance, for four output indicators under two projects, the activities had not commenced by the targeted mid-point date which impacted the reach of targeted populations. The challenges stated above were not reported in annual progress reports or escalated to management and the steering committee to be resolved.

In 11 out of the 16 projects from six out of the eight Country Offices reviewed (See Annex I), the planned monitoring activities as indicated in the project documents were not undertaken as per the indicated frequency. Monitoring visits were performed and at times in the form of virtual meetings due to travel and field visit restrictions due to the COVID-19 pandemic. However, the reasons, timing, and frequency of these monitoring activities, visits, and virtual meetings could not be determined from the project documents and were not documented in the minutes of project board meetings.

In 10 out of the 16 projects from seven out of the eight Country Offices reviewed (See Annex I) effective data collection methods and types of monitoring activities were well documented. The Country Offices designed SMART outcomes and outputs in the project document results and resources framework and work plans. However, in six out of 16 projects from five out of the eight Country Offices reviewed (See Annex I), outcome and output indicators were not measurable, clearly defined, or realistic, resulting in monitoring and verification challenges. The following issues were noted:

- A target to increase waste recycling volume by 5 percent and use of secondary raw materials by 10 percent could not be assessed. The progress report thus indicated recycling volume by tons.
- Similarly, an annual target to save 1.5 million kwh per year of outdoor lighting in a city could not be achieved. Despite the replacement of 50 percent of street lighting, the achieved savings were 129,643 kwh in 2021. The progress report thus indicated the overall achievement of savings, without indicating street lighting.
- Mid-term and end-year targets were not defined for five output indicators for one project; thus, activities had not yet commenced and were not included in the progress reports, indicating their pending status.
- Two project documents were not revised to include the following key pieces of information: (i) results and resources framework for increased outputs from 2016 to 2022 from \$450,000 to \$12.8 million for one project; and (ii) revised strategy in 2020 and new outputs for another project.

The above occurred due to inadequate oversight by the Country Offices on establishing SMART results and resources in project documents, the ineffective utilization of the Atlas 'Output targets and results' module, and inadequate planning to monitor targets and implementation progress. Without SMART outcome and

¹ Atlas, the enterprise resource planning system of the organization, was replaced by Quantum beginning 9 January 2023.

output targets and resources for data collection, the Country Offices may not be able to effectively monitor and verify progress, impacting the achievement of project results.

Priority	Medium (Important)
Recommendation 1:	
The Regional Bureau, in coordination with the Country Offices, should improve project monitoring by:	
<ul style="list-style-type: none"> (a) ensuring that project documents define monitoring and evaluation resources including the frequency and timing of these monitoring activities and that SMART outcomes and outputs are documented at the project design phase, which would guide the project teams; (b) coordinating with the Quantum administrator to ensure that the project monitoring results can be updated and recorded in the 'Results Reporting' module of Quantum and organize training for the end-users; and (c) strengthening the process of verification and reporting of project results by reviewing the project results reporting during the Country Office performance review. 	
Management action plan:	
Recommendation 1 (a)	
RBEC will actively participate in corporate efforts as part of the Programme and Project Management, while committing to invest resources in refreshing the knowledge of the Results Based Management (RBM) basic concepts, monitoring and evaluation, and guiding proper results definition.	
Recommendation 1 (b)	
RBEC will assess Quantum's capabilities <i>vis-à-vis</i> Recommendation 1 (b) and proceed with the required steps.	
Recommendation 1 (c)	
RBEC will focus on improving the quality of the existing reporting mechanisms (i.e., Results-Oriented Annual Reporting). Added to this, a specific exercise on project oversight will be introduced, which will include project quality assurance, results, and risk reviews. RBEC will also commit to focus on Country Office capacities for monitoring and reporting at the project level through respective trainings.	
Estimated completion date: December 2023	

Issue 2 Inadequate risk monitoring practices

The UNDP Programme and Operations Policies and Procedures require the risk register to be maintained and updated as needed, in Atlas for the duration of the project, no less than once a year during implementation. The UNDP ERM Policy states that all risks are assigned a risk owner, and that the individual who is ultimately accountable for ensuring the risk is managed appropriately. Each treatment measure is assigned a treatment owner, the individual who is responsible for executing the risk treatment.

In 11 out of the 16 projects from six out of the eight Country Offices reviewed (See Annex I), project risks were not adequately monitored, as follows:

- A total of 14 risks from five project documents were not documented and monitored. As a result, two project activities were not initiated in a timely manner.
- A total of 16 risks for four projects were not adequately monitored as they were not documented using any tools such as Atlas, off line risk register or in the annual project progress reports. For



instance, 7 newly identified risks under two projects were monitored in Atlas but were not included in the annual progress reports shared with the project steering committees.

- In one project reviewed, significant risks that impacted the project, such as COVID-19 and government changes, were not documented in the project risk log. In another project, risk owners and personnel responsible for risk treatments were not specified in the risk logs.

The above occurred due to a limited understanding of how to adequately monitor risks using corporate tools. Without adequate risk monitoring, barriers to project implementation may not be addressed timely, impacting results.

Priority	Medium (Important)
Recommendation 2:	
The Regional Bureau should coordinate with Country Offices to improve project risk monitoring by:	
(a) ensuring that project personnel are trained and able to effectively utilize the project risk log module of Quantum; and	
(b) providing guidance to project personnel on risk management and reporting.	
Management action plan:	
Recommendation 2 (a)	
An in-person training will be organized by RBEC and BMS for the region in January 2023 for up to 100 personnel from Country Offices. The training agenda includes all aspects of project implementation, including monitoring and reporting. The Regional Bureau will regularly conduct reviews of proper utilization of the risk module during the quarterly dashboard reviews.	
Recommendation 2 (b)	
RBEC will invest efforts in providing guidance and arranging training for Country Offices on risk management and reporting.	
Estimated completion date: December 2023	

Question 2: Has the Regional Bureau established effective oversight mechanisms to ensure adequate monitoring of projects and programmes at the Country Office level?

The Regional Bureau has developed and uses several oversight tools to undertake monitoring of projects and programmes in Country Offices. Most of these tools and databases are organized in the STREAM platform, which can be accessed by Country Offices. The information from the database and dashboards are reviewed by the Regional Bureau and the Country Offices semiannually and documented in the Country Office Scans reports.

The Regional Bureau also reviews work relating to annual work planning and annual reporting (ROAR), HACT, audits, Project Quality Assurance, Social and Environmental Screening Procedures (SESP) and evaluations using various corporate platforms and dashboards.



The audit team did not identify reportable issues on this performance audit question as the Regional Bureau has established effective oversight mechanisms to ensure adequate monitoring of projects and programmes at the Country Office level.



Annex 1: Observations per sampled Country Office

Observations	Georgia	Kazakhstan	Kosovo, context of UNSCR 1244 (1999)	North Macedonia	Montenegro	Turkey	Turkmenistan	Uzbekistan
Dedicated M&E personnel (Issue 1)	X	X		X	X (Post Advertised)	X	X	X
M&E resources not specifically defined in the project documents to facilitate planning and tracking of monitoring activities.					X	X	X	X
Activities in the project document were not undertaken in the indicated frequency. It is not clear how the timing was determined. (Issue 1)	X			X	X	X	X	X
Project risks were not monitored and updated in Atlas nor an offline risk log maintained. Specific risk owners were also not indicated in the risk logs. (Issue 2)		X	X		X	X	X	X
Output indicators not adequately defined to provide additional implementation guidance at granular level with specific measures and means of verification for each sub-indicator.	X	X (One Project)	X (One Project)	X	X	X (One Project)		X (One Project)
Outcome and output indicators are not measurable, clearly defined or realistic resulting to monitoring and verification challenges.		X	X			X	X	X



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.