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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT OF THE UNFPA ASIA AND PACIFIC REGIONAL OFFICE

FINAL REPORT

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EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed an audit of the UNFPA Asia and Pacific Regional Office (APRO or the Office). The audit covered programme delivery and technical, operational and programmatic support activities in the period from 01 January 2015 to 30 September 2016, as well as the design of the Asia and Pacific Regional Interventions Action Plan 2014-2017. Activities and transactions pertaining to other periods were covered by the audit, as appropriate.

Background

2. The audit covered expenses amounting to USD 17 million corresponding to the implementation of the Asia and Pacific Regional Interventions Action Plan 2014-2017 (part of the Global and Regional Interventions 2014-2017 approved by the Executive Board in June 2014 with estimated core resources of USD 34.6 million for the four-year period) and to technical, programmatic and operational support to Country Offices in the Asia and the Pacific region in the period 01 January 2015 to 31 September 2016.

3. Expenses incurred by the Office were allocated to 21 projects, executed by 11 Implementing Partners (USD 2.8 million) and by UNFPA (USD 14.2 million), funded by core resources of USD 14.6 million and non-core resources of USD 2.4 million. Approximately 37 per cent of the expenses corresponded to Outcome 1 of the UNFPA Strategic Plan 2014-2017 (Increased availability and use of integrated sexual and reproductive health services). Activities related to Outcome 4 of the Strategic Plan 2014-2017 (Integration of evidence-based analysis on population dynamics to the development agendas) accounted for 28 per cent of expenses. The other Strategic Plan outcomes and management costs accounted for the remaining 35 per cent of expenses.

Methodology and scope

4. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, which require that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and internal control processes in place. The audit included reviewing and analyzing, on a test basis, information that provided the basis for the audit conclusions.

5. The scope of the audit included the review of the Office governance; support to and oversight over UNFPA Country Offices in the region; programme management; and operations, focusing on the processes established to mitigate risks associated with external factors, people, processes, relationships and information technology. The audit work was hindered by a challenging staffing situation beyond OAIS' control.

Audit rating

6. The overall audit rating is "**Some Improvement Needed**", which means that the assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the Office should be achieved. The issues and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.

7. Ratings by key audit area are summarized in the following table.

Audit ratings by key audit area		
Office governance		Some improvement needed
<i>Office management</i>		<i>Some improvement needed</i>
<i>Organizational structure and staffing</i>		<i>Some improvement needed</i>
<i>Risk management</i>		<i>Some improvement needed</i>
Support to and oversight over Country Offices		Major improvement needed
<i>Country programme strategic plan alignment</i>		<i>Effective</i>
<i>Country programme preparation</i>		<i>Some improvement needed</i>
<i>Monitoring of Country Office programmatic and operational performance</i>		<i>Some improvement needed</i>
<i>Provision of technical assistance</i>		<i>Some improvement needed</i>
<i>Resource mobilization</i>		<i>Not effective</i>
Programme management		Effective
<i>Regional programme planning and implementation</i>		<i>Effective</i>
<i>National execution</i>		<i>Effective</i>
<i>Management of non-core funding</i>		<i>Effective</i>
Operations management		Some improvement needed
<i>Human resources management</i>		<i>Effective</i>
<i>Procurement</i>		<i>Some improvement needed</i>
<i>Financial management</i>		<i>Effective</i>
<i>General administration</i>		<i>Some improvement needed</i>

Key findings and recommendations

8. The audit identified several good practices implemented by APRO, as well as areas that require Management attention, some of a strategic nature and others related to operational and compliance matters. Overall, the audit report includes eight high priority and three medium priority recommendations designed to help the Office improve its programme delivery and operations. One of the high priority recommendations is jointly addressed to the Regional Office and the Division for Human Resources. Of the 11 recommendations, 7 are of strategic nature, one is operational, and 3 are compliance-related.

Good practices

9. The audit identified several good practices implemented by the Office, some of which could be considered for replication by other offices. APRO developed a spreadsheet-based financial monitoring tool that systematically tracks and monitors the utilization of funds for its programmes. Financial monitoring was also enhanced through the development of a report designed to monitor core and non-core budget implementation rates and Operating Fund Account balances, enabling a timely identification and follow-up of potential issues at Country Offices. The Office took the initiative of establishing a team comprising both programme and technical personnel to develop procedures to support and quality-assure the development of Country Programme Documents during the period under review. Verification procedures were established to strengthen internal control over financial and procurement transactions by ensuring that they are reviewed for accuracy and completeness, and that operational activities are implemented in accordance with corporate policies and procedures. Standard operating procedures for procurement and travel operations were developed to help clarify roles and responsibilities of Office personnel involved in the procurement and travel processes.

Strategic

10. From an office governance perspective, there is an opportunity to improve the Office annual planning in the Strategic Information System, by better aligning its output indicators and the related baselines and targets to those in the corresponding workplans in the Global Programming System. The Office should assess its organizational structure and staffing to ensure that both are aligned to regional programme delivery; technical, strategic and operational support; regional oversight; and operations management needs. There is also a need to expedite the completion of human resource alignment and staffing level assessments for Country Offices in the region in order to enhance programme and operational effectiveness. APRO should develop a time-bound action plan to improve its

office work environment. The Office process for identifying and managing risks could be improved by implementing a more systematic approach for collating risks from Country Offices across the region to help identify emerging risk trends and patterns that could be incorporated in the region's overall risk assessment.

11. With regard to the support provided to and oversight over Country Offices, APRO should improve its review of United Nations joint programming documents and support to countries implementing programmes under the delivering-as-one modality. The Office should also enhance the scope, frequency and effectiveness of oversight over Country Offices' programmatic and operational performance, by developing and implementing a comprehensive monitoring and evaluation framework for the region. Further, the Office should develop and implement a regional resource mobilization and partnership strategy that is aligned to the UNFPA global resource mobilization strategy.

Operational

12. The Office Management oversight process could be enhanced by better documenting meeting minutes for consistency and easier follow-up of agreed action points.

Compliance

13. The Office should support the planning and completion of personnel training activities by developing costed annual training plans, prioritizing mandatory training activities and promoting completion of recommended ones. The procurement planning process at the Office could be further improved by raising the awareness of relevant staff on the need to timely plan local procurement activities and better link planned procurement activities to workplans. Further, the Office should improve its travel management practices with regard to timely submission of travel requests.

Management response

14. APRO thanks the OAIS team for the audit and accepts the recommendations provided. The Office is pleased to note that it has already undertaken a number of steps to strengthen office governance, programme management and operations since the time of the audit mission.

15. Starting in 2017, APRO undertook robust work planning and implementation of activities, and has strengthened its office management architecture, follow-up and follow-through of decision making, prioritization – ensuring better results management and monitoring. A number of internal processes have been streamlined to increase the Office efficiency and effectiveness.

16. Moreover, to effectively perform the second line of defence role, APRO developed its 'Oversight and Support of Country Offices framework' in 2017 in a participatory manner, involving all Country Offices, and commenced its execution in 2018. In consultation with the Division for Human Resources, APRO has undertaken a strategic analysis of the Country Offices' structures, and is at the completion stage of the realignment exercises. All these actions have allowed the Regional Office to implement most of the recommendations, with the remainder to be completed by mid-2019.

17. The OAIS team would like to thank the Management and staff of the Regional Office, the Country Offices in the Asia and Pacific region and the different Headquarter units for their cooperation and assistance, as well as their patience, throughout the audit.

I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The audit covered programme delivery and technical, operational and programme support activities in the period from 01 January 2015 to 30 September 2016. Activities and transactions pertaining to other periods were covered by the audit, as appropriate.
2. The objective of the audit, conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, was to provide reasonable assurance on the effectiveness of the governance, risk management and internal control processes implemented at APRO.
3. The audit included such tests, as considered appropriate, to obtain reasonable assurance with regards to:
 - a) The effectiveness of the technical, operational and programmatic support to and oversight over UNFPA Country Offices in the Asia and Pacific region;
 - b) The effectiveness and efficiency of the APRO programme delivery and operational activities;
 - c) The conformity of expenses with the purposes for which funds were appropriated;
 - d) The safeguarding of assets entrusted to APRO;
 - e) The level of compliance with applicable legislative mandates, regulations, rules, policies and procedures; and
 - f) The reliability of APRO's financial and operational reporting.
4. The scope of the audit included the review of the Office's governance; support to and oversight over UNFPA Country Offices in the region; programme management; and operations, and focused on the processes established to mitigate risks associated with external factors, people, processes, relationships and information technology.
5. The engagement was conducted by a team of OAI audit specialists supported by a guest auditor and staff from an external audit firm. A field mission took place from 31 October to 24 November 2016. Preliminary findings and recommendations resulting from the audit were discussed with the then APRO Management at an exit meeting held on 23 November 2016. Initial comments received and clarifications provided at the exit meeting were taken into account, as appropriate in devising the draft report. The audit was hindered by a challenging staffing situation beyond the control of OAI, impacting field work completion and draft report writing. The latter was submitted to the Office on 29 June 2018, and a final management response received on 20 July 2018.

II. BACKGROUND

6. APRO started operating in Bangkok, Thailand, in 2008, as part of a corporate-wide regionalization process implemented by UNFPA as from that year. It provides strategic support and technical expertise to 22 Country Offices¹ across the Asia and Pacific region and one sub-regional office located in Fiji. In 2015, UNFPA delivered programmes worth USD 146 million² in the region.

7. The Asia and Pacific region is home to 60 per cent of the world's population – some 4.2 billion people – and includes the world's most populous countries, China and India. Conversely, the region also includes countries with some of the smallest populations on the planet, especially among the Small Island Developing States in the Pacific. Much of the region has benefitted from recent economic growth, with an increasing number of its countries classified as Middle-Income Countries. As of 2015, 525 million people were classified as middle class in the region – a number projected to grow to 1.74 billion by 2020. The region is home to 900 million of the world's poor – with South and South-West Asia accounting for 44 per cent of the global total. This diversity is accompanied by changing demographic trends, characterized by overall lower fertility and mortality rates, as well as rapid urbanization and sizeable migration flows within, and outside, the region. Although the total fertility rate for the region as a whole was close to the replacement level of 2.1 births per woman in 2013, demographic changes have not been uniform across the region. For instance, family size in East Asia has fallen to 1.7 children per woman, while remaining high in South Asia at 2.5 children per woman.³

8. There has been significant improvement in sexual and reproductive health across the region over the last 20 years, in part due to increased use of modern contraceptives and improvement in the provision of reproductive and sexual health care. Despite the improvement, 140 million women in the region still have an unmet need for family planning. While progress was made in meeting most of the Millennium Development Goals, the goal of reducing maternal mortality and morbidity fell behind. Deaths and poor health among women remain high in the region. In 2010, for every 100,000 births in the region, 150 women died from complications related to pregnancy and childbirth. Sub-regional differences are stark – on average, for every 100,000 live births, 220 women die in South Asia and 150 in South-East Asia, compared to 37 in East Asia. The region is also one of the most disaster-affected and disaster-prone in the world. Three out of ten countries in the region were categorized as “extreme to high risk” by the 2013 Global Risks Atlas, which evaluated 179 countries across 36 risk issues.⁴

9. Activities covered by the audit, with related expenses amounting to USD 17 million, corresponded to the Asia and Pacific Regional Interventions 2014-2017 Action Plan (part of the Global and Regional Interventions 2014-2017 approved by the Executive Board in June 2014 with estimated core resources of USD 34.6 million for the four-year period). Expenses were allocated to 21 projects executed by 11 Implementing Partners (USD 2.8 million) and by UNFPA (USD 14.2 million), funded by core resources of USD 14.6 million and non-core resources of USD 2.4 million. Approximately 37 per cent of the expenses contributed to Outcome 1 of the UNFPA Strategic Plan (Increased availability and use of integrated sexual and reproductive health services). Activities related to Outcome 4 of the Strategic Plan (Integration of evidence-based analysis on population dynamics to the development agendas) accounted for 28 per cent of expenses. The other Strategic Plan outcomes and management costs accounted for the remaining 35 per cent of expenses.

10. APRO is located in the city of Bangkok, Thailand. During the period under review, the Office was managed by a Regional Director assisted by a Deputy Regional Director, an International Operations Manager (IOM), and Regional Advisors in the strategic areas of Human Resources, Monitoring and Evaluation, Programme Management, Resource Mobilization and Partnerships, Communication, and Security. The Regional Director retired in August 2017 and the Deputy Regional Director was rotated to a Country Office position in the same month. A new Regional Director assumed office in September 2017 and a new Deputy Regional Director in August 2017.

¹ Afghanistan, Bangladesh, Bhutan, Cambodia, China, Democratic People's Republic of Korea, East Timor, India, Indonesia, Islamic Republic of Iran, Lao People's Democratic Republic, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Papua New Guinea, Philippines, Sri Lanka, Thailand, Vietnam.

² Based on COGNOS budget utilization figures.

³ Asia and the Pacific Regional Programme Action Plan 2014-2017 (August 2013).

⁴ APRO intranet site - <http://asiapacific.unfpa.org/node/15199>.

III. DETAILED FINDINGS

A. OFFICE GOVERNANCE

SOME IMPROVEMENT NEEDED

Good practices identified

1. The audit identified the following good practices in the area of governance, mostly in line with established policies and procedures, one of which (practice b) could be considered for replication by other offices:
 - a) The 2015 annual planning was undertaken in a participative manner and was timely completed using the Strategic Information System (SIS) 'myResults' module. APRO Management closely monitored implementation progress in the SIS and provided evidence to support the reported progress status both in SIS and in the Global Programming System (GPS);
 - b) The Office developed a spreadsheet-based financial monitoring tool to systematically track and monitor the utilization of funds for its programmes implemented across the region; and
 - c) APRO adopted human resource work flows, with defined timelines, to expedite implementation of the "E-recruit" system in 2017, as part of decentralizing the recruitment process to Country Offices in the region.

A.1 – OFFICE MANAGEMENT

SOME IMPROVEMENT NEEDED

2. Audit procedures performed in this area included the review of: (a) the Office's planning process in 2016; (b) the relevance of the Office's 2016 annual management plan and the level of implementation of its activities; (c) the alignment of performance plans for key personnel to the Office's priorities; (d) the effectiveness of management oversight over programme delivery and operational activities; (e) the accuracy of the Office 2016 annual report; and (f) the level of familiarization of Office personnel with UNFPA policies and procedures.
3. The following matters requiring Management attention were identified based on the audit work performed.

Enhance annual planning through the Strategic Information System

4. The audit identified a number of improvement opportunities that could enhance the relevance and usefulness of the Office annual plan, which was developed using the 'myResults' application and focused on 14 programme cycle outputs in 2016.
5. Six out of 11 2016 workplan output indicators reviewed had baselines that were inconsistent with those indicated in the corresponding annual plan. Further, while some of the baselines reviewed were correctly set on a cumulative basis, taking into consideration previous achievements in meeting the related targets, others were stated on a non-cumulative basis – distorting the annual targets set for the output indicators and also affecting the effectiveness of tracking the results achieved.
6. Workplan output indicators in GPS were not directly linked to the related programmatic activities indicated in the SIS annual plan. For instance, the GPS workplans, which lacked sufficient details on the activities to be implemented, were used primarily for financial and budgetary monitoring without clear linkage to planned programmatic activities in SIS. This created a challenge to effective planning of programmatic activities, estimation of the resources to be applied to planned activities, and monitoring of progress towards the achievement of targets.
7. The audit noted that, in general, milestones in the 2016 SIS annual plan were a re-wording of output indicators and did not indicate the intermediate results that the Office aimed to achieve, making it difficult to effectively track progress towards the achievement of indicators and targets. The difficulty in tracking progress was exacerbated by the extensive use of qualitative factors in reporting on otherwise quantifiable output indicators and targets – increasing complexity and subjectivity in reported results. Further, indicators in the individual performance plans for key programme personnel could not be directly linked to milestones and targets assigned to them in the annual plan.

8. In addition, the 2016 workplans reviewed by the audit did not indicate the target countries for the Office’s programmatic interventions, the related resource investments, and the planned results - making it difficult to verify and track workplan implementation progress and reported annual results.

ROOT CAUSE *Guidance (inadequate supervision at Office level).*
 IMPACT *Accountability for and the ability to track expected results may be diminished.*
 CATEGORY *Strategic*

RECOMMENDATION 1

PRIORITY: HIGH

Align the annual Office plan and workplan output indicators and the related baselines and targets, while better defining the milestones required to achieve targets and linking the indicators reflected in staff performance plans to those reflected in the Office annual plan.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Regional Director, APRO* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *April 2019*

APRO agrees with the recommendation and has already completed a number of actions to strengthen office management since the end of 2016. As a first step, the Office developed a robust, theory-based multi-year workplan to achieve the targets of the Regional Intervention and Country Programme (RIAP) 2018-2021. The workplan benefited from several internal discussions, as well as two regional planning meetings with all Representatives in the region to identify Country Office priorities.

The multi-year workplan sets annual targets aligned with the RIAP output targets and identifies the key actions needed to achieve these targets. Annual workplans are based on the multi-year workplan and reflect requests from County Offices made through a country support plan, which is updated mid-year. Key actions identified in the multi-year workplan provide a basis for identifying APRO’s quarterly milestones . To ensure proper linkage between SIS and GPS annual workplans, GPS output indicators are selected from SIS milestones, to the extent possible.

Further, the multi-year workplan links the activities necessary under key actions and the related output indicators in order to strengthen the connection between individual performance plans and SIS indicators. In addition, all staff and their supervisors will receive instructions and results-based management training to ensure strong linkages between individual performance plan indicators and SIS output indicators.

Enhance the Office management oversight process

9. The Office conducted various meetings to facilitate day-to-day planning, share information, and provide updates on agreed actions. The Office was able, through these meetings, to identify programmatic and operational challenges together with the actions needed to address them. The resultant minutes were, however, not structured in a manner to allow effective and efficient tracking and follow-up of the agreed actions. The format of the minutes was, for example, not standardized – making them difficult to follow in a systematic manner from one meeting to the next. Further, in most cases, the minutes did not indicate the agreed action points, their prioritization, timelines for their implementation, and the responsible parties – making difficult to follow progress made at subsequent meetings. In cases where action points were documented, they lacked specificity – hampering their effective follow-up. Out of 73 Management action plans reviewed, 28 had no indication of the expected implementation dates; 27 were not assigned to any individuals for accountability purposes; and 21 remained open for a period of more than six months with no indication of active follow-up.

ROOT CAUSE *Guidance (inadequate supervision at Office level).*
 IMPACT *The effectiveness of management oversight over programme implementation and operations may be diminished.*
 CATEGORY *Operational*

RECOMMENDATION 2

PRIORITY: MEDIUM

Develop an appropriate format for documenting management oversight meetings that provides consistency and allows easy follow-up of and accountability for agreed action plans.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Regional Director, APRO*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Implemented as of July 2018*

The Office agrees with the recommendation and has already undertaken a number of steps to strengthen management oversight through implementation of a system where decisions and action points are minuted documented and shared with staff, following staff or budget meetings and unit-specific meetings . Meeting minutes are made available to all staff in APRO iDocs. The Regional Director's office is responsible to for follow-up with relevant staff/units, and records progress. APRO introduced the following management meeting architecture:

- *All-staff meeting – weekly;*
- *Budget management meeting – weekly;*
- *Technical team meeting with the Regional Director – weekly;*
- *Programme Team meeting with Regional Director – weekly;*
- *Operations Team meetings – biweekly.*

Therefore, APRO considers the recommendation to be implemented.

OAIS Comments on the Management Response: *The status of implementation of the recommendation reported by Management is acknowledged, and will be validated as part of the internal audit recommendation follow-up process.*

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING

SOME IMPROVEMENT NEEDED

10. At the time of the field audit mission, the Office had a total of 45 approved posts, including 30 international posts and 15 national posts. During the period under review, the Office organization structure comprised a Regional Director, assisted by a Deputy Regional Director, and an IOM. Besides programme and operations staff, Office activities were supported by six Regional Advisors in the strategic areas of Human Resources, Monitoring and Evaluation, Programme Management, Resource Mobilization and Partnership, Communications, and Security.

11. Audit work performed in this area included a review of: (a) the alignment of the Office organizational structure and staffing arrangements with, (i) RIAP delivery; (ii) technical, operational and programmatic support requirements; and (iii) operational activities requirements; (b) the use of proper personnel contractual modalities; (c) the effectiveness of the personnel performance assessment process, and (d) the relevance and sufficiency of personnel development activities conducted during the period under review.

12. The following matters requiring Management attention was identified based on the audit work performed.

Assess the alignment of the Office structure and staffing levels to programmatic, support and operations management needs

13. During the period under review, the Office faced operational and programmatic challenges as a result of a declining and unpredictable donor aid environment. As a result, the Office initiated several cost-cutting measures aimed at addressing resource constraints, including the reduction and re-prioritization of budgetary provisions and temporary suspension of staff recruitment. In 2015, for instance, APRO made significant reductions to resource allocations under its RIAP – reducing the resources allocated to its regional programme by USD 1.0 million and a further USD 1.1 million in budgeted funds for its Country Programmes.

14. The austerity measures and allied change management processes adopted by the Office, coupled with the suspension of staff recruitment activities, necessitated changes to planned operations and programmatic priorities in the region, creating a high risk of a misaligned office structure and staffing needs. A human resource re-profiling of Country Offices in the region which commenced in 2015 was intended to create the right office structures and provide the necessary competencies, was also put on hold due to limited resources. Similarly, the Office's reorganization plans intended to align its structure and staffing needs to programme delivery and operational requirements that were based on an assessment conducted before the launch of the RIAP in 2014, were not fully implemented. Office Management indicated its intention to plan a realignment of the Office. However, at the time

of drafting this report, according to a schedule of planned and approved human resource realignments provided by the Division for Human Resources, no realignment exercise was undertaken in 2017 or scheduled in 2018.

15. Further, at the time of the audit field mission, only 2 out of the 11 Country Offices in the region with new Country Programmes in 2015 and 2016, had completed the requisite human resource assessments to align their structures and staffing to the programmatic and operational delivery requirements of the new programmes. At the time of the audit field mission, another eight assessments were in progress, while one was cancelled. APRO Management explained that delays in completing the assessment exercises were occasioned by several factors, mainly related to funding resource gaps and the on-going UNFPA corporate-wide Comprehensive Resources Review.

ROOT CAUSE	<i>Resources (lack of or insufficient financial resources). Other (factors beyond the control of UNFPA).</i>
IMPACT	<i>The Office may not be able to implement its Regional Programme and provide effective support to and oversight over Country Offices in the region. Country Offices' organizational structures and staffing arrangements may not be aligned to their Country Programmes' operational and programme delivery needs.</i>
CATEGORY	<i>Strategic</i>

RECOMMENDATION 3 **PRIORITY: HIGH**

As part of the Comprehensive Resource Review, assess, and amend if and as necessary, the Office organizational structure and staffing in order to implement its regional programme and perform its technical, operational and programmatic support role to country offices more effectively, in line with the new RIAP 2018-2021.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Regional Director, APRO with the support of the Director, Division for Human Resources.* STATUS: *Agree*

Management Action Plan: *Due Date: Implemented as of July 2018*

The Office agrees with the recommendation. Following the period reviewed by the audit, the Office has tweaked its structure by unfreezing two General Services positions. In addition, three advisors (Resource Mobilization, M&E and SRHR) have been on-boarded. An upgrade of the humanitarian post to the Advisor level has been implemented and a temporary appointment P3 has been created to support the Communications Adviser. In addition, a strategic Population Ageing and Sustainable Development Advisor post has been created and recruited, and donor funding for a Human Rights Adviser is currently awaited.

Taking note of the upcoming second phase of the Comprehensive Resource Review, which will focus on Regional Office configurations, the Office feels the current configuration has been sufficiently strengthened to perform its role, and therefore considers this recommendation as implemented.

OAIS Comments on the Management Response: *The status of implementation of the recommendation reported by Management is acknowledged, and will be validated as part of the internal audit recommendation follow-up process.*

RECOMMENDATION 4 **PRIORITY: HIGH**

In the context of the Comprehensive Resource Review, develop, in consultation with the Division for Human Resources, a plan to expedite completion of pending human resource alignment and staffing level assessments for Country Offices in the region.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: STATUS: *Agree*
Directors APRO and Division for Human Resources

MANAGEMENT ACTION PLAN: DUE DATE: *Implemented as of July 2018*

The Office agrees with the recommendation. A plan has been developed, in consultations with DHR, where the region prioritized its actions to undertake strategic assessments of Country Office structures. All Country Offices identified for strategic assessment (Bangladesh, Vietnam, Afghanistan, Indonesia, Myanmar, India, Papua New Guinea, Thailand, Nepal and Pacific Sub-Regional Office) have undergone the process and the resultant realigned

structures are at various stages of approval, ranging from being fully approved and implemented to awaiting Headquarters approval. Therefore, APRO considers this recommendation as implemented.

OAIS Comments on the Management Response: The status of implementation of the recommendation reported by Management is acknowledged, and will be validated as part of the internal audit recommendation follow-up process.

Timely fill vacancies in key positions

16. During the period under review, APRO experienced a high level of staff turnover, as well as extended vacancies of over 12 months in key positions such as those of the Regional Programme Coordinator, the Regional Resource Mobilization and Partnership Advisor, and the Regional Monitoring and Evaluation Advisor. In particular, the vacancy in the position of Regional Resource Mobilization Advisor, for a period of over 24 months, may have negatively impacted the performance of Country Offices in the region, which lacked critical resource mobilization support – an area highlighted by the Office as being of utmost priority due to the increasing need to diversify and expand UNFPA’s funding partnerships and innovations in the region.

17. At the time of the audit field mission, the Asia and Pacific region as a whole had a total of 140 vacancies including: (a) three Representative positions; (b) five Operations Managers (both international and national) positions; (c) one Deputy Representative position; and (d) three Assistant Representative positions. APRO itself had 12 vacant positions including the three posts mentioned in paragraph 16 above, and those of two Technical Advisors, one Programme Specialist, and four Programme support staff.

18. While it is critical for APRO to promptly fill future vacancies in key positions, the audit notes that these were largely a result of the 2015 and 2016 austerity measures discussed in paragraph 13 and, therefore, beyond the control of the Office. Further, the issue of extended vacancies was not unique to the region and was raised in other audits, with recommendations, the implementation of which by the Division for Human Resources was already underway at the time of drafting this report. As a result, no recommendation is provided in this regard.

Improve the work environment

19. The 2014 UNFPA Global Staff Survey results revealed a level of APRO staff engagement⁵ (51 per cent positive responses) which was far below the UNFPA global average (81 per cent positive responses) and specified a number of work environment areas that required Management attention, including collaboration, change management, fairness and transparency in staffing decisions, and the need for effective mechanisms for grievance and conflict resolution. Similarly, the 2016 survey results although indicating a slight improvement (58 per cent positive responses) in staff engagement, highlighted the same work environment issues as those reported in 2014.

20. Discussion with Office staff members revealed factors that contributed to the low assessment, such as the change management process, high staff turnover rates, extended vacancies in key positions, imbalances in the distribution of responsibilities and workload. Perceived inaction or delays in timely addressing the concerns raised in the staffing surveys also affected workplace relations and the working environment.

ROOT CAUSE	<i>Guidance (inadequate supervision at Office level). Resources (insufficient human resources).</i>
IMPACT	<i>The Office work environment may diminish the effectiveness and efficiency of programme delivery and operational activities.</i>
CATEGORY	<i>Strategic</i>

RECOMMENDATION 5 **PRIORITY: HIGH**

Develop an agreed time-bound action plan, in the context of the ongoing organization-wide Comprehensive Resources Review and change management process, to improve the Office work environment.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Regional Director, APRO* STATUS: *Agree*

⁵ The value that the organization places on an employee and vice versa.

MANAGEMENT ACTION PLAN:

DUE DATE: *Implemented as of July 2018*

APRO agrees with the recommendation to develop a time-bound action plan, and follow up on key office work environment issues, as indicated in the Global Staff Survey. To this end, APRO has developed action points for follow-up in 2017 and 2018, which have been implemented. These action points will be further updated on a rolling basis as the plan is considered a “living document”.

In 2017, a Global Staff Survey Task Team (Transitional Team), comprising several APRO staff, was established to act as enabler of discussions between APRO staff and the management team on priority office environment issues. Some of the points outlined in the Transitional Team's terms of reference are to: (a) foster periodic dialogues between APRO staff and management on office environment issues; (b) support the development of rolling action points; and (c) prioritise Global Staff Survey follow-up activities. From discussion, three prioritized areas have been identified for further follow-up: (a) career development and work-life balance; (b) learning; and (c) performance management.

A number of follow-up meetings were held by the Transitional Team, including ‘reporting back’ sessions held at all staff meetings. The Team also organized a group activity session on work-life Balance at the 2017 APRO retreat . A mid-term 'pulse' survey was conducted for all personnel (including interns and short-term consultants) to gauge rapid insight on staff perceptions about progress made on the aforementioned three priority areas. The results have been analyzed and a follow-up all staff meeting is planned, where concrete and updated action points for the latter half of 2018 will be established. Therefore, APRO considers that this recommendation is implemented.

OAIS Comments on the Management Response: The status of implementation of the recommendation reported by Management is acknowledged, and will be validated as part of the internal audit recommendation follow-up process.

Improve the planning and completion of personnel training activities

21. At the time of the audit field mission, most staff members had not completed all the required mandatory training courses, including those related to ethics, integrity and anti-fraud; harassment, sexual harassment and abuse of authority in the workplace; Internal Control Framework certification; and Procurement Level I. From its review of seven individual staff performance assessments, the audit noted that the concerned staff did not complete any of the mandatory training requirements. In addition, only 10 out of 17 programme personnel had completed the recommended results-based management training.

22. Further, the Office did not have a training and learning plan, tool or other mechanism to identify and collate personnel training needs, and plan and monitor their fulfilment.

ROOT CAUSE	<i>Guidance (inadequate supervision at Office level).</i>
IMPACT	<i>The Office’s performance may be impacted by personnel capacity gaps.</i>
CATEGORY	<i>Compliance</i>

RECOMMENDATION 6

PRIORITY: HIGH

Develop a costed annual training plan; prioritize mandatory training activities and promote completion of the recommended results-based management training by programme personnel, taking into account programme delivery and operations management needs, as well as availability of funding; closely monitor its implementation.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Regional Director, APRO*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *April 2019*

The Office agrees with the recommendation. Following the allocation made in 2018, a regional learning plan has been compiled, prioritized and approved by Headquarters. The plan is currently under implementation.

UNFPA's online Results-based Management course, is outdated. With the arrival of the Monitoring and Evaluation Adviser, a significant level of training has occurred and procedures and processes streamlined and adopted within the Office to build the capacity of programme staff and other personnel. A regional results-based-management training was conducted in October 2017 and additional similar training will be offered to APRO staff and selected Country Offices starting a new programme cycle (e.g. the Philippines, Myanmar and Pakistan).

APRO management has put in place a system to track completion of mandatory trainings by all personnel; updates are provided to the Regional Director and other Office supervisors on regular basis. APRO plans to complete all due mandatory training courses by the end of 2018 individual performance planning period.

A.3 – RISK MANAGEMENT

MAJOR IMPROVEMENT NEEDED

23. Audit work performed in this area consisted of a review of the Office's 2015 and 2016 fraud and operational risk assessments; the process followed in identifying risks, and the actions undertaken to mitigate them. Work performed also included a review of: (a) risks reported by 15 Country Offices in the region to verify their inclusion in the regional risk assessment; and (b) the status of implementation of risk management action plans established by the Office.

24. Based on the work performed, the audit noted the following matter in need of Management attention.

Enhance the process for identifying and managing risks

25. The Office completed its 2016 risk assessment exercise in October 2016 in the 'myRisks' application.⁶

26. There was, however, no established process for collating risks identified by Country Offices in the region to help identify emerging risk trends and patterns that could be incorporated in the region's overall risk assessment. The audit noted, for example, that common operational risk factors reported by Country Offices in 2016, such as non-delivery of agreed programme results, disrupted operations during major calamities and long outstanding vacancies in key international posts were not reflected in the regional risk assessment prepared by the Office. Similarly, fraud risks reported by five Country Offices⁷ in the areas of financial management, procurement, assets management, travel, and information security were not sufficiently reflected in APRO's risk assessment report. As a result, prioritized actions developed by the Office designed to address or mitigate risks across the region did not take into consideration the omitted risks.

27. The gap noted was in part due to limitations in the corporate Enterprise Risk Management (ERM) framework, a matter that has already been brought to the attention of Headquarters Management by OAIS and is currently the subject of ongoing discussions with senior management and refinements/improvements to the Enterprise Risk Management process are expected.

ROOT CAUSE	<i>Guidelines (inadequate corporate policies and procedures).</i>
IMPACT	<i>Limited ability to timely and properly identify and address risks.</i>
CATEGORY	<i>Strategic</i>

RECOMMENDATION 7

PRIORITY: HIGH

Leveraging on the 2018 ERM process, implement a systematic process for identifying and collating risks from the Country Offices across the region for incorporation into APRO's overall risk assessment process and to aid in the development of appropriate mitigating controls and action plans.

RESPONSIBLE MANAGER: *Regional Director, APRO*

STATUS: *Agree*

⁶ Part of the SIS.

⁷ Bangladesh, Papua New Guinea, Nepal, Myanmar and Iran.

MANAGEMENT ACTION PLAN:DUE DATE: July 2019

APRO agrees with the recommendation. However, it acknowledges the limitations of the corporate Enterprise Risk Management timeframe that requires simultaneous completion of the ERM assessments to be undertaken and completed by all offices, therefore limiting the Office's ability to incorporate the Country Offices' risks into the overall regional office risk assessment. To correct this, necessary revisions in guidelines need to be considered by the Division for Management Services.

The Office has completed quality reviews of all Country Offices for the 2018 ERM assessments by the set deadline and will use the resultant spreadsheet-based risk analyses to develop an overall regional risk assessment and action plan, which will be implemented through the 'APRO Framework for Support and Oversight to Country Offices'.

B. SUPPORT TO AND OVERSIGHT OVER COUNTRY OFFICES**MAJOR IMPROVEMENT NEEDED**

28. Regional offices play a critical role towards ensuring an effective implementation of Country Programmes and use of UNFPA resources, by providing integrated technical, operational and programmatic support and overseeing Country Office programmatic and operational performance. The role assigned to Regional Offices was articulated in Terms of Reference issued in 2007, which were reinforced and clarified in revised Terms of Reference issued in April 2015.

Good practices identified

29. The audit identified the following good practices in the area of support to and oversight over Country Offices, some of which could be considered for replication by other Regional Offices:

- a) APRO provided overall guidance and support to Country Offices in the early stages of Country Programme Document (CPD) development, including holding orientation workshops for CPD roll-out countries, providing regular input to pre-CPD planning activities, as well as the actual preparation of the CPD frameworks. To this end, the Office established a "ProgTech" team with a combined membership of the Programme & Humanitarian Support Team (PHS) and Technical & Quality Assurance Unit Team to support the development of CPDs and quality-assure them. Together with the Regional Programme Review Committee (RPRC), the "ProgTech" team contributed to favorable⁸ outcomes in the final CPD reviews undertaken by the UNFPA Headquarters-based Programme Review Committee (PRC) by providing robust feedback on draft CPDs before their submission to the PRC. All 11 draft CPDs reviewed by the "ProgTech" team in 2015 and 2016 were subsequently rated 'satisfactory' by the PRC with average ratings of 84 per cent;
- b) The Office established a clear division of Country Office portfolios between Programme Specialists in the PHS team to enhance and facilitate effective communication with and support to the Country Offices;
- c) APRO established a best practice of encouraging the preparation of formalized (non-compulsory) Country Support Plans by Country Offices in need of programme and technical support, which formed the basis for the development of formal terms of reference for the support; and
- d) The Office established the Asia and Pacific Financial Report for monitoring core and non-core budget implementation rates and Operating Fund Account balances, which enabled the Office identify and timely follow up on potential issues at the Country Offices.

⁸ All 2015 and 2016 APRO CPDs received a "Satisfactory" PRC rating

B.1 – COUNTRY PROGRAMME STRATEGIC PLAN ALIGNMENT**EFFECTIVE**

30. UNFPA business units were required to prepare plans to align their programmes to the strategic direction and business model reflected in the UNFPA Strategic Plan 2014-2017 by the end of 2015.⁹ Per the strategic plan alignment guidelines,¹⁰ Regional Offices were required to: (a) review and approve a mandatory strategic plan alignment plan output to be included in each Country Office's annual management plan for 2014; (b) ensure the completeness and quality of alignment activities; (c) facilitate timely alignment plan updates by Country Offices; and (d) quality assure new Country Programmes to support alignment.
31. Audit work performed in this area included an assessment of the processes and tools used to support and monitor the strategic alignment of Country Offices in the region. The audit also included a survey of Heads of Country Offices in the region to obtain their views on the support provided by APRO in the area of strategic plan alignment.
32. No reportable issues were noted based on the audit work performed.

B.2 – COUNTRY PROGRAMME PREPARATION**SOME IMPROVEMENT NEEDED**

33. The role of Regional Offices as regards Country Programme preparation is envisaged to include, but not be limited to, the provision of technical support and the review and quality assurance of draft CPDs¹¹ and Country Programme Action Plans.¹² To fulfil this role, APRO established a good practice for CPD reviews (see paragraph 29 (a) above).
34. Audit work performed in this area consisted of assessing the process used by the RPRC to review CPDs and testing of supporting evidence for 6 of the 11 CPD reviews performed in 2015 and 2016. The audit also included a review of the tools used to support the design of CPDs, and a survey of Heads of Country Offices in the region to obtain their views on the support provided by APRO in the area of Country Programme preparation and development.
35. Based on the work performed, the audit identified the following matter that requires Management attention.

Improve the review of joint UN programming documents and support to countries implementing the delivering-as-one modality in the context of the UN Reform

36. As noted in paragraph 29 (a), APRO established and implemented an elaborate process to support the development and quality assurance of CPDs. In particular, as part of the process, the PHS team typically conducted country-level missions to participate in United Nations Country Team (UNCT) and United Nations Development Assistance Framework (UNDAF) consultations. The Office, however, neither had a structured and consistent process for reviewing and providing substantive input to UNDAFs and other instruments of UN joint programming processes in the countries nor a formal process for supporting Country Offices implementing under the Delivering as One (DaO) modality.¹³ With the exception of one country (where UNFPA was the designated UNDG convening agency and had strongly supported the UNDAF development process), the audit was unable to verify, for the period under review, the Office's oversight of and support to the development of the other countries' joint UN programming documents.
37. The survey of Heads of Country Offices conducted by OASIS revealed that over two-thirds of the Country Offices in the region considered the support provided by APRO in the development of Country Programmes as either good or very good. While commendable, a few Country Offices expressed a need for stronger involvement in the development and quality assurance of the UNDAF and other United Nations-level programming documentation, including support for the DaO modality. Office Management explained that owing to resource constraints, its involvement in the development of the UNDAF at country level was considered on a case-by-case basis, as requested by the Country Offices.

⁹ UNFPA Strategic Plan, 2014-2017. Paragraph 93, page 23

¹⁰ Aligning to the Strategic Plan, 2014-2017: Toolkit for UNFPA Offices

¹¹ Policy and Procedures for Development and Approval of Country Programme Document. June 2012. Section 1, page 10

¹² Policy and Procedures for Development and Approval of the Country Programme Action Plan – June 2012

¹³ Bhutan, Indonesia, Laos, Maldives, Pakistan, Papua New Guinea and Vietnam

38. Office Management underlined to the audit the distinction between its function to contribute to the larger system-wide UNDAF support mechanism and its support to individual UNFPA Country Offices on their UNDAF and other joint programming reviews. Office Management indicated that the APRO terms of reference refer to the former, where UNFPA participates in the established inter-agency common country programming support mechanism. From this perspective, APRO supported the reviews of UNDAFs and major joint programming efforts via the 'Peer Support Group' (the UNDAF Quality assessment inter-agency group). Further, APRO noted that the development of UNDAF is not always synchronized with that of Country Programme Documents. Nevertheless, APRO provided support through the Country Programme Document roll-out workshop, which integrated specific sessions on UNDAF and other parts of the UN Reform so that Country Offices gain a better understanding.

39. The audit notes that, at the time this report is finalized, the UN Reform is in progress and the roles and mechanisms for programme development at country, regional and global levels in this new context are a work-in-progress. Therefore, the audit will not pre-empt any future development and does not issue, at this juncture, a specific recommendation; the audit nevertheless strongly encourages Management to learn from and integrate the audit findings in their involvement in the UN Reform activities.

ROOT CAUSE	<i>Guidance (inadequate supervision at Office level). Resources (lack of or insufficient human and financial resources).</i>
IMPACT	<i>UNDAFs and other UN joint programming processes may not adequately reflect UNFPA's strategic priorities.</i>
CATEGORY	<i>Strategic</i>

B.3 – MONITORING OF COUNTRY OFFICE PERFORMANCE

SOME IMPROVEMENT NEEDED

40. The 2015 Regional Office Terms of Reference¹⁴ and various policies and procedures define the Office's oversight responsibilities in relation to Country Offices, including those related to the monitoring of programme implementation and achievement of programme results, management, operations and compliance with policies and procedures – ultimately to support the objectives of the UNFPA Oversight Policy¹⁵ to encourage good governance, create the necessary environment of accountability and transparency, and ensure that Country Offices operate effectively and efficiently while continuously improving their performance.

41. Audit work performed in this area included assessing the processes and tools used to monitor Country Offices' operational and programmatic performance – in particular, assessing how the monitoring reports in use at APRO were developed. A survey of Heads of Country Offices in the region was also conducted to obtain their views on the adequacy and effectiveness of the processes in place at APRO to monitor Country Office performance.

42. The following matter requiring Management attention was identified based on the audit work performed.

Enhance the scope, frequency and effectiveness of management oversight over country office programmatic and operational performance

43. At the time of the audit field mission, APRO had designated Programme Advisors for each Country Office to provide holistic support and monitor their performance. The Programme Advisors followed Country Office progress towards achieving results by tracking milestones and reports in SIS, in addition to also monitoring operations key performance indicators: (a) Monthly accountability checklist submission; (b) budget utilization rates for non-core resources; and (c) budget utilization rates for regular resources. The Programme Advisors also monitored implementation of the global quarterly portfolio review action points.¹⁶

44. The audit noted, however, that the scope of monitoring performed by APRO, either by the Programme Advisors or by other relevant staff members, including the IOM, did not systematically cover areas with material financial or other operational implications, or which were prone to experiencing performance, operational and internal control issues. The following list, although not comprehensive, provides examples of areas where additional

¹⁴ Revised UNFPA Regional Office Terms of Reference, April 2015

¹⁵ UNFPA Oversight Policy (2015)

¹⁶ Review undertaken by Senior Management on a quarterly basis to measure Country Office performance (based on criteria related to budget utilization, vacancy level, NEX audit results, Operating Fund Advances aging and number of IPs), and to develop corresponding action plans.

APRO monitoring is necessary: (a) Country Office programme cycle implementation; (b) workplan management (including timely finalization and regular updating of workplans and, in general, compliance with the workplan management policy);¹⁷ (c) Implementing Partner (IP) management (including IP capacity assessments, status of IP agreements, reasonableness of support costs and, in general, compliance with IP management policies and Harmonized Approach to Cash Transfers (HACT) risk management and assurance requirements); (d) inventory management (including timely receipt, clearance and distribution of inventory, supply-chain management capacity and, in general, compliance with the inventory policy); (e) non-core fund management (including compliance with reporting requirements); (f) procurement (including procurement capacity of Country Offices and IPs, relevance of procurement plans, vendor performance assessments and, in general, compliance with procurement policies); and (g) Country Office resource mobilization activities. Areas requiring additional monitoring were also identified through the results of the OAIS survey, with Heads of Country Offices indicating a need for additional oversight by APRO in the areas of programme implementation and oversight, technical assistance, resource mobilization and human resource management support.

45. Further, APRO did not have a comprehensive monitoring and evaluation framework for the region, including the attendant plans and tools to use, mainly due to the extended vacancy in the position of Regional Monitoring and Evaluation Advisor discussed in paragraph 16.

46. Of particular importance, the audit noted that one of the Country Offices in the region had several material internal control weaknesses, which hampered the effectiveness and efficiency of its activities and safeguarding of assets entrusted to it, creating opportunities for financial irregularities that ultimately resulted in a USD 2.6 million over-expenditure (expenses paid in excess of budgeted amounts) in 2016.¹⁸ Although initially unaware of the situation at the Country Office when it commenced, APRO Management and Headquarters, through monitoring, expressed concern over the ineffective management of programme funds – at first in December 2016 and later between February and April 2017. To remedy the situation, APRO actively participated, in March 2017, in a joint technical mission with the Country Office and other stakeholders that aimed, inter alia, to address the resultant funding shortfall from the over-expenditure. The audit further acknowledges several initiatives undertaken by the Office in strengthening both financial and programmatic monitoring controls at the Country Office in light of the situation and also efforts to improve risk management practices across the region.

47. In its report on the Arab States Regional Office,¹⁹ OAIS issued a recommendation to Senior Management at UNFPA Headquarters on the need to review, expand and consolidate, as needed, the corporate guidelines regarding the nature, scope and frequency of Regional Office oversight over Country Offices’ programmatic and operational performance. A recommendation is therefore not repeated here in this specific regard.

ROOT CAUSE	<i>Guidelines (absence of written procedures to guide staff in performing their functions).</i>
IMPACT	<i>Increased risk of insufficient oversight and monitoring of Country Offices which may, in turn, prevent the timely identification and resolution of issues that impact the effectiveness of programme delivery and operational activities.</i>
CATEGORY	<i>Strategic</i>

RECOMMENDATION 8

PRIORITY: HIGH

Develop and implement a comprehensive Monitoring and Evaluation framework for the Asia and Pacific region and develop, as necessary, appropriate plans and tools to support its implementation.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Regional Director, APRO*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *July 2019*

APRO agrees with the recommendation and, in 2017, introduced a ‘Comprehensive Framework for APRO Support and Oversight to the Country Offices’ in consultation with Country Offices. The framework is being operationalized in 2018. It covers 18 areas to monitor, including all those identified by the report (i.e. budget utilization of core and non-core funds; vacancy rates of key international positions; timely donor reporting; achievement of results; quality

¹⁷ Policy and procedures for preparation and management of workplans.

¹⁸ Audit of the UNFPA Country Office in Papua New Guinea, Report No. IA/2018-06, February 2018.

¹⁹ Audit of the UNFPA Arab States Regional Office, Report No. IA/2016-07, October 2016.

of the Country Office Monitoring and Evaluation Systems, etc.). A comprehensive Evaluation Plan for the region and the RIAP was prepared and submitted to the Evaluation Office, which exercises oversight over implementation of evaluation plans.

B.4 PROVISION OF TECHNICAL SUPPORT

SOME IMPROVEMENT NEEDED

48. Following the roll-out of the regionalization process in 2008, UNFPA shifted its role as primary provider of technical assistance to that of broker, focusing on managing and facilitating access to technical assistance through a network of institutions, subject matter experts, and internal UNFPA resources.²⁰

49. The shift was emphasized in the UNFPA Strategic Plan 2014-2017, which acknowledged the challenges created by increasingly specialized demands which required UNFPA to shift from direct provision of support to a brokering role, a process that entails building relationships, at regional level, with academic institutions, think-tanks, and other civil society partners, as well as a change in mind-sets and adjustments to the skill sets possessed by UNFPA staff.²¹

50. Audit work performed in this area consisted of an assessment of the process and tools used to identify technical assistance needs and manage the delivery of quality-assured technical assistance to Country Offices. It also included a survey of Heads of Country Offices in the region to assess their views on the efficiency and quality of support provided by APRO.

51. The following matter requiring Management attention was identified based on the audit work performed.

Enhance the consultant roster management process

52. In addition to the UNFPA global roster of consultants, the Office maintained a regional roster, on a local platform, to support Country Offices' technical assistance needs. Based on enquiries of the APRO Technical Advisors, the regional and global rosters were, however, marginally used to source consultants and institutions for brokered technical assistance. Instead, technical assistance requests were generally advertised or sourced from consultants known to the respective Technical Advisors.

53. While the limited use of the regional roster is partially attributable to the discontinuation, in 2013, of the regional consultants' vetting process along with the previous role of 'roster focal point', the limited use of both the regional and global rosters resulted mainly from a belief that they did not include a sufficient number of vetted consultants to match the needs of the region.

54. OAS had raised a similar observation in its reports on the audit of East and Southern Africa Regional Office,²² along with a recommendation to address the need for the Programme Division and the Division for Human Resources (to enhance the global consultant roster's functionality and content and to define a more effective roster management process, integrated with the individual consultant management process). The recommendation had been fully implemented at the time of drafting this report. As a result, no additional recommendation is provided with regard to this matter.

B.5 RESOURCE MOBILIZATION

NOT EFFECTIVE

55. UNFPA funding is increasingly dependent on non-core resources, which reached over 65 per cent of total contribution revenue in 2015 and 58 per cent in 2016 (67 per cent in 2017²³). Regional Offices have a critical role in ensuring a more stable and predictable funding base through their own efforts and by assisting Country Offices in building and coordinating their resource mobilization, partnership, and private sector outreach efforts.

²⁰ Guidelines for Management of Quality-Assured Technical Assistance, Page 4

²¹ UNFPA Strategic Plan, 2014-2017, Annex 3 – Business Model, Page 8, Paragraph 38

²² Audit of the UNFPA East and Southern Africa Regional Office, Report No. ESARO 101, 29 July 2015

²³ Source: UNFPA Statistical and Financial Review, 2017 Report of the Executive Director (DP/FPA/2018/4 – Part1/Add.1)

It should be noted that each Country Office should have its own resource mobilization and partnerships strategy in line with corporate requirements. A Country Office strategy takes into account the local donor landscape and elaborates on a set of actions that need to be taken to maintain, enhance and diversify the donor base. APRO provides oversight through the framework mentioned in the Management response to recommendation number 9 above. Therefore, the Office considers this recommendation as implemented.

OAIS Comments on the Management Response: The status of implementation of the recommendation reported by Management is acknowledged, and will be validated as part of the internal audit recommendation follow-up process.

C. PROGRAMME MANAGEMENT

EFFECTIVE

Good practices identified

61. The audit identified the following good practice in the area of programme management, which could be considered for replication by other Regional Offices:

- a) In order to better control resource allocations made to Country Offices in the region, the Office developed a budgeting tool that details the inputs required to execute activities and the assumptions made (unit costs and quantities) to estimate workplan budget amounts.

C.1 – REGIONAL PROGRAMME PLANNING AND IMPLEMENTATION

EFFECTIVE

62. Activities undertaken by APRO in the period from 01 January 2015 to 30 September 2016, with related programme implementation expenses amounting to USD 12.7 million, corresponded to the RIAP 2014-2017. The programme implementation expenses were allocated to 19 projects executed by 11 IPs (USD 2.8 million) and by UNFPA (USD 9.9 million), funded by core resources of USD 10.3 million and non-core resources of USD 2.4 million.

63. Implementation of the RIAP 2014-2017 was completed in 2017 and a new RIAP 2018-2021 approved by the Executive Board in September 2017, with estimated core resources of USD 19.7 million for the four-year period. The RIAP 2018-2021 is aligned to the goals and outcomes of the UNFPA Strategic Plan 2018-2021 – guided by regional reviews, consultations undertaken, and lessons learned from the previous RIAP 2014-2017.

64. Under the new RIAP 2018-2021, APRO is expected to continue assisting Country Offices in the delivery of their Country Programme objectives, with a focus on supporting an enabling policy and legislative environment for the advancement of the Programme of Action of the International Conference on Population and Development (ICPD) and localization of the 2030 Agenda for Sustainable Development. To achieve these objectives, APRO is required by the new RIAP to broaden its partnership base to engage with a more diverse range of stakeholders to help strengthen and promote integrated and multi-sectoral approaches, and play a stronger convening role in selected areas of work in order to facilitate greater policy coherence. APRO is also required to strengthen its technical contributions toward supporting countries to effectively implement existing policies, with particular emphasis on reaching out to those “left behind” and strengthening communication at both regional and country levels in order to promote the Programme of Action of the ICPD and the Sustainable Development Goals, particularly sexual and reproductive health and reproductive rights.

65. Audit work performed with regard to implementation of RIAP 2014-2017 included assessing: (a) the alignment between the RIAP, the Global and Regional Interventions (GRI) and the UNFPA Strategic Plan 2014-2017; (b) the relevance of the RIAP Results and Resources Framework; (c) the process used by the Office to set up indicators, baselines and targets reflected in the RIAP Results and Resource Framework; and (d) the process used to select programme strategies and activities that would allow the Office to achieve its output indicator targets, as reflected in the Results and Resources Framework. The audit also assessed the alignment of the 2016 APRO workplans to the RIAP Results and Resources Framework. No audit work was performed with respect to the design of the RIAP 2014-2017 due to the fact that the development of the new RIAP 2018-2021 was already underway.

66. Based on the audit work performed in this area, and taking into consideration significant new developments in the RIAP 2018-2021, the audit considers that the risks initially identified under the RIAP 2014-2017 have been adequately mitigated or overtaken by events. Therefore, no recommendation is provided.

C.2 – NATIONAL EXECUTION**EFFECTIVE**

67. National Execution (NEX) expenses for the regional programme amounted to USD 1.9 million (15 per cent of total programme implementation expenses) in the year ended 2015, representing activities implemented by 11 IPs with a financial implementation rate of 93 per cent. Per the available general ledger information, expenses incurred by IPs corresponded primarily to the engagement of contract personnel (USD 1.0 million or 53 per cent of NEX expenses) and travel costs (USD 0.7 million or 37 per cent of NEX expenses).

68. Audit work performed in this area included the review of (a) IP selection and capacity assessment processes; (b) the existence of appropriate IP agreements; (c) controls implemented for the review, authorization and processing of fund advance requests and expense reports submitted by IPs through the use of Funding Authorization and Certificate of Expenses forms; (d) controls implemented over the Operating Fund Account, used to record and control funds advanced to IPs; and (e) the process followed to monitor IP activities, for a sample of six IPs engaged by the Office with reported aggregated programme implementation expenses of USD 1.7 million (approximately 89 per cent of NEX expenses) in the period under review.

69. No reportable matters were identified based on the audit work performed in this area.

C.3 – MANAGEMENT OF NON-CORE FUNDING**EFFECTIVE**

70. Programme implementation expenses funded from non-core resources amounted to approximately USD 2.4 million (19 per cent of total programme implementation expenses) in the period under review. Of this amount, approximately USD 1.0 million (42 per cent total non-core funded expenses) corresponded to funding provided by a major donor to support the advancement of the ICPD agenda through regional and national parliamentary policy campaigns and implementation region. The UNAIDS Unified Budget, Results, and Accountability Frameworks for (2014-2015) and (2016-2021) both contributed USD 0.7 million (29 per cent of total non-core funded expenses). Non-core resources were also mobilized for humanitarian prepositioning activities in the region in the amount of USD 0.7 million.

71. Audit work performed in this area included tests of compliance with co-financing agreement requirements, including expense eligibility and reporting, for three major co-financing agreements.

72. No reportable issues were identified based on the audit work performed.

D. OPERATIONS MANAGEMENT**SOME IMPROVEMENT NEEDED***Good practices identified*

73. The audit identified the following good practices in the area of operations management, which could be considered for replication by other offices:

- a) Robust internal controls were established to ensure that financial and procurement records were accurate, complete, and made in accordance with the required corporate policies and procedures before they were processed;
- b) Standard operating procedures for key operating activities such as travel, individual consultants, procurement, and absence management were developed and adopted to clarify procedures, roles, and responsibilities. Tools were also developed to manage process workflows in critical areas such as travel management and procurement so as to facilitate monitoring of and accounting for travel costs;
- c) There was evidence of strict adherence to procurement policies and procedures, with close supervision. Further, supporting documents for bids were dutifully submitted to the Contracts Review Committee for approval, ensuring that contractual agreements with values in excess of USD 100,000 were entered into in accordance with prescribed policies and procedures; and
- d) The Office had a transparent and well-documented process for short-listing candidates and selecting consultants based on clear documented competitive criteria. Where necessary, waiver forms for the use of non-competitive processes were adequately documented.

D.1 – HUMAN RESOURCES MANAGEMENT

EFFECTIVE

74. The Office incurred payroll costs amounting to USD 8.0 million during the period under review. In addition, the Office engaged 49 consultants under the individual consultant modality, issuing a total of 85 contracts and incurring costs amounting to USD 1.4 million in the process. At the time of the audit field mission, the payroll was managed by the United Nations Development Programme.

75. Work performed in this area included an analytical review of payroll and contract personnel costs and testing of a sample of 14 individual consultancies awarded by the Office at a cost of USD 0.8 million (57 percent of the costs incurred in the period), for linkage to the corresponding workplans, compliance with applicable policies and procedures, and operating effectiveness of controls in the areas of: (a) recruitment; (b) contract award; and (c) contract management. Audit procedures applied also included testing of the recruitment process for two staff members hired during the audit period and testing of two personnel leave records for compliance with the applicable policy and procedures and operating effectiveness of leave management controls.

76. No reportable issues were identified based on the audit work performed.

D.2 – PROCUREMENT

SOME IMPROVEMENT NEEDED

77. During the period under review, the Office locally procured goods and services, issuing a total of 4,688 purchase orders, at a cost of USD 6.2 million.

78. Audit work performed in this area included the review of eight procurement contracts issued at a cost of USD 0.8 million for linkage to the corresponding APRO workplans. Audit work also included a review of 109 purchase orders at a cost of USD 2.1 million (33 per cent of total procurement) to assess compliance with UNFPA procurement principles,²⁴ and policies and procedures, and operating effectiveness of controls in the areas of: (a) requisitioning; (b) solicitation and bidding; (c) bid assessment; (d) vendor selection; (e) contract award; (f) purchase order issuance; and (g) receiving, as well as a review of the procurement planning process and management of charges related to common services shared with other United Nations organizations.

79. Based on the work performed in this area, the following matter requiring Management attention was identified.

Further improve the procurement planning process

80. In June 2016, the Office introduced the use of procurement plans as a management tool to aid in the timely initiation of procurement activities. Use of the procurement plans was not fully implemented at the time of the audit field mission, mainly due to difficulties in determining procurement needs since workplan activities were not always supported by clear needs assessments and detailed specifications for goods and service – creating challenges for the Office to timely initiate procurement actions. Further, there was no clear linkage of the procurement transactions tested to the corresponding workplans – in part due to the fact that workplans lacked sufficient details on the activities to be implemented, as discussed in paragraph 6.

ROOT CAUSE	<i>Guidelines (inadequate planning). Guidance (inadequate supervision at the Office level).</i>
IMPACT	<i>The effectiveness and efficiency of the procurement process may be impaired.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 10

PRIORITY: MEDIUM

Raise the awareness of relevant staff on the need to better plan local procurement activities for timely procurement and linkage to planned workplan activities; closely monitor compliance thereof.

RESPONSIBLE MANAGER: *Regional Director, APRO*

STATUS: *Agree*

²⁴ Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of the interest of UNFPA.

MANAGEMENT ACTION PLAN:

DUE DATE: Implemented as of July 2018

The Office agrees with the recommendation and has undertaken a number of steps, including: (a) tying the procurement planning processes to the programme workplans and implementation monitoring processes; (b) creating a dedicated Programme Administration Associate position and filling it in July 2018; and (c) conducting dedicated training sessions to all staff to raise awareness of all staff on the need to better plan the sourcing of services and goods, including from individual consultants. The office also had a dedicated session on importance of procurement planning and procurement statistics during APRO retreat in 2017.

Procurement plans were prepared at the development of the 2017 and 2018 workplans. All procurement activities were reflected in the Office procurement plan for the year. The plan has been approved by the Regional Director, and is updated on a quarterly basis. The Operations management team updates the Regional Director on the plan's implementation on regular basis. Therefore, the Office considers this recommendation as implemented.

OAIS Comments on the Management Response: *The status of implementation of the recommendation reported by Management is acknowledged, and will be validated as part of the internal audit recommendation follow-up process.*

D.3 – FINANCIAL MANAGEMENT	EFFECTIVE
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- 81. During the period under review, the Office processed 2,065 financial transactions, including 1,320 accounts payable vouchers used to process payments, and 693 journal entries and vouchers used primarily to process account adjustments and record expenses reported by IPs.
- 82. Work performed in this area included a review of: (a) the financial management capacity of the Office; (b) authorization and proper processing of financial transactions; (c) coding of transactions to the correct project, activity, general ledger account, IP and fund codes; (d) operating effectiveness of controls over the accounts payable and payments process; (e) the budget management process; and (f) the effectiveness of the financial management accountability process.
- 83. No reportable issues were identified based on the audit work performed.

D.4 – GENERAL ADMINISTRATION	SOME IMPROVEMENT NEEDED
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- 84. Work performed in this area focused on the travel and asset management processes.
- 85. Travel expenses incurred by the Office during the period under review amounted to USD 2.5 million. Daily subsistence allowances (DSA) for international staff and consultants amounted to USD 1.2 million and USD 1.9 million, respectively.
- 86. Audit work performed in the area of travel included a walk-through of the travel process and the testing of a sample of 35 travel-related transactions amounting to approximately USD 0.3 million (12 percent of total travel expenses) for appropriateness of business purpose, compliance with policies and procedures, and operating effectiveness of controls over: (a) the procurement of travel services; and (b) authorization, calculation and payment of DSA.
- 87. Audit work performed in the area of asset management included a physical verification of fixed assets to assess whether the corresponding records were valid and reliable in terms of item descriptions and locations, and also to verify asset tagging. Audit work also included testing the acquisition of seven assets at a cost of USD 15,070 and disposal of seven assets with proceeds of USD 9,165 for the operating effectiveness of controls in the areas of: (a) compliance with policies and procedures; (b) appropriate management approval; (c) inspection and receipt; (d) proper justification for disposal; (e) proper recording; and (f) safeguarding.
- 88. Based on the work performed, the following issue was identified.

Submit travel requests in advance of travel within policy timelines

89. The audit’s review of 14 travel requests identified nine instances, where the travel tickets were not purchased at least 21 working days in advance of the travel date, as required by the policy in force at the time. None of the instances qualified as being for emergency needs. The audit noted opportunities for streamlining travel request and approval processes at the Office, which contributed to the travel request delays.

90. While the testing did not reveal any significant price differentials when comparing prices paid to current prices (absent contemporaneous quote), the possibility exists that the Offices may not be able to obtain the lowest fare available.

IMPACT	<i>Late procurement of tickets may prevent the Offices from obtaining the lowest fares available.</i>
ROOT CAUSE	<i>Guidelines (inadequate planning and Regional Office procedures).</i>
CATEGORY	<i>Compliance</i>

RECOMMENDATION 11

PRIORITY: MEDIUM

Raise staff awareness to better plan non-emergency travel and submit travel requests in advance of travel dates, in accordance with applicable policy.

RESPONSIBLE MANAGER: *Regional Director, APRO*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Implemented as of July 2018*

The Office agrees with the recommendation. Since 2017, as part of the strengthened programme workplan management process, the Office creates travel plans, which are linked to programme workplans and country support plans, and are being reviewed and approved by the Regional Director.

To raise awareness and strengthen travel management processes, the Office has undertaken a number of activities including: (a) conducting several dedicated trainings and meetings for all staff; (b) maintaining travel statistics and analyses which are delivered on regular basis to the Regional Director, for review; and (c) automating travel management, in April 2018, through the use of the Atlas Travel Module, which allows further streamlined travel processing, increase efficiency and compliance. Therefore, the office considers this recommendation as implemented.

OAIS Comments on the Management Response: *The status of implementation of the recommendation reported by Management is acknowledged, and will be validated as part of the internal audit recommendation follow-up process.*

ANNEX – DEFINITION OF AUDIT TERMS

A. AUDIT RATINGS

Audit rating definitions adopted for use in reports for audit engagements initiated as from 1 January 2016,²⁵ are explained below:

<ul style="list-style-type: none"> ▪ Effective 		<p>The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issue(s) and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area’s objectives.</p>
<ul style="list-style-type: none"> ▪ Some improvement needed 		<p>The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issue(s) and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.</p>
<ul style="list-style-type: none"> ▪ Major improvement needed 		<p>The assessed governance arrangements, risk management practices and controls were generally established and functioning but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issues identified could significantly affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.</p>
<ul style="list-style-type: none"> ▪ Not effective 		<p>The assessed governance arrangements, risk management practices and controls were not adequately established or functioning to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issues identified could seriously compromise the achievement of the audited entity or area’s objectives. Urgent management action is required to ensure that the identified risks are adequately mitigated.</p>

B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

Guidelines: absence of written procedures to guide staff in performing their functions

- Lack of or inadequate corporate policies or procedures
- Lack of or inadequate Regional and/or Country Office policies or procedures
- Inadequate planning
- Inadequate risk management processes
- Inadequate management structure

Guidance: inadequate or lack of supervision by supervisors

- Lack of or inadequate guidance or supervision at the Headquarters and/or Regional and Country Office level
- Inadequate oversight by Headquarters

Resources: insufficient resources (funds, skills, staff) to carry out an activity or function:

- Lack of or insufficient resources: financial, human, or technical resources
- Inadequate training

Human error : un-intentional mistakes committed by staff entrusted to perform assigned functions

Intentional: intentional overriding of internal controls.

Other: factors beyond the control of UNFPA.

²⁵ Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016.

C. PRIORITIES OF RECOMMENDATIONS

Recommendations are categorized according to their priority, as a further guide to Management in addressing the related issues in a timely manner. The following priority categories are used:

- **High** Prompt action is considered imperative to ensure that UNFPA is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization).
- **Medium** Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority management actions, if any, are discussed by the audit team directly with the Management of the audited entity during the course of the audit or through a separate memorandum upon issued upon completion of fieldwork, and not included in the audit report.

D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

These categories are based on the COSO framework and derived from the INTOSAI GOV-9100 Guide for Internal Control Framework in the Public Sector and INTOSAI GOV-9130 ERM in the Public Sector.

- **Strategic** High level goals, aligned with and supporting the entity's mission
- **Operational** Executing orderly, ethical, economical, efficient and effective operations and safeguarding resources against loss, misuse and damage
- **Reporting** Reliability of reporting, including fulfilling accountability obligations
- **Compliance** Compliance with prescribed UNFPA regulations, rules and procedures, including acting in accordance with Government Body decisions, as well as agreement specific provisions

GLOSSARY

Acronym	Description
APRO	Asia and Pacific Regional Office
CPD	Country Programme Document
DaO	Delivering as One
DSA	Daily Subsistence Allowance
ERM	Enterprise Risk Management
GPS	Global Programming System
ICPD	International Conference on Population and Development
IOM	International Operations Manager
IP	Implementing Partner
NEX	National Execution
OAIS	Office of Audit and Investigation Services
PHS	Programme & Humanitarian Support Team
PRC	Programme Review Committee
RIAP	Regional Intervention Action Plan
RPRC	Regional Programme Review Committee
SIS	Strategic Information System
UNCT	United Nations Country Team
UNDAF	United Nations Development Assistance Framework
UNFPA	United Nations Population Fund
UN-RIAS	United Nations Representatives of Internal Audit Services
USD	United States Dollars