



## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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### **Audit of the United Nations Regional Centre for Preventive Diplomacy for Central Asia**

**Overall results relating to the effective management of substantive and administrative/ logistical support operations were initially assessed as partially satisfactory. Implementation of four important recommendations remains in progress.**

**FINAL OVERALL RATING: PARTIALLY  
SATISFACTORY**

**9 August 2012  
Assignment No. AP2012/690/01**

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# AUDIT REPORT

## Audit of the United Nations Regional Centre for Preventive Diplomacy for Central Asia

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Regional Centre for Preventive Diplomacy for Central Asia (UNRCCA).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. UNRCCA was established in December 2007 following consultations between the United Nations and governments of the Central Asian countries including Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. UNRCCA's mandate was to promote dialogue between countries in Central Asia to identify solutions to emerging problems and eliminate potential threats including organized crime, drug trafficking, terrorism and environmental degradation. UNRCCA was headed by a Special Representative of the Secretary-General (SRSG) at the Assistant Secretary-General level.
4. The regular budget allocation for UNRCCA was \$6.4 million in 2010-2011 and \$3.1 million for 2012 (first year of the current biennium). The 2012 extra-budgetary funding for projects amounted to \$2.2 million, of which \$1 million was donated by the United States Agency for International Development (USAID) for a trans-boundary water-sharing project, and another \$950,000 was donated by the European Union (EU) for a regional counter-terrorism project.
5. In 2010-2011, UNRCCA had eight international staff and 22 national staff. UNRCCA had four regional offices in the capital cities of Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, with one National Programme Officer heading each office. The Department of Political Affairs (DPA) supported UNRCCA substantively, and the Department of Field Support (DFS) provided UNRCCA with logistical and administrative support.
6. Comments provided by DPA are incorporated in *italics*.

### II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of UNRCCA's governance, risk management and control processes in providing reasonable assurance regarding the **effective management of substantive and administrative/logistical support operations**.
8. This audit was included in the 2012 OIOS work plan, as UNRCCA operations had not been audited since its creation.
9. The key controls tested for the audit were: (a) risk management and strategic planning; (b) performance monitoring; (c) coordinated management; (d) fundraising strategy and donor funding; and (e) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

- (a) **Risk management and strategic planning** - controls that provide reasonable assurance that risks and opportunities of UNRCCA's activities are identified and assessed, and that action is taken to mitigate risks and seize opportunities.
- (b) **Performance monitoring** - controls that provide reasonable assurance that metrics are: (i) established and appropriate to enable measurement of the efficiency and effectiveness of operations; (ii) prepared in compliance with rules and are properly reported on; and (iii) used to manage operations appropriately.
- (c) **Coordinated management** - controls that provide reasonable assurance that there is an effective strategy to coordinate the political, development and humanitarian activities in the region with clear delineation of roles and responsibilities of UNRCCA, the United Nations Country Team (UNCT) and other actors in the region; and there is effective consultation while dealing with common issues to avoid gaps or duplication in functions.
- (d) **Fundraising strategy and donor funding** - controls that provide reasonable assurance that fundraising and acceptance of donations conform to the policies of the Organization and that the use of such funds by UNRCCA is in line with organizational or programme priorities.
- (e) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the operations of UNRCCA in finance, procurement, property management, human resources management, logistics and safety and security functions; (ii) are implemented consistently; and (iii) ensure financial and operational information is reliable and produced with integrity.

10. The key controls were assessed for the control objectives shown in Table 1. Certain control objectives (shown in Table 1 as "Not assessed") were not relevant to the scope defined for this audit.

11. OIOS conducted the audit from February 2012 to April 2012. The audit covered the period from 1 January 2009 to 31 January 2012.

12. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

### III. AUDIT RESULTS

13. UNRCCA's governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of substantive and administrative/logistical support operations**.

14. OIOS made six recommendations to address issues identified. UNRCCA complied with programme management requirements, was aware of risks to its operations and successfully implemented a project funded from extra-budgetary resources. UNRCCA had sufficient capacity and was properly structured to implement its mandate. Also, action had been taken to develop work plans for substantive sections, and for a staff member to participate in UNCT meetings. However, improvements were required to ensure better monitoring of donor funding, strengthening the regulatory framework relating to procurement and financial management, and developing staff's skills through additional training opportunities.

15. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as the implementation of four important recommendations remains in progress.

**Table 1: Assessment of key controls**

	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
<b>Effective management of the substantive and administrative/ logistical support operations</b>	(a) Risk management and strategic planning	Partially satisfactory	Satisfactory	Satisfactory	Partially satisfactory
	(b) Performance monitoring	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(c) Coordinated management	Partially satisfactory	Not assessed	Not assessed	Partially satisfactory
	(d) Fund raising strategy and donor funding	Partially satisfactory	Partially satisfactory	Satisfactory	Satisfactory
	(a) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

## **A. Risk management and strategic planning**

The work plan needed to include key tasks and activities of substantive programmes

16. Key tasks and activities for UNRCCA substantive programmes were not identified in the annual work plan. Instead, a daily meeting was held to discuss relevant news and events in the region, to plan assignments and evaluate progress in mandate implementation. Notwithstanding, for projects that were implemented by UNRCCA and funded from extra-budgetary resources, annual plans of project activities were in place.

**(1) UNRCCA should develop an annual work plan that identifies key tasks and activities to be implemented in each substantive area.**

*UNRCCA accepted recommendation 1 and provided a copy of the revised work plan. Based on the action taken by UNRCCA, recommendation 1 has been closed.*

## **B. Performance monitoring**

UNRCCA complied with programme performance requirements

17. A review of the formulation and preparation of results-based budgeting and performance reports for the years 2009, 2010 and 2011, including the logical framework, statements of outputs, performance indicators, proposed budgets and reports of the Advisory Committee on Administrative and Budgetary

Questions, concluded that UNRCCA had adequate mechanisms for planning, monitoring and reporting on its programme performance.

## C. Coordinated management

### UNRCCA needed to systematically participate in United Nations Country Team meetings

18. A review of relevant documents and correspondence showed that UNRCCA was adequately coordinating its regional mandated activities. However, UNRCCA did not actively participate in meetings of the UNCT in Turkmenistan, and only attended one of 16 meetings held in 2009, 2010 and 2011.

**(2) UNRCCA should assign a staff member to participate in the United Nations Country Team meetings in Turkmenistan.**

*UNRCCA accepted recommendation 2 and stated that a staff member had been assigned to participate in UNCT meetings in Turkmenistan. Based on the action taken by UNRCCA, recommendation 2 has been closed.*

## D. Fundraising strategies and donor funding

### Delays in communicating with donors impacted funding

19. UNRCCA did not spend \$100,000 of the approved funding of \$950,000 for a counter-terrorism project funded by the EU, which expired in December 2011. UNRCCA and the Turkmen Government planned to host a regional conference on counter-terrorism to use the remaining unspent funds; however, the request to the EU to extend the project was sent by the Counter-Terrorism Implementation Task Force (CTITF) of DPA after the required deadline. UNRCCA and DPA used alternative funding for the conference.

**(3) DPA should improve its monitoring of projects funded by external donors to ensure that funding is effectively used.**

*DPA accepted recommendation 3 and stated that: (a) monitoring extra-budgetary funding would be enhanced through an improved financial management system, while awaiting the development and implementation of the comprehensive enterprise resource planning system; and (b) an administrative officer post funded by extra-budgetary resources was being established in CTITF of DPA to support project implementation. Recommendation 3 remains open pending confirmation that the proposed interim financial management system is in place, and the new administrative post in CTITF is filled.*

## E. Regulatory framework

### UNRCCA needed to formalize working modalities relating to procurement activities

20. UNRCCA did not have the delegated authority for procurement and financial transactions. As a result, the United Nations Development Programme (UNDP) Office in Turkmenistan executed such transactions under the Memorandum of Understanding between the United Nations and UNDP. In February 2012, UNAMI was delegated the authority to perform procurement transactions for UNRCCA; however, the working modalities between UNAMI and UNRCCA were not formalized.

**(4) UNRCCA should formalize its working modalities with UNAMI to regulate the performance of procurement transactions.**

*UNRCCA accepted recommendation 4 and stated that by accepting the delegation of procurement authority for UNRCCA, UNAMI would be expected to perform procurement transactions in accordance with the United Nations Procurement Manual. UNRCCA also stated that if procurement support would be needed from UNDP, appropriate advance approval would be obtained for this. Recommendation 4 remains open pending receipt of a copy of the working modalities between UNAMI and UNRCCA relating to procurement activities.*

There was a need to improve budget planning and monitoring

21. UNRCCA did not adequately budget its requirements and monitor expenditures against allotted amounts. This resulted in over-expenditure in 2010-2011 in 27 of 58 budget lines, and the Office of the United Nations Controller had to redeploy funds between budget lines at the end of the financial period. For example, Official Travel for Staff was overspent by \$123,186, Proprietary Software Rental by \$42,059 and Building Construction by \$46,014. Also, there were several budget lines where funds were not allotted, but expenses were recorded, including for Mission Subsistence Allowance totaling \$47,085; and Cable and Telex Charges totaling \$76,450.

**(5) UNRCCA should improve its budget planning and monitoring procedures to ensure that expenditures are adequately budgeted and authorized.**

*UNRCCA accepted recommendation 5 and stated that UNRCCA will be assisted by UNAMI through the establishment of a separate SunSystem database to track transactions and improve budget monitoring. Recommendation 5 remains open pending receipt of evidence that UNAMI has established a separate SunSystem database to enable UNRCCA to improve budget monitoring.*

Training and development of staff competencies needed improvement

22. Not all staff members had completed the mandatory training programmes. Additionally, UNRCCA had established a training plan only for its information technology staff, while staff in other functions had less access to training. Nonetheless, while efforts were made to develop staff skills through on-the-job training through short assignments to other areas outside their regular functions, a more structure training plans was needed.

**(6) UNRCCA should ensure that staff complete mandatory training programmes, and that training plans and training opportunities are available to all staff.**

*UNRCCA accepted recommendation 6 and stated that: (a) staff had been reminded to complete mandatory training; and (b) participation in training courses to improve professional knowledge would be included in the 2013 budget. Recommendation 6 remains open pending receipt of evidence of completion of mandatory training courses, and the copies of training plans, to provide training opportunities to staff.*

There was no Status of Mission Agreements with four countries

23. UNRCCA had an agreement with the Government of Turkmenistan, which established relationships between the two parties. However, UNRCCA did not have a similar agreement with the governments of Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan to which its mandate relates.

However, DPA in consultation with OLA clarified that Kazakhstan, Kyrgyzstan and Tajikistan were all parties to the 1946 Convention on the Privileges and Immunities of the United Nations and had not formulated any reservations to any provisions of the Convention. OLA added that while Uzbekistan was not a party to the Convention, in 1993, the United Nations concluded an agreement relating to the establishment of a United Nations Interim Office in Uzbekistan. This agreement remained in force and was broad enough to cover the UNRCCA staff in Uzbekistan and to provide them with the legal protection needed to carry out the work of UNRCCA.

#### IV. ACKNOWLEDGEMENT

24. OIOS wishes to express its appreciation to the Management and staff of UNRCCA for the assistance and cooperation extended to the auditors during this assignment.



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## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the United Nations Regional Centre for Preventive Diplomacy for Central Asia (UNRCCA)

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	UNRCCA should develop an annual work plan that identifies key tasks and activities to be implemented in each substantive.	Important	C	Action taken	Implemented
2	UNRCCA should assign a staff member to participate in the United Nations Country Team meetings in Turkmenistan.	Important	C	Action taken	Implemented
3	DPA should improve its monitoring of projects funded by external donors to ensure that funding is effectively used.	Important	O	Confirmation that the proposed interim financial management system is in place, and the new administrative post in CTTF is filled.	30 October 2012
4	UNRCCA should formalize its working modalities with UNAMI to regulate the performance of procurement transactions.	Important	O	Receipt of a copy of the working modalities between UNAMI and UNRCCA relating to procurement activities.	30 October 2012
5	UNRCCA should improve its budget planning and monitoring procedures to ensure that expenditures are adequately budgeted and authorized.	Important	O	Receipt of evidence that UNAMI has established a separate SunSystem database to enable UNRCCA to improve budget monitoring.	30 October 2012
6	UNRCCA should ensure that staff complete mandatory training programmes, and that training plans and training opportunities are available to all staff.	Important	O	Receipt of evidence of completion of mandatory training courses, and the copies of training plans, which provide training opportunities to staff.	30 September 2012

<sup>1</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UNRCCA in response to recommendations.