



INTERNAL AUDIT DIVISION

REPORT 2017/013

Audit of the United Nations Office on
Drugs and Crime operations in
Southeast Asia and the Pacific

Controls over project management,
procurement and administration of grants
need to be strengthened

17 March 2017

Assignment No. AE2016/360/01

Audit of United Nations Office on Drugs and Crime operations in Southeast Asia and the Pacific

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the management of United Nations Office on Drugs and Crime (UNODC) operations in Southeast Asia and the Pacific. The audit covered the period from January 2014 to June 2016 and included a review of strategic planning and risk assessment processes, programme and project management practices, and compliance with applicable policies and procedures for procurement, human resources management, travel, assets and grants.

The UNODC Regional Office for Southeast Asia and the Pacific (ROSEAP) Regional Programme for 2014-2018 was developed in a collaborative and consultative manner and aligned to UNODC's strategic priorities. ROSEAP had also prepared programme and project risk registers and implemented some good practices such as conducting regular staff meetings and monitoring performance. However, there was need to strengthen controls over project management, procurement of goods and services, and administration of grants.

OIOS made seven recommendations. To address issues identified in the audit, ROSEAP needed to:

- Develop a fundraising action plan detailing the actions to be undertaken to close the funding gap and successfully implement its projects across the region;
- In consultation with UNODC headquarters, review its staffing requirements for performing functions in Umoja and determine the optimal mix of staff and service contract personnel required to perform financial and administrative roles to effectively support its regional operations;
- Consult with UNODC headquarters to strengthen coordination arrangements for planning, implementing and reporting on activities undertaken by global, regional and country programmes in the region;
- Implement review and supervision mechanisms to ensure that sub-offices comply with the prescribed procedures for selection, approval and management of grants;
- Revise the project document for project LAOZ49 to reflect a new implementation approach or establish mechanisms to ensure successful implementation of the micro-finance arrangement;
- Strengthen its procurement practices by preparing procurement plans, ensuring that all staff are suitably trained, and establishing mechanisms to ensure that purchases are not split to bypass formal methods of solicitation; and
- Ensure that the use of ex post facto procurement is limited to rare exceptions and establish requirements for field and country offices to submit reports on ex post facto cases to the Regional Office.

UNODC accepted the recommendations and has initiated action to implement them.

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Audit of United Nations Office on Drugs and Crime operations in Southeast Asia and the Pacific

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of United Nations Office on Drugs and Crime (UNODC) operations in Southeast Asia and the Pacific.

2. UNODC operations in Southeast Asia and the Pacific are managed by the Regional Office for Southeast Asia and the Pacific (ROSEAP), which is mandated to cover 11 countries within the Southeast Asia region and 18 countries and territories within the Pacific region. ROSEAP main office (the Regional Office) was based in Bangkok and it had other offices in 6 of the 11 countries in the Southeast Asia region. These included three country offices in Myanmar, Vietnam and Lao People's Democratic Republic (Lao PDR); two programme offices in Cambodia and Indonesia; and a project office in Fiji. In 2013, ROSEAP developed an integrated Regional Programme for the period 2014 to 2018 whose overall objective was to support member states in achieving priority outcomes on drugs and crime. The Regional Programme outlined five areas of work aligned to UNODC's global strategy, namely: (a) Transnational Organized Crime and Illicit Trafficking; (b) Anti-Corruption; (c) Terrorism Prevention; (d) Criminal Justice; and (e) Drugs and Health, and Alternative Development.

3. During the period 2013 to 2015, ROSEAP had a total of 73 ongoing projects with a multi-year approved budget of \$210 million. Expenditure incurred during 2014-2015 amounted to \$26 million, including \$6 million attributed to 22 global programmes managed from UNODC headquarters and implemented across the region as shown in Table 1 below.

Table 1: Details of budget and expenditure

(Amounts in \$)

Location	Project Portfolio Budget	Expenditure (Regional & Country Programmes) 2014-2015	Expenditure (Global Programmes) 2014-2015	Total Expenditure 2014-2015
Regional Office in Bangkok, Thailand	89,302,841	9,808,858	2,682,932	12,491,790
Country Office in Myanmar	63,660,279	3,975,769	859,422	4,835,191
Country Office in Vietnam	9,582,140	314,084	1,453,671	1,767,755
Country Office in Lao PDR	19,231,370	3,252,517	411,087	3,663,604
Programme Office in Indonesia	19,123,456	2,562,469	297,341	2,859,810
Programme Office in Cambodia	9,730,250	95,862	212,475	308,337
Totals	210,630,336	20,009,559	5,916,928	25,926,487

4. ROSEAP was headed by a representative at the P-5 level and supported by a total of 165 staff: 17 Professional; 138 General Service and National Officers on United Nations Development Programme (UNDP) service contracts; and 10 United Nations Volunteers (UNVs). The staff and UNVs were based in several countries including Thailand (52), Myanmar (58), Vietnam (22), Lao PDR (16), Indonesia (15) and Cambodia (2).

5. Comments provided by UNODC are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the management of UNODC operations in Southeast Asia and the Pacific.

7. This audit was included in the 2016 risk-based work plan of OIOS due to risks associated with significant expansion in the ROSEAP project portfolio.

8. OIOS conducted this audit from September to December 2016. The audit covered the period from January 2014 to June 2016. Based on an activity-level risk assessment, the audit covered higher and medium risks in the management of UNODC operations in the Southeast Asia and the Pacific, which included: strategic planning and risk assessment processes, programme and project management activities, and compliance with applicable policies and procedures for procurement, human resources management, travel, asset management and grants.

9. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical reviews of data; and (d) sample tests of transactions.

III. OVERALL CONCLUSION

10. The ROSEAP Regional Programme for 2014-2018 was developed in a collaborative and consultative manner and was aligned to UNODC's strategic priorities. ROSEAP had also prepared programme and project risk registers and implemented some good practices such as conducting regular staff meetings and monitoring performance. However, ROSEAP needed to develop a fundraising action plan to accompany its donor mapping strategy and strengthen coordination arrangements between global, regional and country programmes. ROSEAP also needed to review and determine the optimal staff positions that need to be assigned financial and administrative roles within the Umoja system to effectively support its operations. Controls over procurement of goods and services and administration of grants also needed to be strengthened.

IV. AUDIT RESULTS

A. Strategic planning and risk assessment

The Regional Programme was prepared in a collaborative manner and aligned to strategic priorities

11. The ROSEAP 2014-2018 Regional Programme covered the five main areas of work outlined in the UNODC medium term strategy for 2012-2015. It incorporated the goals and objectives of regional cooperative frameworks entered into by UNODC and regional member states. These included the memorandum of understanding on Drug Control in the Greater Mekong sub-region co-signed by UNODC and six countries, and the Bali Process on Migrant Smuggling and Human Trafficking of which UNODC became a signatory in 2013. High level strategic consultations were held with key regional partners including the Association of Southeast Asian Nations to identify priorities and areas of UNODC intervention. A concept note outlining the proposed intervention approach was prepared and, upon approval by the Executive Director, developed into a programme document that was discussed and reviewed internally through the inter-divisional task team coordination network and endorsed by the Project Review Committee.

Need to develop a fundraising action plan to accompany the regional donor mapping strategy

12. The UNODC Management Instruction (UNODC/MI/6/Rev.2) specifies the fundraising and resource mobilization roles and responsibilities of different organizational units and requires field offices to spearhead the fundraising activities at the local level. ROSEAP had put in place good practices to drive its fundraising and resource mobilization efforts. It costed its Regional Programme and quantified the funding required to successfully implement its programmes. ROSEAP also developed a donor mapping strategy which identified the strategic priorities of key regional donors and mapped these to UNODC areas of work. In addition, ROSEAP developed a regional communication plan that, amongst others, outlined a framework for engaging donors and enhancing UNODC's profile and visibility. This was manifested by: the revamp of the ROSEAP website; its active engagement on social media; and featuring UNODC work in the region in influential regional and international media. ROSEAP also collaborated in this regard with the Co-financing and Partnership Section at UNODC headquarters.

13. As of 31 October 2016, ROSEAP had mobilized approximately \$65 million of the \$144 million required to implement the combined regional activities, leaving a gap of \$79 million which may impair its ability to achieve the planned accomplishments outlined in its Regional Programme. ROSEAP attributed the funding shortfall to the decline of member states' contributions in some thematic areas, particularly drugs and health. In addition, Viet Nam had graduated to middle income status and no longer attracted significant donor interest. ROSEAP indicated that it was making more effort to mobilize funds and that it had in the pipeline about \$8 million worth of funding which was being finalized with various donors. OIOS is of the view that ROSEAP needed to establish a fundraising plan with milestones and targets that clearly outline the measures and actions to be taken to close the funding gap. This would enhance accountability and improve the ability of ROSEAP to achieve its funding goals.

(1) The UNODC Regional Office for Southeast Asia and the Pacific should develop a fundraising action plan detailing the actions to be undertaken to close the funding gap and successfully implement its projects across the region.

UNODC accepted recommendation 1 and stated that in October 2016 ROSEAP completed an updated assessment of donors with interest in UNODC mandate areas in Southeast Asia. The assessment matches UNODC thematic and programme areas with related policy priorities of donors. An accompanying plan to prioritize engagement, with a focus on underfunded areas of the Regional and Country Programmes is currently being prepared and will be completed by April 2017. Recommendation 1 remains open pending receipt of the ROSEAP action plan to address the funding gap.

B. Programme and project management

Need to determine the optimal staff strength for significant financial and administrative roles

14. Proper organizational structure is essential for successful operational performance and effective programme delivery. ROSEAP and its field offices were heavily resourced by personnel on UNDP service contracts. Under the current rules, UNDP service contract holders are not considered as United Nations secretariat staff and can therefore not be assigned significant financial and administrative functions in Umoja including certifying and approval functions, "Travel Processor" and "Buyer" roles (ability to create purchase orders, contracts or solicitations for approval). At the time of the audit, only 13 of the 148 local staff held fixed-term contracts and could potentially be assigned the significant financial and administrative functions. The rest held UNDP service contracts. This limited ROSEAP ability to effectively share workload due to the restrictions relating to segregation of roles and responsibilities

within Umoja. Specific challenges were noted in the processing of travel transactions where only one staff processed travel transactions for all offices across the entire region. Further, in the Cambodia and Indonesia offices there were no staff mapped to perform the “Buyer” roles, and in Vietnam there was no staff mapped to perform the “payment requester” role. These functions were performed at the Regional Office level which slowed down work flow processes, including processing of payments. At the time of the audit, OIOS noted at least three cases of overdue/ delayed payments experienced across the region. While the delayed payments were subsequently addressed, there is potentially a risk of future delays or inefficiencies if the issue is not addressed.

15. OIOS was informed that the UNODC Umoja team was in discussions with United Nations Headquarters to allow UNDP service contractors to be assigned some additional functions, such as “Buyer” roles that do not involve any certifying or approval roles. While this could help to ease the existing challenges, it would not fully address the limitations in allocating other financial and administrative roles. OIOS is of the view that ROSEAP, in consultation with UNODC headquarters, needs to perform a comprehensive analysis of its role mapping profile to identify improvements that could be made and gaps in staff required to be assigned the significant financial and administrative roles. ROSEAP could then, with the support of UNODC headquarters, explore ways to address the gaps such as changing the mix between staff on UNDP contracts and fixed-term contracts. The possibility of having some of the roles performed by the United Nations Economic and Social Commission for Asia and the Pacific (which is the regional service provider for the United Nations Secretariat in the region) could also be explored.

(2) The UNODC Regional Office for Southeast Asia and the Pacific should, in consultation with UNODC headquarters, review its staffing requirements for performing functions in Umoja and determine the optimal mix of staff and UNDP service contract personnel required to perform financial and administrative roles to effectively support its regional operations.

UNODC accepted recommendation 2 and stated that ROSEAP has conducted a new gap review for financial, administrative and monitoring roles in Umoja. The review was based on the statistical volume of transactions and resulting workload of mapped staff in 2016. Based on the gap review by ROSEAP and with inputs from the Division for Operations and the UNOV/UNODC Umoja team, a functional organigramme containing all Umoja roles and proposed users will be completed by ROSEAP in the first quarter of 2017. New staffing should be in place by June 2017. Recommendation 2 remains open pending receipt of evidence that UNODC has determined the optimal mix of staff and UNDP service contract personnel required to perform financial and administrative roles to effectively support ROSEAP operations.

Need to improve the coordination between global, regional and country programmes

16. Programme implementation within the Southeast Asia region was done through a combination of regional, national and global programmes. This multi-level approach required proper coordination to avoid duplication of efforts and ensure coherence in programme delivery. There were 22 global programmes implemented in the Southeast Asia region in 2014-2016. The region had 11 resident international advisors working on different thematic areas. Five of the advisors worked directly for global programmes and had dual reporting lines to the Regional Representative and to the managers of the global programmes, while the rest worked directly for ROSEAP. Interviews with a section of the advisors indicated that there were good working relationships and cooperation between the regional and global teams. As well, the fact that global programmes had experts in the region helped to enhance coordination between regional and global programmes.

17. There was however scope to improve the level of coordination. Challenges were noted where due to inadequate coordination, regional and country offices were expected to support the implementation of activities yet they did not always have access to budgets of global programmes, or were sometimes not allocated sufficient resources to execute the support functions they were required to perform. Other challenges noted were related to inadequate information sharing and lack of consultative approaches in fundraising and delivery of programme activities. Three cases that were suggestive of uncoordinated working practices were brought to the attention of OIOS. Two related to instances where representatives of global programmes presented funding proposals to locally based donors without involving ROSEAP, and one was an incident where a global programme organized an event in a country without liaising with the relevant country office. A section of staff interviewed by OIOS indicated that coordination practices varied and depended on personal relations between programme managers. Staff also called for better integration of the performance indicators, planned accomplishments and results of global programmes into the regional programme performance reports.

18. Uncoordinated practices, including parallel fundraising approaches with the donor community in the region have potential to create conflicts and undermine UNODC relations with host governments. The lack of integrated planning and reporting could also impair effectiveness of UNODC's integrated programming approach. A recommendation for UNODC to strengthen coordination mechanisms between headquarters and field offices was raised in the OIOS audit of UNODC operations in Middle East and North Africa (AE2015/366/02). This recommendation is still outstanding. In OIOS view, since ROSEAP is implementing a significant number of global programmes (22), it needs to take action to ensure that it effectively coordinates with headquarters thematic sections.

(3) The UNODC Regional Office for Southeast Asia and the Pacific should consult with UNODC headquarters to strengthen coordination arrangements for planning, implementing and reporting on activities undertaken by global, regional and country programmes in the region.

UNODC accepted recommendation 3 and stated that it addresses an issue that has been highlighted in previous OIOS audits, most recently in the Regional Office for the Middle East and North Africa, and as such should be dealt with both in ROSEAP and across the board. At the Senior Managers Retreat of 20 January 2017, the specific issue of improved coordination among Global, Regional and Country Programmes was discussed and a follow-up recommendation will be implemented in the first half of 2017. Recommendation 3 remains open pending receipt of evidence that coordination arrangements for planning, implementing and reporting activities undertaken by global, regional and country programmes in the Southeast Asia and the Pacific regions have been strengthened.

Need to ensure that mandated programme and project evaluations are conducted

19. OIOS reviewed projects completed and on-going during the period 2014 to 2016 and noted eight cases where the projects were not subjected to the independent or internal self-evaluations required by the UNODC evaluation policy. These included four cases relating to small projects where no provisions were made in the project budgets to cater for the planned evaluations. In another seven cases planned and/or ongoing evaluations were cancelled or terminated for a variety of reasons. The cases of canceled or discontinued evaluations were attributed to the lack of timely release of funds by donors to finance the evaluation costs; poorly designed project log frames (especially on the legacy projects founded prior to the inception of the 2014-2018 Regional Programme) that made the projects not lend themselves to proper evaluations; as well as discontinuations of evaluations due to poor quality work and/or reports that did not meet UNODC evaluation standards. ROSEAP management indicated that it had put in place mechanisms to enhance the level of compliance including involvement of the evaluation unit earlier on in the programme formation process to review programme documents and log frames, with a view to

enhancing the evaluability of newly developed programmes. After the audit, ROSEAP developed an evaluation planning and monitoring table in coordination with the Regional Section and the Independent Evaluation Unit. In view of the corrective action taken, OIOS did not make a recommendation.

C. Regulatory framework

One of the sub-offices did not comply with the requirements of the Grants Manual

20. The UNODC Framework for Engagement of External Parties Grants Manual issued in April 2014 outlines prescribed practices for selection and management of grants. The framework is designed to ensure grantees are selected in a transparent, fair and competitive manner and that the use of the grants is monitored. One of ROSEAP sub-offices issued eight grants totaling \$35,000 without following the requirements of the Grants Manual. There was no evidence to indicate that the beneficiaries were selected using a competitive selection process or screened to assess and verify their eligibility and capacity as required by the Grants Manual. The grant award process was also not reviewed or cleared by the UNODC External Party Engagement Unit (EPEU) as required. Further, grant agreements were not prepared using the approved template and were signed by staff who did not have the delegated authority to sign grants. While the agreements indicated that the funds were to be used to establish a “Revolving Fund”, there was no evidence of whether this fund was established, with appropriate controls to manage it. There were also no financial reports on the beneficiaries’ use of the grants.

21. OIOS attributed the shortcomings to inadequate supervision and monitoring of the activities of the sub-office and lack of staff appreciation or disregard of the organization’s rules and regulations. ROSEAP indicated that the grants were issued at a time when there was no Country Office Manager to oversee the country operations. The sub-office concerned had consulted the Regional Office regarding the issuance of these grants and was instructed not to proceed with this arrangement but never-the-less went ahead and issued the grants. They also indicated that the sub-office is located in a remote part of the country making it logistically challenging to supervise and oversee. ROSEAP indicated that it was putting in place measures to ensure the Country Office has closer involvement in day-to-day operations of the sub-office to provide the required supervision and oversight.

(4) The UNODC Regional Office for Southeast Asia and the Pacific should implement review and supervision mechanisms to ensure that sub-offices comply with the prescribed procedures for selection, approval and management of grants, and that staff are held accountable for non-compliance with established procedures.

UNODC accepted recommendation 4 and stated that ROSEAP discussed supervisory functions with concerned country office managers and staff and reiterated the need for compliance and use of oversight mechanisms for remote locations. These issues were also taken up during a Management Meeting held in January 2017. The international and national personnel involved in the cases identified by OIOS are no longer with UNODC and a new Alternative Development project team has been on board since February 2017. EPEU will be consulted by Programme Managers to clarify actions to be taken for engagements with external parties. Recommendation 4 remains open pending receipt of the details of the review and supervision mechanisms put in place to oversee project operations in remote sub-offices to ensure compliance with prescribed procedures.

Need to ensure that the planned approach for project LAOZ49 is properly administered

22. Where the use of “revolving funds” and micro-credit arrangements are contemplated, the Grants Manual requires these to be carefully planned and controlled to safeguard assets while ensuring planned

impact to beneficiaries. One of the projects (LAOZ49), with a budget of \$3 million was designed to be implemented through a pilot micro-credit/micro-finance component. The programme was approved by corporate stakeholders in June 2015 in accordance with the programme approval requirements. EPEU cleared the programme on condition that the office would design and develop appropriate controls to administer and manage the micro-finance component. At the time of audit in October 2016, project implementation was underway even though the operational mechanisms of the proposed micro-finance component including how it would be administered had not been finalized. The office indicated that it was reviewing potential viable implementation approaches and may even be considering dispensing with the micro-finance approach. OIOS is of the view that any significant changes in the implementation structure or approach should be documented and approved in accordance with UNODC's project revision guidelines before implementation progresses too far.

(5) The UNODC Regional Office for Southeast Asia and the Pacific should decide on the implementation approach for project LAOZ49 and either: (a) revise the project document to reflect a new implementation approach; or (b) establish mechanisms to ensure the successful implementation of the micro-finance arrangement if the implementation approach is not changed.

UNODC accepted recommendation 5 and stated that project implementation is underway. Outcomes and outputs are defined in the project document approved by the Project Review Committee. Early in the project period, it was determined that the outcomes and outputs could be more effectively delivered through UNODC procurement rather than through micro-credits. The financial delivery modality was changed accordingly. Implementation through UNODC procurement is partially reflected in the project document in combination with micro-credits. However, the change of financial modality implies moving away from micro-credits completely. A project revision to reflect this implementation modality will be submitted. Recommendation 5 remains open pending receipt of evidence that a revised project document outlining the proposed new implementation approach for project LAOZ49 has been prepared and approved.

Need to strengthen controls over procurement

23. OIOS reviewed 90 procurement transactions undertaken by all ROSEAP offices and noted 24 cases that did not fully comply with the Procurement Manual and the United Nations Financial Regulations and Rules, as described below.

(i) Instances where the level of delegated authority were not fully adhered to

24. ROSEAP had delegation of authority to procure goods and services up to the financial limit of \$40,000 and was required to seek the authorization of the Chief of Procurement Unit at UNODC/UNOV for any purchases in excess of this limit. In one of the cases sampled, hotel conference and accommodation services valued at \$74,000 were procured without seeking the authorization of UNOV Procurement Unit as required. The purchase of goods and services in excess of the delegated authority is a contravention of the financial regulations and rules that could affect the results of procurement action since the office may not have the capacity to handle procurement actions beyond the authorized levels. In addition, in the same case of hotel conference and accommodation procurement, the purchase documents stipulating the vendor's terms and conditions of sale was signed by a Programme Assistant who did not have the delegated authority to sign agreements on behalf of ROSEAP. The issue of vendor terms and conditions being signed off by staff without appropriate delegation were noted in seven other cases and could lead to ROSEAP committing to vendor prescribed terms and conditions that may not be favorable. ROSEAP indicated that it added steps for checking year-to-date volume purchases for all vendors to ensure that purchases are made within the delegated authority. ROSEAP also indicated that it stopped the

practice of staff signing off on documents to confirm acceptance of procurement actions that have already been authorized and approved. As ROSEAP had taken corrective action to address the deficiencies noted, OIOS is not raising a recommendation on the issue.

(ii) Splitting of purchase orders and requisitions by one of the sub-offices

25. Sections 8.7 and 9.26 of the Procurement Manual call for proper procurement/acquisition planning and recommends that, to the extent possible, field offices should consolidate procurement of similar items to achieve value for money and economies of scale. For procurement actions in excess of \$40,000, the Procurement Manual requires the use of formal competitive solicitations methods. OIOS noted six individual purchase transactions that appeared to have been split in order to by-pass the requirement for the use of formal solicitation of bids. These related to instances where fertilizers with an accumulated value of \$167,000 were repeatedly purchased from the same vendor in multiple transactions that were all below \$40,000. In all but one case, the vendor was sole sourced with the selection being supported by “Note to File” documents explaining the reasons and justifications for the decision. In one other case, OIOS examined email communication from August 2016 alluding to a planned attempt by staff to split a purchase transaction of fertilizers worth \$119,000, into different purchase orders to avoid the threshold for formal solicitation methods. This suggestion was however not followed through. Splitting of purchase orders goes against the established procurement principles and undermines the credibility of the procurement processes. OIOS attributed the anomalies to the lack of proper procurement/acquisition planning, inadequate oversight and the lack of staff awareness or appreciation of procurement rules and regulations.

(6) The UNODC Regional Office for Southeast Asia and the Pacific should strengthen its procurement practices by: (a) preparing annual and/or project procurement plans; (b) ensuring that all staff are trained to maintain the integrity of the procurement process; and (c) establishing review and supervision mechanisms to ensure that purchases are not split to bypass formal methods of solicitation.

UNODC accepted recommendation 6 and stated that: (a) ROSEAP developed an annual procurement plan template that has been sent to all programme managers with a request that the category-based sourcing requirements for the Regional Programme be estimated and consolidated. This will ensure the timely solicitation of quotations, bids or proposals, the awarding of contracts, and the delivery of goods and services; (b) a training plan for project personnel is under implementation and a regional training will be conducted in March 2017; (c) instructions and reminders that splitting of purchase orders are not allowed were reiterated in the Country Manager Meeting held in January 2017. The Myanmar Country Manager will visit the project team every 2 months during 2017. All the cases of split purchases identified by OIOS took place between 1 June 2014 to 31 August 2015 when the sub-office did not have a Country Manager. With the arrival of the Country Manager on 1 September 2015, the practice was discontinued and stopped. Recommendation 6 remains open pending receipt of evidence that: (a) project procurement plans have been prepared; (b) project personnel have received procurement training; and (c) supervision mechanisms have been established.

(iii) Use of ex post facto procurement needed to be minimized

26. The Procurement Manual regards ex post facto procurement as a serious violation that needs to be avoided and that should only occur as a rare exception. In the event of occurrence, the Manual requires the ex post facto cases to be supported by appropriately approved written justifications that include corrective actions put in place to avoid future recurrence. In line with this principle, the UNOV Procurement Unit issued a directive reminding field offices of this requirement and emphasizing the need for compliance. Ten of the procurement cases reviewed with a total value of approximately \$199,000

were procured on ex post facto basis prior to the requisitions and purchase orders being approved and issued. These included hotel conference services, payment for utilities, courier charges, and items worth approximately \$119,000 that were ordered verbally by phone. ROSEAP attributed these cases to a number of reasons including the lack of technical knowledge and difficulties faced in raising purchase orders in the new system. To minimize the risk of recurrence of ex post facto cases, ROSEAP needed to ensure there was adequate prior planning and scheduling of programme activities to allow adequate processing time in Umoja, so that activities are not undertaken in advance of the required work flows processes being approved in Umoja. There was also a need to strengthen review and supervision of field offices to monitor ex post facto cases and ensure compliance with the Procurement Manual. The need to prepare procurement plans is already addressed in recommendation 6 above.

(7) The UNODC Regional Office for Southeast Asia and the Pacific should ensure that the use of ex post facto procurement is limited to rare exceptions and establish requirements for field and country offices to submit reports on ex post facto cases to the Regional Office.

UNODC accepted recommendation 7 and stated that ex post facto procurement for recurring expenses at ROSEAP is being addressed at local levels. ROSEAP has introduced the use of procurement plans to help future planning and scheduling of procurement transactions. Blanket purchase orders for payment of utilities and other recurring expenses (mobile phone and courier service) are now being created at the first month of each quarter with spending closely monitored by a dedicated administrative staff. All project teams were instructed to ensure there are appropriate transaction records in Umoja before services are used. Recommendation 7 remains open pending receipt of evidence that requirements have been established for field and country offices to submit reports on any ex post facto cases to the Regional Office.

Property records were properly maintained and physical verification exercises were conducted

27. According to UNODC Management Instruction “Field Office Administration” (MI/8/Rev.1), the UNODC Representative is responsible for the supervision and control of UNODC property records. At the time of the audit, ROSEAP offices were conducting a physical verification and reconciliation of all assets. In 2014 to 2016, assets worth \$1.2 million were written off mainly through obsolescence, or through donations to government agencies. The write-offs were appropriately approved by the Property Survey Board at UNODC headquarters.

V. ACKNOWLEDGEMENT

28. OIOS wishes to express its appreciation to the management and staff of UNODC for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of United Nations Office on Drugs and Crime operations in Southeast Asia and the Pacific

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNODC Regional Office for Southeast Asia and the Pacific should develop a fundraising action plan detailing the actions to be undertaken to close the funding gap and successfully implement its projects across the region.	Important	O	Receipt of the ROSEAP action plan to address the funding gap.	30 April 2017
2	The UNODC Regional Office for Southeast Asia and the Pacific should, in consultation with UNODC headquarters, review its staffing requirements for performing functions in Umoja and determine the optimal mix of staff and UNDP service contract personnel required to perform financial and administrative roles to effectively support its regional operations.	Important	O	Receipt of evidence that UNODC has determined the optimal mix of staff and UNDP service contract personnel required to perform financial and administrative roles to effectively support ROSEAP operations.	30 June 2017
3	The UNODC Regional Office for Southeast Asia and the Pacific should consult with UNODC headquarters to strengthen coordination arrangements for planning, implementing and reporting on activities undertaken by global, regional and country programmes in the region.	Important	O	Receipt of evidence that coordination arrangements for planning, implementing and reporting activities undertaken by global, regional and country programmes in the Southeast Asia and the Pacific regions have been strengthened.	30 September 2017
4	The UNODC Regional Office for Southeast Asia and the Pacific should implement review and supervision mechanisms to ensure that sub-offices comply with the prescribed procedures for selection, approval and management of grants, and that staff are held accountable for non-compliance with established procedures.	Important	O	Receipt of the details of review and supervision mechanisms put in place to oversee project operations in the remote sub-offices to ensure compliance with prescribed procedures.	31 May 2017

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNODC in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of United Nations Office on Drugs and Crime operations in Southeast Asia and the Pacific

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
5	The UNODC Regional Office for Southeast Asia and the Pacific should decide on the implementation approach for project LAOZ49 and either: (a) revise the project document to reflect a new implementation approach; or (b) establish mechanisms to ensure the successful implementation of the micro-finance arrangement if the implementation approach is not changed.	Important	O	Receipt of evidence that a revised project document outlining the proposed new implementation approach for project LAOZ49 has been prepared and approved.	30 June 2017
6	The UNODC Regional Office for Southeast Asia and the Pacific should strengthen its procurement practices by: (a) preparing annual and/or project procurement plans; (b) ensuring that all staff are trained to maintain the integrity of the procurement process; and (c) establishing review and supervision mechanisms to ensure that purchases are not split to bypass formal methods of solicitation.	Important	O	Receipt of evidence that: (a) project procurement plans have been prepared; (b) project personnel have received procurement training; and (c) supervision mechanisms have been established.	30 April 2017
7	The UNODC Regional Office for Southeast Asia and the Pacific should ensure that the use of ex post facto procurement is limited to rare exceptions and establish requirements for field and country offices to submit reports on ex post facto cases to the Regional Office.	Important	O	Receipt of evidence that requirements have been established for field and country offices to submit reports on any ex post facto cases to the Regional Office.	31 May 2017

APPENDIX I

Management Response

Management Response

Audit of United Nations Office on Drugs and Crime operations in Southeast Asia and the Pacific

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNODC Regional Office for Southeast Asia and the Pacific should develop a fundraising action plan detailing the actions to be undertaken to close funding gap and successfully implement its projects across the region.	Important	Yes	Regional Representative, Regional Office for Southeast Asia and the Pacific (ROSEAP)	April 2017	<p>UNODC agrees with the recommendation.</p> <p>In October 2016, ROSEAP completed an updated assessment of donors with interests in UNODC mandate areas in SE Asia. The assessment matches UNODC thematic and programme areas with related policy priorities of donors.</p> <p>An accompanying plan to prioritise engagement, with a focus on underfunded areas of the Regional Programme and Country Programmes, is currently being prepared and will be completed by April 2017.</p>
2	The UNODC Regional Office for Southeast Asia and the Pacific should, in consultation with UNODC headquarters, review its staffing requirements for performing functions in Umoja and determine the optimal mix of staff and UNDP service contract personnel required to perform financial and administrative roles to effectively support its regional operations.	Important	Yes	Regional Representative, Regional Office for Southeast Asia and the Pacific (ROSEAP) in coordination with the Division for	June 2017	<p>UNODC agrees with the recommendation.</p> <p>ROSEAP has conducted a new gap review for financial, administrative and monitoring roles in Umoja. The review was based on the statistical volume of transactions and resulting workload of mapped staff in 2016. Based on the gap review by ROSEAP</p>

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

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Audit of United Nations Office on Drugs and Crime operations in Southeast Asia and the Pacific

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
				Operations, the Division for Management and the Umoja Team		and with inputs from the Division for Operations and the UNOV/UNODC Umoja team, a functional organigramme containing all Umoja roles and proposed users will be completed by ROSEAP in the 1 st quarter of 2017. New staffing should be in place by June 2017.
3	The UNODC Regional Office for Southeast Asia and the Pacific should consult with UNODC headquarters to strengthen coordination arrangements for planning, implementing and reporting on activities undertaken by global, regional and country programmes in the region.	Important	Yes	Regional Representative, Regional Office for Southeast Asia and the Pacific (ROSEAP) and the respective Directors of the Division for Operations (DO), Division for Treaty Affairs (DTA) and the Division for Policy Analysis and Public Affairs (DPA)	September 2017	UNODC agrees with the recommendation and plans to implement it by the 3 rd quarter of 2017. The recommendation addresses an issue that has been highlighted in previous OIOS audits, most recently ROMENA, and as such should be dealt with both in ROSEAP and across the board. At the Senior Managers Retreat of 20 January 2017, the specific issue of improved coordination among Global, Regional and Country Programmes was discussed and a follow-up recommendation will be implemented in the first half of 2017.
4	The UNODC Regional Office for Southeast Asia and the Pacific should implement review and supervision mechanisms to ensure that sub-offices comply with the prescribed procedures for selection, approval and management of grants, and	Important	Yes	Regional Representative, Regional Office for Southeast Asia and the Pacific	May 2017	UNODC agrees with the recommendation. ROSEAP has already taken measures to implement it. ROSEAP has discussed supervisory functions with

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	that staff are held accountable for non-compliance with established procedures.			(ROSEAP) in coordination with the External Parties Engagement Unit (EPEU) at UNODC HQs		<p>concerned country office managers and staff of the Myanmar and Lao remote project offices and reiterated compliance and use of oversight mechanisms for remote locations. These issues were also taken up during a Management Meeting held in January 2017.</p> <p>The international and national personnel involved in the cases identified by OIOS are no longer with COMYA and a re-profiling of the COMYA Taunggyi sub-office was done and a new Alternative Development Team has been on board since February 2017.</p> <p>The External Parties Engagement Unit (EPEU) at UNODC HQs will be consulted by Programme Managers to clarify actions to be taken for engagements with external parties.</p>
5	The UNODC Regional Office for Southeast Asia and the Pacific should decide on the implementation approach for project LAOZ49 and either: (a) revise the project document to reflect a new implementation approach; or (b) establish mechanisms to ensure the successful implementation of the micro-finance arrangement if the implementation approach is not changed.	Important	Yes	Regional Representative, Regional Office for Southeast Asia and the Pacific (ROSEAP)	June 2017	<p>UNODC agrees with the recommendation.</p> <p>Project implementation is underway. Outcomes and outputs are defined in the project document approved by PRC. Early in the project period (Q2 2016), it was determined that the outcomes and outputs could be more effectively delivered through UNODC procurement rather than</p>

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Audit of United Nations Office on Drugs and Crime operations in Southeast Asia and the Pacific

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						through micro credits. The financial delivery modality was changed accordingly. Implementation through UNODC procurement is partially reflected in the project document in combination with micro-credits. However, the change of financial modality implies moving away from micro credits completely. A project revision to reflect this implementation modality will be submitted.
6	The UNODC Regional Office for Southeast Asia and the Pacific should strengthen its procurement practices by: (a) preparing annual and/or project procurement plans; (b) ensuring that all staff are trained to maintain the integrity of the procurement process; and (c) establishing review and supervision mechanisms to ensure that purchases are not split to bypass formal methods of solicitation.	Important	Yes	Regional Representative, Regional Office for Southeast Asia and the Pacific (ROSEAP)	April 2017	UNODC agrees with the recommendation. The following measures have been undertaken to address the recommendations: (a) ROSEAP developed an annual procurement plan template that has been sent to all programme managers with a request that the category-based sourcing requirements for the Regional Programme be estimated and consolidated. This will ensure the timely solicitation of quotations, bids or proposals; the awarding of contracts, and the delivery of goods and services.

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						<p>(b) A training plan for project personnel is under implementation and a regional training will be conducted in March 2017. A Yangon based National Programme Officer is presently taking the required training prior to being assigned a buyer role in UMOJA.</p> <p>(c) Instructions and reminders that splitting of purchase orders are not allowed were reiterated in the Country Manager Meeting held in January 2017.</p> <p>In addition to the above, the Myanmar Country Manager will visit the project team every 2 months during the course of 2017. UNODC also notes that all the cases of split purchases identified by OIOS took place between 1 June 2014 to 31 August 2015, when the sub-office did not have a Country Manager. With the arrival of the Country Manager on 1 September 2015, the practice was discontinued and stopped.</p>

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Audit of United Nations Office on Drugs and Crime operations in Southeast Asia and the Pacific

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
7	The UNODC Regional Office for Southeast Asia and the Pacific should ensure that the use of ex post facto procurement is limited to rare exceptions and establish requirements for field and country offices to submit reports on ex post facto cases to the Regional Office.	Important	Yes	Regional Representative, Regional Office for Southeast Asia and the Pacific (ROSEAP)	May 2017	UNODC agrees with the recommendation. Ex post facto procurement for recurring expenses at ROSEAP is being addressed at local levels. ROSEAP has introduced the use of procurement plans to help future planning and scheduling of procurement transactions. Blanket Purchase Orders (POs) for payment of utilities and other recurring expenses (mobile phone and courier service) are now being created at the first month of each quarter with spending closely monitored by a dedicated administrative staff. All project teams were instructed to ensure there are appropriate transaction records in Umoja before services are used.