

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



THEMATIC AUDIT

OF

PROJECT MONITORING AND OVERSIGHT PRACTICES

IN

THE REGIONAL BUREAU FOR ASIA AND THE PACIFIC

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Report on the Thematic Audit of Project Monitoring and Oversight Practices in the Regional Bureau for Asia and the Pacific 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 Asia and the Pacific (RBAP or the Regional Bureau) from 1 August to 9 December 2022.

The audit covered the period from 1 January 2020 to 15 December 2022. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. 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 supported Country Offices in achieving their intended results as indicated in their respective Country Programme Documents. The review included assessing 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 also reviewed the role of the Regional Bureau in exercising its oversight function as the 'second line of defense' 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 monitoring of programmes and projects within UNDP as **satisfactory/some improvement needed**, which means, "The assessed governance arrangements, risk management practices, and controls were generally established and functioning but needed 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 weaknesses in implementing monitoring controls.

The RBAP Country Offices were effective in monitoring the achievement of project results and addressing deviations, but some improvements were needed, such as the costing, level of detail and the strengthening of monitoring tools, as detailed in the audit recommendation.

RBAP has established effective oversight mechanisms to ensure adequate monitoring of projects and programmes at the Country Office level.

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



Management comments and action plan

The Assistant Administrator and Director of the Regional Bureau for Asia and the Pacific accepted the recommendation and is implementing it. 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 Asia and the Pacific (RBAP or the Regional Bureau) is responsible for 24 Country Offices. As of 31 December 2022, the approved delivery target by the Executive Group for RBAP was \$825 million and the total recorded programme delivery was \$789 million.

RBAP oversight systems are primarily focused on monitoring and evaluation at the Country Programme level and results monitoring. Spot checks, including country visits by the Regional Bureau, are carried out regularly, and actions are defined to address observations. For the project design phase, an automated tool based on the project template (PRODOC builder, developed by the Regional Bureau for Europe and the CIS as a joint collaboration) is available and supported by a peer group review established at the regional level to support all offices. Oversight exists at the project level through monitoring and evaluation. Day-to-day responsibility for oversight of results monitoring by projects lies within Country Offices. The projects selected for review per Country Office are presented in Annex I.

II. Audit methodology

The audit was based on a review of documents, interviews, and written inquiries/surveys.

All performance audit questions were addressed through document reviews, system walkthroughs, and interviews with key staff in several 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 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 address critical 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 discharging 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 must 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 annually through the Results-Oriented Analysis Report, and outputs must be monitored through the integrated work plan/Results-Oriented Analysis Report and project-specific output monitoring.

- Monitoring includes: (a) tracking performance through the collection of appropriate and credible data and other evidence; (b) analyzing 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 one recommendation ranked medium (important) priority.

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

Medium priority recommendations:

- (a) Strengthen the controls over monitoring activities (Recommendation 1).

Overall, the audit conclusions are as follows:

Project monitoring and oversight practices at the Regional Bureau level generally supported Country Offices in ensuring the achievement of intended results as indicated in their respective Country Programme Documents. The audit team noted challenges in the project monitoring relating to the budgeting for resources, in the reporting of monitoring activities, and in the need for the inclusion of automated tools in the design and implementation of monitoring activities.

The detailed assessment is presented below:

Question 1. Were Country Offices successful in monitoring the achievement of project results and addressing any deviations from agreed work plans? If not, what were the causes?

In general, Country Offices were successful in monitoring the achievement of project results and addressing deviations from agreed work plans. However, areas of weakness were identified on the following points:

Issue 1 Weaknesses in implementing monitoring controls

The UNDP Programme and Operations Policies and Procedures require that when formulating projects and programmes, all activities must be fully costed, including common costs within the office. Project monitoring resources, as part of the project activities, need to be identified to ensure that the projects are fully costed. The UNDP Programme and Operations Policies and Procedures require that project monitoring capacities are sufficient, adequately deployed, and implemented on time.

Costing of monitoring activities

The audit team reviewed 19 project documents and noted that the costs of monitoring activities were not included in the projects' total budgets in 5 out of the 19 cases (26 percent), and monitoring staffing costs



were not included in 4 of the 19 cases (21 percent). Monitoring costs, including staffing, were assumed to be covered by internal resources and were not further costed in the project budgets.

Implementing and reporting on monitoring activities

The audit disclosed that the monitoring activities deviated from the original plan in 8 of the 19 projects (42 percent). However, in most cases the Country Offices used different monitoring activities to compensate. In two cases, a separate tool or target was used to support the monitoring progress. In one case, the monitoring was missing in one of the three project implementation years. In two instances, the Back to Office Reports were used; however, these reports lacked references to targets. The use of these alternative monitoring activities was for the most part effective as they produced monitoring data on achieving the results. However, the audit team also noted weaknesses in the reporting of monitoring activities, as follows:

i. Back to Office Reports

During the review of the monitoring activities, the audit team noted that the Back to Office Reports did not follow a template that referred to implementation according to targets. In addition, the reports contained general information without providing details of the activities reviewed. The explanation shared by the Regional Bureau was that the Back to Office Reports were intended to be flexible to allow for different monitoring actions.

ii. Project board progress reports

According to the UNDP Programme and Operations Policies and Procedures, “In its oversight function, the Project Board or Project Steering Committee will (at a minimum) review and assess the following project-related evidence at each meeting: (i) assessment of project progress to date against project output indicators (as documented in the project document results framework; (ii) approval/review of annual work plans; (iii) assessment of the relevant Monitoring & Evaluation mechanisms. Project boards are responsible for budget adjustments and should have access to progress data to approve budgets when necessary (above tolerance levels).

Even though the project board deliberations were reflected in the meeting minutes, the minutes did not contain the progress reports based on achieved targets. The meetings referred to status updates in general terms and discussions on decisions to be taken based on immediate risks that required approval from the board.

The reasons for changes in the planned monitoring activities varied and were not always clear. However, the adjustments in the monitoring activities during project implementation implied that the planned monitoring activities needed to be more suitable for delivering the required monitoring information.

Weaknesses in implementing monitoring controls can lead to unexpected costs or incomplete information on achieving project targets, impacting the ability to make project adjustments.

Priority	Medium (Important)
Recommendation 1:	
The Regional Bureau, through its oversight function, should promote that:	
(a) the full costing of Country Office monitoring activities;	
(b) monitoring activities by the Country Offices are planned in more detail and based on the needs for monitoring information; and	



(c) the monitoring reports or Back to Office Reports follow a structured template and contain the status of the project implementation measured against the targets, and that the independent review by the project board is supported by progress reports based on targets.

Management action plan:

Guidance and training will be provided by the Regional Bureau to enhance the full costing practice for Country Office staff and managers. The Bureau will develop a guidance note on project monitoring for use by the Country Office staff and managers. The Regional Bureau will also develop a Back to Office Report template and ensure that guidance is shared with all offices on reporting on monitoring visits and project board meetings are held in line with UNDP programme and project management policies.

Estimated completion date: June 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 established effective oversight mechanisms to ensure adequate monitoring of projects and programmes at the Country Office level.

The Bureau has access to automated tools and develops quarterly overviews of performance, within which Country Offices are compared and ranked against each other in areas such as delivery, revenue, and resource mobilization; these overviews are shared among the Country Offices. Outliers in these overviews are identified, and follow-up actions are undertaken.

The Country Offices are responsible for the design of the project plans; however, the Regional Bureau supports this process by implementing pre-appraisal reviews at the regional level. The mechanism allows a peer group to review draft project documents in line with the quality standards of UNDP and share their comments with project developers. This enables the Country Office to strengthen the design of project documents through shared knowledge.

The audit team identified a positive, proactive approach to risk management. The Regional Bureau reviewed the project risk assessments for all Country Offices in the last two years. The assessments identified areas for improvement in formulating the event, cause, impact, treatment activities, and risk owner. The reviews not only identify weaknesses but also explain why they are weaknesses and language to support strong risk management.



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.

Annex 1. Projects reviewed in the Thematic Audit of Project Monitoring and Oversight Practices in the Regional Bureau for Asia and the Pacific

Country	Atlas ID	Description
Indonesia	129343	GCF - Indonesia REDD+ Results Based Payment
Fiji	120330	Governance for Resilient Development in the Pacific
Tuvalu	100068	Tuvalu Coastal Adaptation Project (GCF)
Lao People's Democratic Republic	104101	Support to the National Regulatory Authority (NRA) for Unexploded Ordnance (UXO)/Mine Action Sector
Nepal	102540	To support the Government of Nepal in ensuring establishment of an efficient and sustainable vegetable and fruits collection centers starting from VDC to regional level and contribute to the development of effective Vegetable value chain.
China	87742	Energy Efficiency Improvement in Public Sector Buildings
China	87756	Sector plan for phase-out of HCFCs in the Industrial and Commercial Refrigeration and Air Conditioning (ICR) Sector in China (Stage-II) for compliance with 2025 targets Project
China	119001	UNDP-China Greater Bay Area Hydrogen Economy Vocational
India	96923	Plastic Waste Management Programme: A Partnership
Sri Lanka	112897	Strong and Efficient Institutions
Mongolia	117248	SDG-Aligned Budgeting to Transform Employment Mongolia
Timor-Leste	126960	Strength Integral Local Development
Malaysia	136286	Integrated Island Waste Management in Malaysia
Bangladesh	85987	Strengthening Inclusive Dev in the CHT
Philippines	113425	Supporting the government's free Wi-Fi roll-out
Cambodia	90697	Mine Action for Human Development
Bhutan	93951	Climate Resilient Agriculture
Pakistan	88875	Stabilisation and Development Programme
Viet Nam	84003	Justice and Legal Empowerment