



## **INTERNAL AUDIT DIVISION**

### **REPORT 2019/086**

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#### **Audit of the management of the Department of Economic and Social Affairs' project offices in the Republic of Korea and Japan**

**While the project offices conducted a number of capacity development activities, the Department needed to review their mandates and substantive objectives in line with its priorities and strengthen oversight of their activities**

**24 September 2019  
Assignment No. AN2018/540/02**

# **Audit of the management of the Department of Economic and Social Affairs' project offices in the Republic of Korea and Japan**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of the management of the Department of Economic and Social Affairs' (DESA) project offices in the Republic of Korea and Japan. The objective of the audit was to determine whether DESA had established adequate processes to effectively manage these project offices. The project offices were the United Nations Project Office on Governance (UNPOG) and the United Nations Office on Sustainable Development (UNOSD) in the Republic of Korea, and the United Nations Centre for Regional Development (UNCRD) in Japan. The audit covered the period from January 2016 through September 2018. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in project management which included: project mandate and objectives; governance and oversight; work programming, planning and implementation; funding and staffing; and monitoring, evaluation and reporting.

The project offices carried out a number of capacity development activities to support developing countries in: (a) promoting sustainable regional development and awareness of environment issues; (b) strengthening public administration capacities; and (c) planning and implementing sustainable development strategies. The beneficiaries included countries in Asia and the Pacific, Africa, and Latin America. DESA also initiated efforts to streamline the Sustainable Development Goals (SDGs) in the activities of the project offices. However, DESA needed to review the offices' mandates and substantive objectives in line with its priorities and strengthen oversight of their activities.

OIOS made nine recommendations. To address issues identified in the audit, DESA needed to:

- Review mandates and substantive objectives of project offices to ensure they complement the delivery of its overall mandate to support Member States in the implementation of the 2030 Agenda;
- Develop an adequate project logical framework for UNOSD and UNCRD;
- Establish a periodic strategic planning process for UNOSD to better support Member States to implement the SDGs;
- Commission an evaluation of UNCRD;
- Establish an effective governance mechanism for UNCRD;
- Strengthen its monitoring of UNCRD and UNOSD activities;
- Enhance the annual work planning process of UNOSD;
- Develop strategies for its project offices to enhance partnerships with donors and implementing partners; and
- Ensure that programme documents for UNCRD relating to the Environmentally Sustainable Transport Forum and the Regional Reduce, Reuse and Recycle Forum in Asia and the Pacific activities are formally signed with the Government of Japan.

DESA accepted seven recommendations and partially accepted the other two. It has yet to initiate actions to implement the accepted recommendations.

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# **Audit of the management of the Department of Economic and Social Affairs’ project offices in the Republic of Korea and Japan**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the management of the Department of Economic and Social Affairs’ (DESA) project offices in the Republic of Korea and Japan.

2. One of the key programmatic objectives of DESA is to support capacity development in policy formulation and implementation. This is in line with Goal 17 of the 2030 Agenda for Sustainable Development (hereafter, the 2030 Agenda), particularly in relation to capacity-building under target 17.9, which aims to “enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the Sustainable Development Goals (SDGs), including through North-South, South-South and triangular cooperation”.

3. To implement its capacity development strategy, DESA operates the following three project offices in Asia:

(a) The United Nations Centre for Regional Development (UNCRD), which was established in 1971 based on an agreement between the Government of Japan and the United Nations to promote sustainable regional development in developing countries with a focus on development planning and management in the context of globalization and decentralization trends, and global environmental issues and their impacts. Specifically, UNCRD aims to: (i) serve as a training and research centre in regional development and planning; (ii) provide advisory services in regional development and planning and related fields at the request of developing countries; (iii) assist developing countries in promoting the exchange of data on research and practical experience; and (iv) assist and cooperate with other organizations, national or international, concerned with regional development and planning. UNCRD operates under the direction of DESA’s Division for Sustainable Development Goals (DSDG).

(b) The United Nations Office for Sustainable Development (UNOSD) was established in 2011 under a trust fund agreement between the United Nations and the Government of the Republic of Korea (GORK). The roles of UNOSD include: (i) serving as a resource centre and knowledge portal on sustainable development; (ii) reviewing and assessing the progress and gaps in the implementation of internationally agreed development goals; (iii) disseminating information, building and participating in professional networks and undertaking outreach activities; and (iv) undertaking other mutually agreed activities in support of sustainable development. UNOSD operates under the direction of DESA’s DSDG.

(c) The United Nations Project Office on Governance (UNPOG), which was established in 2006 with the principal mission of strengthening public administration capacities in developing countries in Asia and the Pacific. UNPOG, funded through a trust fund agreement with GORK until December 2030, operates under the direction of DESA’s Division for Public Institutions and Digital Government (DPIDG), formerly the Division for Public Administration and Development Management. UNPOG’s activities are clustered under three components: (i) research and policy analysis; (ii) capacity development; and (iii) networking and outreach.

4. Table 1 shows donor contributions and project expenditures for the period January 2016 to December 2018.

Table 1

**Contributions to and expenditures of DESA project offices, 2016 to 2018**

	2016		2017		2018		Total	
	<i>Contributions</i>	<i>Expenditures</i>	<i>Contributions</i>	<i>Expenditures</i>	<i>Contributions</i>	<i>Expenditures</i>	<i>Contributions</i>	<i>Expenditures</i>
UNCRD	\$1 708 518	\$1 892 440	\$1 419 530	\$1 302 935	\$1 390 574	\$1 880 493	\$4 518 622	\$5 075 868
UNPOG	1 500 000	754 300	1 500 000	1 204 863	1 500 000	1 379 957	4 500 000	3 339 120
UNOSD	2 718 677	1 331 806	2 447 031	1 902 728	2 444 614	3 576 550	7 610 322	6 811 084
<b>Total</b>	<b>\$5 927 195</b>	<b>\$3 978 546</b>	<b>\$5 366 561</b>	<b>\$4 410 526</b>	<b>\$5 335 188</b>	<b>\$6 837 000</b>	<b>\$16 628 944</b>	<b>\$15 226 072</b>

Source: Umoja as of March 2019

Note: UNPOG 2016 contributions cover period July 2015 to December 2016

5. Comments provided by DESA are incorporated in italics.

## II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to determine whether DESA had established adequate processes to effectively manage its project offices in the Republic of Korea and Japan.

7. This audit was included in the 2018 risk-based work plan of OIOS due to risks related to the management of the offices in the field including sustainability of their funding and the fact that OIOS had never audited two of the offices, UNPOG and UNOSD. UNCRD was last audited in 2009.

8. OIOS conducted this audit from November 2018 to April 2019. The audit covered the period from January 2016 through September 2018. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in project management which included:

- Project mandate and objectives;
- Project governance and oversight mechanism;
- Work programming, planning and implementation;
- Project funding and staffing;
- Monitoring, evaluation and reporting; and
- Project support.

9. The audit scope included an assessment of the efficiency and effectiveness of the project offices' implementation of DESA's capacity development strategy and donor agreements.

10. The audit methodology included: (a) interviews of key personnel, (b) reviews of relevant documentation, and (c) analytical reviews of data.

11. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

## III. AUDIT RESULTS

### A. Project mandate and objectives

The mandates and objectives of the project offices need to be current and in line with DESA's priorities

12. Capacity development projects are expected to address targeted needs of Member States in accordance with DESA's programme of work. Currently, DESA's capacity development work programme

is centered around SDG 17.9, which lays out the need to build the capacity of Member States to implement all the SDGs. The audit found that although the project offices were established to provide capacity development to developing countries, their mandates and programme objectives needed to be reviewed in the context of the 2030 Agenda. While the objectives of UNPOG were reviewed in 2016 in response to the 2030 Agenda, those of UNCRD and UNOSD had not been reviewed although the offices made efforts to link project activities to the SDGs.

(a) UNOSD

13. A review of UNOSD substantive objectives was necessary because, as described later in this report, they were too broad, and the activities too geographically dispersed for the Office to effectively achieve them. While the Office developed its work programme around four main components (knowledge sharing and outreach, capacity development, partnership, and policy research), DESA and UNOSD had not clearly defined the areas of comparative advantage of the Office including an implementation strategy of the goals of the Office in a focused manner, taking into consideration the human and financial resources. Most importantly, UNOSD objectives were developed in 2011 prior to the adoption by the General Assembly of the 2030 Agenda, which has significantly refocused the priorities of DESA and its capacity development activities. UNOSD steering committee minutes and comments made by GORK donors and DESA management indicated that there was a need for UNOSD to focus on specific niches and ensure that expertise was available in the office and/or made available for better implementation of the work programme. Since its establishment, an external evaluation had not been commissioned to review its performance and assess the relevance of its mandate and objectives in relation to DESA's priorities, especially after the adoption of the 2030 Agenda. A consultant's report on a review of the Office's strategy issued in February 2015 suggested that the scope of the Office's mandate needed to be revisited after the adoption of the 2030 Agenda.

14. Furthermore, while goals and outputs were outlined, there was no comprehensive logical framework developed to indicate expected accomplishments, indicators of achievements and means of verification. Although the Office's work plan sought to address many SDG goals, it did so without focusing on where it had the capacity, expertise and comparative advantage. Also, a needs assessment process was not formulated to guide the prioritization of the extensive list of activities on the work plan to support Member States' needs. The Office also indicated that other United Nations agencies, such as the United Nations Institute for Training and Research, had better expertise to carry out some of its activities such as the resource facility and web-based training platform. The lack of strategy focusing on specific priorities overstretched the Office with only three professionals including the Director to implement its work programme.

(b) UNCRD

15. It was also important for UNCRD to review its substantive objectives. Established in June 1971, its overall objective was to promote regional development and planning in developing countries. Although UNCRD had contributed in the past to regional development through training and research, the extent of its current activities was mainly limited to two events organized annually for the Environmentally Sustainable Transport Forum (EST) and the Regional 3Rs (Reduce, Reuse and Recycle) Forum in Asia and the Pacific in coordination with the Japanese Ministry of Environment (MOE), which provided funding. These high-level political fora and participation in other events, such as the International Partnership on Expanding Water Management Services of Local Authorities, an SDG partnership, were added to its portfolio when core funding was no longer available to cover original programme activities. UNCRD implemented these activities as stand-alone activities without a clear strategy to integrate them with its mandated activities and clearly formulate outcomes, outputs/activities, indicators of achievements and means of verification. As a result, the Centre was no longer in a position to demonstrate its effectiveness

and contribution in the context of its original mandate or the priorities of DESA vis-à-vis the 2030 Agenda. Furthermore, its core funding had been decreasing for the last eight years, covering only staffing and operational costs.

16. The UNCRD Director, appointed in August 2018, had analyzed the issues facing the Centre and drafted proposals to address operational challenges including developing a strategy for sustainability. However, no external evaluation or significant review of the Centre had been undertaken on: (a) the objectives of the Centre to assess its relevance to DESA's priorities and the expectations of the donor; and (b) the Centre's performance and effectiveness in relation to its overall mandate. Without such a review and a strategy for financial sustainability, the Centre may no longer be effective and its relevance would be in question.

17. Additionally, OIOS noted that while the UNPOG project document required an evaluation every five years, those of UNCRD and UNOSD did not specifically require periodic evaluation to assess their relevance, effectiveness, impact and sustainability in the context of DESA's current priorities. DESA commented that the UNOSD work plan for 2018-2019 included an external evaluation, which was put on hold when OIOS announced its intention to audit the field offices in October 2018. DESA would go now ahead with this evaluation as originally planned. Therefore, OIOS did not issue a recommendation on UNOSD in this regard.

- (1) DESA should, in consultation with the donors, review the mandate and the substantive objectives of the United Nations Office for Sustainable Development and the United Nations Centre for Regional Development to ensure that they complement the delivery of its overall mandate to support Member States in the implementation of the 2030 Agenda.**
- (2) DESA should develop an adequate logical framework for the United Nations Office for Sustainable Development and the United Nations Centre for Regional Development to ensure that the expected accomplishments, indicators of achievements and means of verification are clear to allow the planning, implementation and assessment of their programmes.**
- (3) DESA should establish a periodic strategic planning process for the United Nations Office for Sustainable Development taking into consideration the priorities of DESA, to better support Member States to implement the sustainable development goals.**

*DESA accepted recommendations 1, 2, and 3 and stated it would implement them as one recommendation.* The recommendations remain open pending receipt of evidence of the review of the mandate and substantive objectives of UNCRD and UNOSD, development of logical frameworks for UNCRD and UNOSD, and the establishment of a strategic planning process for UNOSD.

- (4) DESA should commission an evaluation of the United Nations Centre for Regional Development and include a provision in future project agreements requiring, based on established criteria, external mid-term and/or final project evaluations to draw lessons learned on their management and the effectiveness of their capacity development activities.**

*DESA partially accepted recommendation 4 stating that it would undertake an evaluation of UNCRD but would not make provisions for evaluations in every future project agreement. Instead, it would include a provision when the project was of reasonable complexity and duration, or when the donor specifically required it.* OIOS notes that the recommendation does not anticipate a provision for evaluation in every project agreement. Recommendation 4 remains open pending receipt of the report

on the evaluation of UNCRD and issuance of guidance on the inclusion of a provision for evaluation in agreements of capacity development projects that meet the criteria established.

## **B. Project governance and oversight**

An adequate governance and oversight mechanism needed to be established to oversee project operations

18. To ensure that project offices achieve their objectives effectively and efficiently, UNPOG and UNOSD project documents required establishment of an effective governance mechanism specifying the roles and responsibilities of DESA, donors and project management and those of a steering committee. However, UNCRD did not establish similar governance and oversight mechanisms.

19. Annually, UNPOG and UNOSD presented progress reports on their annual work plans to their respective steering committees which, per their terms of reference, reviewed the progress of the projects and approved the subsequent year's annual work plans. Additionally, UNPOG management oversight processes under the leadership of the Director of DPIDG required weekly reports from the Office, besides conducting regular visits to the project. However, UNOSD did not have processes/requirements to submit weekly and/or other periodic formal reports to inform DSDG management on the activities of the Office.

20. In the absence of a steering committee for UNCRD, there were no oversight meetings during the audit period between DESA, the major donor (Ministry of Foreign Affairs of Japan or MOFA) and UNCRD, to ensure that the Centre was well managed and guided by the relevant mission statement, vision and strategy, as well as a risk management approach. While there was regular email and telephone exchange between UNCRD and DSDG, visits by DSDG senior management were rare, thereby limiting coordination and oversight, and consultation with the donor. The UNCRD Director had organized, on 1 November 2018, an ad hoc meeting of some stakeholders including representatives from MOFA and MOE, the city of Nagoya and the Japanese private sector. However, the focus was more on programme partnership than on governance and oversight. As a result, the Centre did not benefit from timely strategic guidance to ensure that its objectives were up-to-date and that it was effectively and efficiently achieving them. DESA indicated that there was ongoing discussion to reinstate consultations through an advisory committee.

21. It was important for DESA senior management to establish adequate regular oversight processes including regular reporting and consultation to ensure effective coordination with pertinent DESA divisions during planning and implementation of their annual work programme. Management indicated it could not undertake regular site visits of all projects because of travel fund constraints and stated that coordination and oversight would be strengthened through closer integration of the activities of UNOSD and UNCRD with the DSDG programme priorities.

**(5) DESA should, in consultation with the Government of Japan, establish an effective governance mechanism for the United Nations Centre for Regional Development including a steering committee with clear terms of reference.**

*DESA accepted recommendation 5 and stated that it would initiate consultations with the donors to reinstitute the advisory committee by updating its terms of reference. Recommendation 5 remains open pending receipt of evidence of the establishment of a governance mechanism for UNCRD.*

**(6) DESA should strengthen its monitoring of the activities of the United Nations Office for Sustainable Development, including requiring the project office's director to submit periodic reports to ensure closer coordination and more effective work plan implementation.**



*DESA accepted recommendation 6 and stated that DSDG and UNOSD held regular virtual and face-to-face meetings, which include regular monitoring of administration and programmatic topics as well as budget implementation. However, as described later in this report, UNOSD experienced relatively low delivery rates of its work plan implementation. As an outposted office, more frequent reporting (other than the annual report to the steering committee) was necessary to ensure that corrective actions were being taken timely to implement UNOSD's work plan. Recommendation 6 remains open pending receipt of evidence of the strengthened monitoring mechanism by DESA of the activities of UNOSD.*

## C. Work programme planning and implementation

### UNPOG established effective annual work planning processes

22. UNPOG's annual work programme adequately defined its activities in line with the project objectives and DPIDG mandate and priorities. Its logical framework indicators were aligned with the expected accomplishment of DPIDG and the work plan covered the three pillars of the Division with anticipated costs of the activities. The annual work plan, prepared by UNPOG management in consultation with DPIDG, was reviewed and approved by the steering committee. In 2018, UNPOG conducted a needs assessment to better plan its support to Member States and identify where UNPOG's contributions and impact in the implementation of the SDGs could be best fitted. The annual steering committee meeting allowed the members to critically review the plan and related activities and costs. Progress reports showed that the annual plans were generally successfully implemented through organization of workshops and fora for government and municipality officials, translating the SDGs into national development plans, institutional arrangements and policy integration. Reasons for exceptions were well documented and presented to the steering committee. OIOS concluded that UNPOG implemented adequate controls over work planning and implementation.

### UNOSD's annual work plans were overly ambitious resulting in lack of focus on DESA's priority areas

23. UNOSD prepared annual comprehensive work plans in line with the four programmatic components reflected in its trust fund agreement and project document. They were approved by its steering committee. According to progress reports submitted to the steering committee annually and as shown in Table 2, UNOSD completed 12 or 46 per cent of its 26 planned activities in 2016-2017, while another 46 per cent or 12 activities were either cancelled or postponed. For 2017-2018, of the 41 activities planned, UNOSD completed 21 or 51 per cent and either cancelled or postponed 44 per cent of its work plan. The rate of completion of the 2018-2019 work plan as of April 2019 was 77 per cent of 35 activities. UNOSD activities were mainly workshops and fora, which targeted multi-stakeholders from around the world (Asia, Africa, Latin America) to discuss issues related to the SDGs including energy, water and environment.

Table 2

#### **Work plan analysis as of April 2019**

<i>Work plan completion as per steering committee minutes of meetings</i>	<i>April 2016 to March 2017<sup>1</sup></i>		<i>April 2017 to March 2018</i>		<i>April 2018 to March 2019</i>	
Approved by the steering committee	26	100%	41	100%	35	100%
Implemented	12	46%	21	51%	27	77%
In progress	2	8%	2	5%	--	--
Postponed	8	31%	7	17%	3	9%
Cancelled	4	15%	11	27%	5	14%

Source: UNOSD Progress reports.

<sup>1</sup> Work plan implementation starts after the approval of the steering committee, which usually meets in March.

24. Although UNOSD completed an increasing proportion of its work plan over the period reviewed, minutes of the annual steering committee meetings documented the concerns of some of its members regarding the ambitious work plans submitted by UNOSD for approval both in terms of number of activities and substantive scope of the activities. Despite these concerns, the steering committee approved the work plans.

25. The overall performance of UNOSD was hampered by several factors including: (a) the broad scope of its mandate (see Section A of this report); (b) lack of strategic planning including the establishment of a needs assessment and prioritization process to guide the formulation of its work plan to support Member States' needs; (c) insufficient staffing due to vacancies; and (d) need for strengthened management oversight, monitoring, reporting and evaluation mechanisms. For example, the UNOSD trust fund agreement provided eight core project staff including one D-1, two P-5, one P-4, one P-3 and three G-5. Although the P-5 posts were encumbered during the early life of the project office, they became vacant for a long period of time; one for 17 months from October 2014 to February 2016, and the other for 15 months from March 2015 to May 2016. Both posts were concurrently vacant for a total of 12 months from March 2015 to February 2016. At the time of the audit fieldwork in November 2018, there were three vacant posts (P-4, P-3 and G-5). While the recruitment for the P-4 post had since been completed, the D-1 post of the Head of Office became vacant.

26. The Office's capacity development and partnership activities involved substantial international travel. On average, 17 activities (workshop/forum and advisory) were planned annually to be conducted outside GORK requiring extensive international travel to attend workshops and meetings. The Office also undertook about six workshops/activities in GORK per year. The work plans required diverse expertise and intensive involvement in planning, implementation, reporting and follow-up. Without strategically carving out a niche of capacity development needs and matching them with available resources, UNOSD may be unable to successfully implement its work programme and effectively meet its objectives.

27. UNOSD also experienced low financial delivery against the contributions from stakeholders within GORK, the Ministry of Environment and the City of Incheon, which amounted, in average to about \$2.4 million a year for the 2016-2018 period. The average yearly expenditures for the period was about \$2.2 million; however, the beginning fund balance as of January 2018 was about \$3.5 million including previous years' unspent funds, showing a significant low delivery rate. Although appreciative of the work of UNOSD at meetings with OIOS during the audit, both donors expressed concern about the low programme delivery rates. This could result in reduced funds and/or concerns about the effectiveness of the Office. UNOSD attributed the low delivery rates to vacancies as well as activities being postponed or cancelled by partners.

**(7) DESA should take steps to enhance the annual work planning process for the United Nations Office for Sustainable Development to ensure that its activities are focused and achievable and that the Office has the staff in place to implement them.**

*DESA accepted recommendation 7 and stated that in addition to the regular virtual and face-to-face meetings described earlier, the Head of UNOSD met with DSDG in New York towards the end of each year to discuss the annual workplan and its implementation. Recommendation 7 remains open pending receipt of evidence of actions taken to ensure that UNOSD work plans are realistic, taking into consideration its available resources.*

DESA needed to develop strategies for its project offices to enhance partnerships with stakeholders

28. SDG target 17.16 states the need to enhance global partnerships including multi-stakeholder partnerships to mobilize and share knowledge, expertise, technology and financial resources to support the achievement of the SDGs in all countries, particularly in developing countries. One of the areas in DESA's

capacity development delivery model is to establish and strengthen long-term partnerships, especially with the United Nations system, to deliver assistance to countries more effectively, efficiently and sustainably, and in line with the United Nations Sustainable Development Group (formerly the United Nations Development Group) principles of system-wide coherence and delivering as one.

29. Overall, the work plans of the project offices included partnerships with the United Nations agencies, regional institutions and Member States in the form of co-organizing activities and/or providing content. Although there were several activities in collaboration with partners such as the Economic and Social Commission for Asia and the Pacific, the United Nations Development Programme and the United Nations Environment Programme, no comprehensive formal strategies had been formulated by the offices nor was there a clear articulation of the process of deciding which partner to engage with in co-organizing activities. There were also untapped opportunities for partnership or collaboration especially in Incheon, Republic of Korea, where several international agencies, including UNPOG, were headquartered in the Global Fund building. UNOSD's steering committee noted these opportunities for collaboration for UNOSD to consider. DESA indicated however that divisional and/or departmental partnership strategy should guide the offices' individual strategies.

30. Partnerships with well-established institutions at the global, regional and national levels were particularly important for the project offices as they had limited resources and expertise relative to the general and wide scope of their activities in assisting Member States to implement the SDGs. Thus, formulating a partnership strategy would contribute to the effectiveness of the project offices in supporting Member States.

**(8) DESA should develop strategies for its project offices in the Republic of Korea and Japan for enhancing partnerships with stakeholders, taking into consideration its capacity development priorities and the work programmes of the offices.**

*DESA accepted recommendation 8 and stated that it would develop a short strategy paper for its field offices regarding partnerships with donors and implementing partners for both financial and in-kind transactions. Recommendation 8 remains open pending receipt of the DESA strategy paper on partnerships, for its field offices.*

## **D. Project funding**

### DESA needed to review the financial sustainability of UNCRD

31. All three project offices were funded through trust fund agreements between the United Nations Secretariat/DESA and the GORK for UNPOG and UNOSD on the one hand, and Government of Japan for UNCRD on the other hand. The respective offices were established in the donor country and managed by a national of the country under a United Nations international staff appointment. While there were no provisions in the agreements precluding other sources of funding, there was no strategy to diversify donors to ensure sustainability should the level of contributions be negatively affected by unseen factors (financial crisis for example) as these projects rely on one donor government. During meetings with OIOS, the donors indicated the importance of diversifying sources of funding to ensure the sustainability of the projects.

32. The current funding level of UNCRD could not sustain continued effective operations in line with its mandate. Challenges to the financial sustainability of UNCRD had been raised by OIOS in two audit reports issued in 2009 and 2016. The 2009 report outlined the continuing decline in core contributions, which resulted in discontinuing core activities such as the human security programme in 2007. The 2016 report showed consistent over-expenditures against annual contributions.

33. Despite recommendations made by OIOS to DESA in 2009 (assignment number AN2008/540/02 – audit of the management of UNCRD) and in 2017 (report number 2017/003 – audit of the management of the sustainable development subprogramme in DESA) to take necessary actions to improve the financial sustainability of UNCRD, the conditions have worsened. Core contributions from MOFA had declined significantly from about \$5.9 million in 2000 to about \$765,000 in 2018 or a reduction of 87 per cent as shown in Table 3. The core funds only covered staff and operational costs. For example, staff costs consisted of more than 80 per cent of the expenditures for the period 2017 and 2018. Furthermore, overall annual expenditures had increasingly exceeded annual contribution over the past eight years. There was no expectation of increase in core contributions from the donor as indicated by MOFA during a meeting with OIOS.

Table 3  
**Quinquennial decline in core contributions in US dollars, 2000-2015 and 2018**

<i>Year</i>	<i>Core contribution</i>	<i>Rate of reduction</i>
2000	5 895 412	--
2005	3 687 090	37%
2010	2 033 310	66%
2015	799 631	86%
2018	765 000	87%

34. Programmatic activities were funded with additional resources from MOE covering the EST Forum (\$230,000 annually on average) and the Regional 3R Forum in Asia and the Pacific (\$420,000 annually on average). Funding for these activities could not substitute or supplement shortfalls in core funding and might not be sustainable in the long-term as there were no signed agreements with the MOE, or with MOFA committing to specific funding of these events for given periods. Contributions were provided on an annual basis through a letter of intent (exchange of letters with DESA) but there was no amendment to the original trust fund agreement to include these funds nor were the project documents signed by the Government. MOE had informed UNCRD that funding for the EST forum may not be available beyond 2020. This funding structure therefore did not provide assurance of the sustainability of the Centre to adequately develop a medium-term strategy. DESA indicated that efforts have been made to obtain signed project documents for the EST and 3R fora.

35. DESA had also not developed an effective fundraising strategy detailing the funding requirements for its substantive work programme on the basis of which consultations with partners could be held. OIOS noted that the UNCRD Director was initiating discussions to develop partnerships with government ministries (MOE, Ministry of Land, Infrastructure, Transport, and Tourism), municipalities and the private sector; however, such discussions were not about diversifying sources of funding outside of Japan.

36. As a result, UNCRD had significantly scaled down its activities. For example, it had closed its regional offices in Africa and Latin America and the Caribbean in 2014 and 2016 respectively as it could no longer support the management of these offices. The continued reduction in its core funding has hampered UNCRD’s ability to effectively carry out its mandate. OIOS is not making a recommendation relating to diversification of sources of funding as it would be addressed by implementing recommendation 1 on the need to review UNCRD’s mandate and objectives.

**(9) DESA should, in consultation with the Government of Japan, ensure that programme documents for the United Nations Centre for Regional Development relating to the Environmentally Sustainable Transport Forum and the Regional Reduce, Reuse and**

**Recycle Forum in Asia and the Pacific are formally signed with the Government of Japan to ensure their funding and execution.**

*DESA partially accepted recommendation 9 and stated that it would assist UNCRD to develop annual workplans for the two projects, which will be formally shared with the donor for approval or endorsement. However, this is not a substitute for a signed project document with funding arrangements. Recommendation 9 remains open pending receipt of copies of signed programme documents for the EST and Regional 3Rs fora.*

## **E. Programme support**

### UNPOG was filling vacant posts and considering more effective use of its non-reimbursable loan resources to supplement its core staff

37. The UNPOG Phase II project document dated 2 June 2016 provided six core project staff, including one D-1, one P-4, one P-3, two national officers and one G-5. Amendment I of the project document dated 2 June 2017 added one P-5 and one G-7 posts and eliminated one national officer post. In addition, GORK provided in-kind contribution of about \$540,000 annually including seven non-reimbursable loan staff (NRL) and operational costs (premises, utilities, supplies). At the time of the audit fieldwork in November 2018, two posts were vacant (P-5 and G-5), which have since been filled. Furthermore, the post of Head of Office is expected to become vacant as of 1 January 2020. DESA commented that it noted the importance of expediting recruitment against vacant posts and would undertake all reasonable efforts to fill the posts.

38. The three work programme pillars of UNPOG were each managed by an NRL staff at the P-2 level, under the supervision of the P-4 and the Director. NRL staff provided by GORK included two P-5, one P-3, three P-2 and one G-4. While the three P-2s worked directly under the three pillars, the two P-5s were more involved in liaison activities with GORK than with the core activities of UNPOG. There was a high turnover of the P-3 and P-2 NRL staff every two years or less as the posts were encumbered with graduate students at the master's degree or doctorate levels. As UNPOG relied heavily on NRLs to implement its work programme, the relative inexperience and high turnover of some of these resources could negatively impact continuity and steady performance of the projects and increase the operational workload of the current senior managers. DESA indicated that the senior NRLs had contributed to the project by sharing knowledge and exchanging best practices of the Republic of Korea with other countries. DESA added that, moving forward and in consultation with GORK, it will review the skills profiles of the two senior NRLs to ensure that they are fully engaged in the implementation of the three work programme pillars and that their contribution is more visible to the stakeholders. Therefore, OIOS made no recommendation on this issue.

## **IV. ACKNOWLEDGEMENT**

39. OIOS wishes to express its appreciation to the management and staff of DESA and project offices 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 the management of the Department of Economic and Social Affairs' project offices in the Republic of Korea and Japan

Rec. no.	Recommendation	Critical <sup>2</sup> / Important <sup>3</sup>	C/ O <sup>4</sup>	Actions needed to close recommendation	Implementation date <sup>5</sup>
1	DESA should, in consultation with the donors, review the mandate and the substantive objectives of the United Nations Office for Sustainable Development and the United Nations Centre for Regional Development to ensure that they complement the delivery of its overall mandate to support Member States in the implementation of the 2030 Agenda.	Important	O	Submission of the results of the review of the mandate and substantive objectives of UNCRD and UNOSD.	31 December 2020
2	DESA should develop an adequate logical framework for the United Nations Office for Sustainable Development and the United Nations Centre for Regional Development to ensure that the expected accomplishments, indicators of achievements and means of verification are clear to allow the planning, implementation and assessment of their programmes.	Important	O	Submission of copies of UNCRD and UNOSD logical frameworks.	31 December 2020
3	DESA should establish a periodic strategic planning process for the United Nations Office for Sustainable Development taking into consideration the priorities of DESA, to better support Member States to implement the sustainable development goals.	Important	O	Submission of evidence of the establishment of a strategic planning process for UNOSD.	31 December 2020
4	DESA should commission an evaluation of the United Nations Centre for Regional Development and include a provision in future project agreements requiring, based on established criteria, an external mid-term and/or final project evaluations, based on	Important	O	Submission of a copy of UNOSD evaluation report and guidance on the inclusion of a provision for evaluation in agreements of capacity development projects that meet the criteria established.	31 December 2020

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> C = closed, O = open

<sup>5</sup> Date provided by DESA in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the management of the Department of Economic and Social Affairs' project offices in the Republic of Korea and Japan

Rec. no.	Recommendation	Critical <sup>2</sup> / Important <sup>3</sup>	C/O <sup>4</sup>	Actions needed to close recommendation	Implementation date <sup>5</sup>
	established criteria, to draw lessons learned on their management of the projects and the effectiveness of their capacity development activities.				
5	DESA should, in consultation with the Government of Japan, establish an effective governance mechanism for the United Nations Centre for Regional Development including a steering committee with clear terms of reference.	Important	O	Submission of documentation showing action taken to establish UNCRD governance mechanism including the terms of reference of its steering committee.	31 December 2020
6	DESA should strengthen its monitoring of the activities of the United Nations Office for Sustainable Development, including requiring the project office's director to submit periodic reports to ensure closer coordination and more effective work plan implementation.	Important	O	Submission of evidence of the strengthened monitoring mechanism by DESA, of the activities of UNOSD.	31 December 2020
7	DESA should take steps to enhance the annual work planning process for the United Nations Office for Sustainable Development to ensure that its activities are focused and achievable and that the Office has the staff in place to implement them.	Important	O	Submission of evidence of actions taken to ensure that UNOSD work plans are realistic, taking into consideration its available resources.	31 December 2020
8	DESA should develop strategies for its project offices in the Republic of Korea and Japan for enhancing partnerships with stakeholders, taking into consideration its capacity development priorities and the work programmes of the offices.	Important	O	Submission of DESA strategy paper on partnerships, for its field offices.	31 December 2020
9	DESA should, in consultation with the Government of Japan, ensure that programme documents for the United Nations Centre for Regional Development relating to the Environmentally Sustainable Transport Forum and the Regional Reduce, Reuse and Recycle Forum in Asia and the Pacific are formally signed with the Government of Japan to ensure their funding and execution.	Important	O	Submission of signed programme documents for the EST and Regional 3Rs fora.	31 December 2020

# **APPENDIX I**

## **Management Response**





United Nations  Nations Unies  
INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR

TO: Mr. Muriette Lawrence-Hume, Chief  
A: New York Audit Service  
Internal Audit Division, OIOS

DATE: 18 September 2019

REFERENCE: CDPMO-19/378

FROM: Alexander Trepelkov, Officer-in-Charge   
DE: Division for Sustainable Development Goals, DESA

Haitian Lu, Chief   
Capacity Development Programme Management Office, DESA

SUBJECT: **Draft report on the audit of the management of the Department of Economic  
and Social Affairs' project offices in the Republic of Korea and Japan  
(Assignment No. AN2018/540/02)**

1. We refer to your memo dated 15 August 2019 (reference OIOS-2019-01786) and our memo in response to it dated 28 August 2019 (reference CDPMO-19/0362).
2. DESA has repeatedly expressed our concern that the draft report would create an inaccurate public image of DESA's capacity to manage the project offices in the field, including the explicit expression of the concern in our memos dated 23 July and 28 August 2019. As already said twice, the draft audit report does not reflect the fact that DESA has been administering various project offices for a prolonged period of time without any major issues and without major audit observations concerning the overall management of these offices.
3. Please also find attached the updated Appendix I based on the revised text in accordance with your email dated 11 September 2019 for Recommendation 4. We maintain partial acceptance of Recommendation 4. We understand that the recommendation did not mean that every future project agreement of UNCRD would require external mid-term and final evaluations, but rather that DESA would use its own established criteria, including monetary threshold, to require external evaluation. However, this is not clear from the current text. Therefore, we retain partial acceptance. DESA will build the evaluation provision when the project is of reasonable complexity and duration or when the donor requires so. This had already been discussed during our meeting in May 2019.
4. In our view, Recommendations 6 and 7 have already been implemented, as explained in the client comments column. Recommendation 9 is partially accepted in a slightly different format for implementation.
5. We would also like to remind you of Annex II Excel Sheet to our memo dated 28 August 2019, highlighting the factual inaccuracies. These need to be considered in the final audit report.
6. Thank you.

cc: Mr. Juwang Zhu, Director, DPIDG, DESA  
Mr. Kazushige Endo, Head of Office, UNCRD, DESA  
Mr. Jean D'Aragon, Officer-in-Charge, UNOSD  
Mr. Chae Gun Chung, Head of Office, UNPOG, DESA  
Mr. Mario Tuason, Executive Officer, DESA

## Management Response

## Audit of the management of the Department of Economic and Social Affairs project offices in the Republic of Korea and Japan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	DESA should, in consultation with the donors, review the mandate and the substantive objectives of the United Nations Office for Sustainable Development and the United Nations Centre for Regional Development to ensure that they complement the delivery of its overall mandate to support Member States in the implementation of the 2030 Agenda.	Important	Yes	Director/Head of Office UNCRD and UNOSD	31 December 2020	DESA accepts the recommendations 1-3 as one recommendation as they are substantively not separable.
2	DESA should develop an adequate logical framework for the United Nations Office for Sustainable Development and the United Nations Centre for Regional Development to ensure that the expected accomplishments, indicators of achievements and means of verification are clear to allow the planning, implementation and assessment of their programmes.					
3	DESA should establish a periodic strategic planning process for the United Nations Office for Sustainable Development taking into consideration the priorities of DESA, to better support Member States to implement the sustainable development goals.					
4	DESA should commission an evaluation of the United Nations Centre for Regional Development and include a provision in	Important	Partially accepted	Director, DSDG	31 December 2020	DESA will implement the evaluation of the UNCRD. DESA however will not make provisions of evaluation for

<sup>1</sup> 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.

<sup>2</sup> 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.

## Management Response

## Audit of the management of the Department of Economic and Social Affairs project offices in the Republic of Korea and Japan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	future project agreements requiring, based on established criteria, an external mid-term and/or final project evaluations, based on established criteria, to draw lessons learned on their management of the projects and the effectiveness of their capacity development activities.					every future project agreement. DESA will build the evaluation provision when the project is of reasonable complexity and duration, or when the donor specifically requires. Automatic evaluation provision in every agreement is not cost effective nor practical.
5	DESA should, in consultation with the Government of Japan, establish an effective governance mechanism for the United Nations Centre for Regional Development including a steering committee with clear terms of reference.	Important	Yes	Directors, DSDG and UNCRD	31 December 2020	DESA will initiate consultations with the donors to reinstitute the Advisory Committee by updating its TOR
6	DESA should strengthen its monitoring of the activities of the United Nations Office for Sustainable Development, including requiring the project office's director to submit periodic reports to ensure closer coordination and more effective work plan implementation.	Important	Yes		Implemented	Implemented. DESA, represented by the Division of Sustainable Development Goals (DSDG) and UNOSD have regular virtual and face-to-face meetings, which include, among other administration and programmatic topics, regular monitoring of the budget implementation, based on the quarterly implementation (expenditure by activity) report. DESA and the project office already have strong and effective system of monitoring of activities in place.
7	DESA should take steps to enhance the annual work planning process for the United Nations Office for Sustainable Development to ensure that its activities	Important	Yes		Implemented	Implemented. Head of UNOSD comes to New York towards the end of each year to discuss the annual workplan with DSDG, including

## Management Response

## Audit of the management of the Department of Economic and Social Affairs project offices in the Republic of Korea and Japan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	are focused and achievable and that the Office has the staff in place to implement them.					discussions with different branch chiefs of DSDG, if applicable, to the implementation of the workplan. In addition to regular virtual and face-to-face meetings described under Client's response to recommendation 6 above. This is the process in DESA for annual work planning. It was not mentioned in the audit report.
8	DESA should develop strategies for its project offices in the Republic of Korea and Japan for enhancing partnerships with stakeholders, taking into consideration its capacity development priorities and the work programmes of the offices.	Important	Yes	Director/Head of the field offices, and CDPMO	31 December 2020	DESA will develop a short strategy paper for its field offices regarding partnerships for both donors and implementing partners for both financial and in-kind transactions.
9	DESA should, in consultation with the Government of Japan, ensure that programme documents for the United Nations Centre for Regional Development relating to the Environmentally Sustainable Transport Forum and the Regional Reduce, Reuse and Recycle Forum in Asia and the Pacific activities are formally signed by DESA and with the Government of Japan to ensure their funding and execution.	Important	Partially accepted	Directors UNCRD and DSDG	31 December 2020	DESA will work with UNCRD to have more formalized workplans and budgets for the two projects and share these with the donors for approval or endorsement.