

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



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**AUDIT**

**OF**

**THE UNITED NATIONS DEVELOPMENT OPERATIONS COORDINATION OFFICE**

**Report No. 1091**

**Issue Date: 1 May 2013**

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## Report on the audit of the Development Operations Coordination Office Executive Summary

From 12 November to 5 December 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the United Nations Development Operations Coordination Office (DOCO). The audit covered the activities of DOCO during the period from 1 January 2011 to 30 September 2012. During the period reviewed, DOCO recorded programme and management expenditures totalling \$20.5 million.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

### Audit rating

OAI assessed DOCO as **partially satisfactory**, which means “Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.” This rating was mainly due to an imbalance of funding, staffing and functions, impacting on the delivery of results. Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
<b>1. Governance and strategic management</b>				
1.1 Financial sustainability	Unsatisfactory			
1.2 Organizational structure, staffing and delegations of authority	Unsatisfactory			
<b>2. Support to interagency bodies and processes</b>				
2.1 Support to the undg and Regional undg Teams	Satisfactory			
2.2 Support to undg Working Mechanisms	Partially Satisfactory			
<b>3. Management and Accountability System</b>				
<b>4. Country and regional support</b>				
<b>5. Knowledge management</b>				
<b>6. Operations</b>				
6.1 Fund arrangements and modalities	Partially Satisfactory			
6.2 Contribution management	Satisfactory			
6.3 Consultant management	Satisfactory			

### Key issues and recommendations

The audit raised 12 issues and resulted in 12 recommendations, of which two (17 percent) were ranked high (critical) priority, meaning “Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP and may affect the organization at the global level.”

Among the 12 issues raised, one was noted to be caused by factors beyond the control of DOCO (Issue 1), leading to other issues being partially beyond the control of DOCO (Issues 2, 5, 7, 8 and 9). There were also two issues requiring action by the Office of Financial Resources Management (Issues 11 and 12, referred to as “corporate issues”). The following issues are critical and prompt action is required to ensure that UNDP is not exposed to high risks.

Governance and strategic management (Issue 1)	<u>Inadequate funding arrangements.</u> In 2010, donors decided to cease funding UN coordination starting in 2014 with the expectation that UNDG would absorb these costs into their annual budgets. However, at the time of the audit a definitive funding mechanism had not been agreed upon by UNDG member organizations, putting the sustainability of the work of DOCO at risk. As the issue is beyond the control of DOCO and subject to agreement at the UNDG level and the agencies’ governing body, OAI has not issued a recommendation but will remain apprised of the matter which it considers critical to the success of UN coordination and to the effectiveness of DOCO.
Organizational structure, staffing and delegations of authority (Issue 2)	<u>Staffing resources not commensurate with DOCO functions and expected deliverables.</u> Due to funding constraints, DOCO staffing was scaled down. DOCO maintained the same responsibilities with 25 percent less staff. OAI recommends that DOCO: (a) includes in its work plan a presentation of the resources (especially human resources) necessary in order to deliver planned activities and outputs, as well as presentation of the actual resources available; (b) develops baselines and indicators to allow for monitoring of results achieved; and (c) obtains the endorsement of the UNDG Chair for the detailed work plan.
Country and regional support (Issue 7)	<u>Lack of clarity in the distribution of UN Country Team support functions and responsibilities.</u> The distribution of responsibilities or interaction between the regional UNDG team and DOCO is still not clear in practice, especially with insufficient resources at both levels. As the issue is beyond the control of DOCO, and closely linked to Issue 1 above, OAI has not raised a recommendation.
(Issue 8)	<u>Inadequate resources and capacities to support UN Country Teams.</u> Support to UN Country Teams in the development of UN Development Assistance Frameworks and for Delivering as One countries has been insufficient. OAI recommends that DOCO convey to UNDG the need to prioritize the support provided to Delivering as One countries by: (a) ensuring key guidance for monitoring and evaluation of Delivering as One is provided to the Delivering as One pilot and self-starter countries; (b) strengthening its support beyond policy directives into operational support for implementing these policies/guidelines, especially on the UN Development Assistance Plan and monitoring and evaluation; and (c) sharing of experiences at the country level and at higher-level forum to influence appropriate policy decisions.

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### Management comments and action plan

The Directors of the United Nations Development Operations Coordination Office and the UNDP Office of Financial Resources Management of the Bureau of Management accepted all the recommendations and are in the process of implementing them.

A handwritten signature in blue ink, which appears to read 'Helge S. Osttveiten', is positioned above the printed name. The signature is enclosed within a rectangular box.

Helge S. Osttveiten  
Director  
Office of Audit and Investigations

## I. Introduction

From 12 November to 5 December 2012, OAI conducted an audit of the United Nations Development Operations Coordination Office. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

### Audit scope and objectives

OAI audits assess the adequacy and effectiveness of the governance, risk management, and control processes in order to provide reasonable assurance to the Administrator regarding the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with legislative mandates, regulations and rules, policies and procedures. They also aim to assist the management of the office and other relevant business units in continuously improving governance, risk management, and control processes.

Specifically, this audit reviewed the following areas of DOCO: governance and strategic management, support to interagency bodies and processes, the Management and Accountability System, country and regional office support, knowledge management, and operations (fund management, budget management and consultant recruitment and management). The audit covered relevant activities during the period from 1 January 2011 to 30 September 2012. In view of their relatively low risk, as per the audit risk assessment at the audit planning stage, OAI did not do further fieldwork to cover the areas of human resources management, finance, procurement (other than consultants), travel and information and communication technology. During the period reviewed, DOCO recorded programme and management expenditures totalling \$20.5 million.

## II. About the office

The United Nations Development Group (UNDG) comprised of UNDP, UNICEF, UNFPA, and WFP when relevant, and was established in 1997 by the UN Secretary-General and endorsed by the General Assembly to “facilitate joint policy formation and decision-making, encourage programmatic cooperation and realize management efficiencies.” The UNDG is under the leadership of the UNDP Administrator. The UN Development Operations Coordination Office, then the UN Development Group Office, was also created in 1997 to support UNDG.

UNDG conducted a review of DOCO in 2010 following the establishment of the Management and Accountability System to realign its structure to its functions:

- Providing policy coordination and technical support to the global work of UNDG.
- Providing support to the Regional UNDG Teams, Resident Coordinators and UN Country Teams.
- Gathering evidence and data from programme countries to feed into UNDG analytical work and decision-making.
- Administering the UN Country Coordination Fund, which provides Resident Coordinators with financial resources for UN coordination.

The new structure was announced in January 2011. Due to financial constraints, a downsized structure was fully staffed one year later, in January 2012, with a total of 29 staff members as opposed to the originally foreseen 39. The new structure includes a Headquarters Support Team and a Field Support Team.

### III. Detailed assessment

#### 1. Governance and strategic management

Unsatisfactory

UNDG has grown over time, from four members to 32 members and five observers, and includes all the specialized agencies, funds, programmes and departments with a role in development. In 2008, UNDG approved the Management and Accountability System, which recognized UNDP as the manager of the Resident Coordinator System, establishing a “functional firewall” between UNDP programmatic and coordination roles. DOCO responsibilities for supporting the UNDG Advisory Group and supporting the Resident Coordinator System were also clarified.

Under the leadership and guidance of UNDG, the mandate of DOCO is to support the strategic priorities of UNDG, and to meet its responsibilities under the Management and Accountability System. DOCO supports UNDG at the global, regional (Regional UNDG Teams) and country level (UN Country Teams). DOCO serves as secretariat to UNDG and other interagency mechanisms and provides technical guidance, training and financial support on coordination issues at the country and regional level. Under the Management and Accountability System Framework, DOCO also supports the Fiduciary Management Oversight Group for Multi-Donor Trust Funds and other joint funding mechanisms.

#### 1.1 Financial sustainability

Unsatisfactory

##### Issue 1 Inadequate funding arrangements

Since its creation and until 2011/2012, the structure and activities of DOCO were funded through UNDP contributions and donor funds. In-kind and cash contributions to the DOCO structure from UNDG agencies totalled \$1.2 million in 2012. However, in 2010, donors announced their intention to cease funding of UN coordination starting in 2014, indicating that they considered coordination to be a core function which should be funded by UNDG members. The Economic and Social Council (ECOSOC), in Resolution 2011/7, “invited UNDG to conduct a review of existing funding modalities in support of the Resident Coordinator System, including appropriate burden-sharing arrangements.” UNDP agreed to provide additional funding during the transition period until the outcome of the burden sharing review had been adopted and implemented.

As indicated by DOCO management, while UNDG member organizations had agreed in principle to contribute to funding DOCO, a concrete funding mechanism to ensure that burden sharing really took place throughout the system had yet to be agreed upon. Pursuant to the ECOSOC resolution, a review was completed in December 2012. The intent of the review was to provide adequate information to support negotiations and to ultimately reach a system wide consensus to be presented to the Quadrennial Comprehensive Policy Review of operational activities for development of the United Nations system (QCPR) at the end of December 2012. Building on the QCPR recommendations and taking into consideration the review, General Assembly resolution A/Res/67/226 requested that in 2013 the UN development system submit “concrete proposals on the modalities for the funding of the Resident Coordinator System.” In the event that no agreement would be reached, the structure of DOCO would be downsized further.

Any further cuts to the structure would put the sustainability of the work of DOCO at risk.

As the issue is beyond the control of DOCO and subject to agreement at the UNDG level and the agencies’ governing body, OAI has not issued a recommendation but will remain apprised of the matter which it considers critical to the success of UN coordination and to the effectiveness of DOCO.

## 1.2 Organizational structure, staffing and delegations of authority

Unsatisfactory

### Issue 2 Staffing resources not commensurate with DOCO functions and expected deliverables

A functional analysis of DOCO was initiated in 2009 and resulted in a new structure, approved by the UNDG Advisory Group at the Principals level in April 2010. The new structure called for a total of 39 positions resulting in a cost increase of \$1.1 million, from \$6.1 to 7.2 million. It also included a recommendation for an additional six positions to support the Regional UNDG Teams.

Under the new structure, 11 positions were to be funded under the UNDP core budget and 28 under the Country Coordination Fund. Financing of the Country Coordination Fund is provided by donors and the UNDG to support UN coordination both at Headquarters and at the country level. In May 2011, after the restructuring, an amended structure was developed and approved by the UNDG Chair to respond to decreasing donor contributions. The amended structure resulted in 10 posts being initially frozen, and then subsequently abolished. It also resulted in the six recommended regional posts never having been created.

To ensure that all stakeholders received the information regarding the budget constraints and their impact and that they were given the opportunity to have any questions answered, the information was communicated through in person meetings, global and regional team meetings, UNDG Working Mechanisms meetings, and through the full UNDG meetings. Job descriptions were revised to reflect the amended structure and reporting lines, the activities and the corresponding reduction in the number of positions. However, expected outputs were not realigned with the reduction of resources, as DOCO maintained the same level of responsibilities and functions with 25 percent less staff.

The UNDG Working Mechanisms work plans are aligned with the UNDG work plan, which are derived from the UNDG Strategic priorities for 2010-2011 (extended to include 2012). DOCO work plans are in turn built upon those of UNDG and of the Working Mechanisms.

OAI noted that the DOCO detailed work plan and planned activities were not aligned with actual resources, especially human resources that were available after the revised restructuring. The scaled down structure of DOCO resulted in the reprioritization and postponement of some activities, even though some of the activities had previously been identified as priorities by the Management and Accountability System review or by UNDG.

The key performance indicators and baseline included in the DOCO work plan for 2010-2011 were discontinued. The 2012 work plan did not provide any indicators, which resulted in a lack of clarity regarding achievements and their reporting for the period.

OAI noted that most of the staff interviewed indicated that the downsized structure had impacted their workload to a level which may not have been sustainable in the long run, and may have required adjustments that the planning of deliverables based on actual resources would help introduce. The DOCO work plan would benefit from direct endorsement of the priorities once set against resources available.



Priority	High (Critical)
<b>Recommendation 1:</b>	
<p>DOCO should: (a) include in its work plan a presentation of the resources (especially the human resources) necessary in order to deliver planned activities and outputs, as well as presentation of the actual resources available; (b) develop baselines and indicators to allow for monitoring of results achieved; and (c) obtain the endorsement of the UNDG Chair for the detailed work plan.</p>	
<p><b>Management comments and action plan:</b> <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed</p> <p>(a) The DOCO work plan for 2013 will be fully aligned with the UNDG Strategic Priorities and will be developed according to a standard template which includes baselines and indicators, and integrated into the UNDG work plan which will be endorsed by UNDG by May 2013.</p> <p>(b) DOCO will continue to ensure, as is its current practice, that all deliverables in its work plan are based on available financial resources, while also including information on human resource capacity.</p> <p>(c) DOCO will continue to utilize its staff complement, in addition to assigned JPOs, government secondees and technical consultants, to deliver on its work plan and to support the UNDG Working Mechanisms work plans.</p>	

**Issue 3**      Lack of delegation of authority to sign contribution agreements

The UNDP Associate Administrator delegated the authority to mobilize cost sharing resources to Resident Representatives and Heads of Bureaux.

OAI noted that the Director of DOCO is identified as the manager of the Country Coordination Fund. In that role, the Director assumes full responsibility for the mobilization of funds, their management and allocation, as well as for all reporting on the use thereof. Contributions to the Country Coordination Fund are made through DOCO for the purpose of supporting UN coordination and UNDG priorities, as well as UNDP activities. However, the Director does not have the authority to sign cost-sharing agreements. These were instead signed by the Director of the Bureau for External Relations and Advocacy. OAI is of the opinion that the DOCO Director's delegation of authority should be in line with the Director's responsibility and accountability for fund management. Furthermore, in the case of DOCO, the signing of cost sharing agreements should be reviewed to ensure alignment with the "functional firewall" that was established in other areas between the UNDP coordination and programmatic role.

The absence of a delegation of authority to the DOCO Director relating to the signing of cost sharing agreements may be perceived as a lack of accountability, especially when DOCO is managing non-core third party cost sharing resources.

Priority	Medium (Important)
<b>Recommendation 2:</b>	
<p>DOCO should engage with the Bureau for External Relations and Advocacy and the Bureau of Management to review the appropriateness and adequacy of the delegation of authority to the Director of DOCO, including consideration of the authority to sign non-core third party cost sharing agreements.</p>	

**Management comments and action plan:**  Agreed  Disagreed

DOCO will initiate engagement as indicated in the recommendation in 2013.

**Issue 4** Inaccurate management information on the DOCO structure

The UNDP Executive Snapshot provides summarized information on bureaux and offices, using financial and human resources information available in Atlas. In order for the Executive Snapshot to be a useful tool, it is imperative that the data be accurate. OAI reviewed the Executive Snapshot data for the DOCO structure and noted it included an Assistant Secretary-General position, a position which was not reflected in the Office's organization chart. Expenses related to the position, such as payroll charges, were also reflected on the DOCO Trial Balance.

DOCO reported that the position was actually that of the Senior UN System Influenza Coordinator, created in 2005 within the UN Development Group and reporting to the Deputy Secretary-General and the UN System Steering Committee on Influenza. The objectives of the coordination function/position and its funding were detailed in a project document dated August 2006. As per the document, the United Nations System Influenza Coordination is a UNOPS administered project on behalf of UNDP, with UNOPS providing "financial management, budget management and human resources management, including contract administration, procurement services and related services." A statement "UNDP will continue to administer the contract of the...Coordinator" was footnoted in the project document, and DOCO confirmed all staff costs had been covered by UNOPS.

Upon the OAI recommendation that placing the position under DOCO should be reconsidered, as it may create confusion, lead to erroneous conclusions and decisions, or result in a misperception regarding resources available in DOCO, the UNDP Office of Financial Resources Management took action to move the position under its Department code for Reimbursable Loan Agreements. Therefore, a recommendation has not been made.

**2. Support to interagency bodies and processes**

**Partially Satisfactory**

DOCO supports UNDG at the global, regional (Regional UNDG Team) and country level (Resident Coordinators and UN Country Teams). One of the responsibilities of DOCO is the role of secretariat to UNDG and other interagency mechanisms (working groups, task teams and networks). OAI interviewed some of the key DOCO stakeholders in UNDG and performed an analysis on a sample of Working Mechanisms in order to assess the relevance, effectiveness and efficiency of DOCO support.

**2.1 Support to the UNDG and Regional UNDG Teams**

**Satisfactory**

OAI met with the Chair and Vice-Chair of UNDG, as well as with the current UNDG ASG Advisory Group Chair. OAI also obtained inputs from four out of five Regional UNDG Team Chairs through interviews or questionnaires.

All interviewees expressed satisfaction for the support provided by DOCO at the global level, mentioning solid backstopping and the objective and neutral support provided.

At the regional level, DOCO support was also positively acknowledged, although the issue of resources and increasing workload for the UNDG Regional Teams was mentioned as a challenge.

**2.2 Support to UNDG Working Mechanisms**

**Partially Satisfactory**

In implementing its work plan, UNDG is supported by the following Working Mechanisms:

- UNDG/Executive Committee on Humanitarian Affairs Working Group on Transition;
  - Task Team for Follow-up to the New Deal and International Network on Conflict and Fragility
- Resident Coordinator Systems Issues Working Group;
  - Task Team for Resident Coordinator/Humanitarian Coordinator/Designated Official and UN Country Team Performance Appraisal
  - Talent Management Task Force
- Joint Funding and Business Operations network;
  - Harmonized Approach to Cash Transfers Advisory Committee
  - Common Premises Task Team
  - Joint Funding Sub-Committee
  - Reference group on Common Services
  - ICT Reference Group
- United Nations Development Assistance Framework (UNDAF) programming network;
  - Task Team on Environmental Sustainability, Climate Change, and Rio+20
- Interagency Advisory Panel;
  - UNDG Fiduciary Management Oversight Group
  - Expanded Delivery as One Funding Window
- UNDG Human Rights Mainstreaming mechanism;
- UNDG Task Team on Gender Equality;
- UNDG-Millennium Development Goals Task Force; and
- Task Team on Aid Effectiveness.

Their key functions and work plans are agreed upon by UNDG on an annual basis and DOCO provides logistical and technical support to an agreed number of Working Mechanisms, while UNDG agencies provide support to those not covered by DOCO.

#### **Issue 5**      Unclear working arrangements in support of the UNDG Working Mechanisms

OAI reviewed a sample of five UNDG Working Mechanisms to assess the role and support of DOCO: the UNDAF programming network, the Resident Coordinator System Issues Working Group, the UNDG/Executive Committee on Humanitarian Affairs Working Group on Transition, the UNDG Fiduciary Management Oversight Group and the Harmonized Approach to Cash Transfers Advisory Committee. The review included an analysis of the Terms of Reference (TORs) and work plans and their alignment to the UNDG strategic priorities and work plan, and a review of the minutes in order to assess DOCO involvement and support.

When defining the role of DOCO, the functional review referred to two types of support to Working Mechanisms, one where the agencies take primary responsibility, and the other, where the role of DOCO is more substantive and which requires approval from the DOCO Director. OAI noted the efforts of DOCO to further define its support to Working Mechanisms along these lines in order to reduce the related workload. Yet, there were cases where DOCO continued to exercise primary responsibility, as illustrated by the Harmonized Approach to Cash Transfers Advisory Committee, even though the TORs indicated that the Chairing Agency served as the secretariat for the committee. DOCO confirmed that the arrangement to provide additional support was a temporary one and that the Harmonized Approach to Cash Transfers Advisory Committee had already been informed that this additional support would no longer be provided in 2013.

OAI noted the following:

- The TORs of some Working Mechanisms were not up to date: the TORs of the Working Mechanisms for UNDG/Executive Committee on Humanitarian Affairs still indicated facilitation of the provision of technical support to UN Country Teams to specific countries, although no technical support was to be provided by Working Mechanisms. The envisaged partnering with the Cluster Working Group on Early Recovery did not take place after the restructuring of the UNDP Bureau for Crisis Prevention and Recovery.
- The activities included in the work plans prepared by the Working Mechanisms and approved by UNDG exceeded the available funding and staffing resources, resulting in implementation delays to secure additional funding or to ensure the availability of staff.
- Work plans were inconsistent, and often lacked indicators or baselines, thus preventing effective monitoring of results.
- With the Working Mechanisms tasked with assisting in analysis and policy recommendations and the Regional UNDG Teams or DOCO providing technical support, communication and the sharing of knowledge and information between stakeholders is critical to developing relevant policy and providing effective support. The linkages, communication, exchange of information between Working Mechanisms and the Regional Teams, as well as between Working Mechanisms and the Field Support Teams through the Headquarters Support Team, were not fully effective mainly due to insufficient capacity at the Regional UNDG Team or Field Support Team level (refer to Issue 7).

A 2012 review of the Expanded Delivering as One Funding Window (EFW), for which DOCO provides secretariat services, reported inadequate resources to support the Working Mechanisms and recommended that “DOCO should continue with their respective roles in supporting the EFW, based on a realistic assessment of cost and resource requirements.”

The lack of clarity of the working arrangements and resources of the Working Mechanisms may have an impact on the effectiveness and efficiency of DOCO support to them, and/or on the overall results delivery of the UNDG and its Working Mechanisms.

<b>Priority</b>	<b>Medium (Important)</b>
<b>Recommendation 3:</b>	
DOCO should further liaise with UNDG to clearly define the extent of its support for each of the various Working Mechanisms. Further, DOCO should provide a stricter framework for the preparation and validation of work plans, including a requirement for inclusion of performance indicators and baselines to support realistic assessment of progress.	
<b>Management comments and action plan:</b> <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
<p>(a) DOCO has developed a standard work plan template including indicators and baselines to be utilized by the UNDG Working Mechanisms. Their work plans will be consolidated into the UNDG work plan to be endorsed by the UNDG by May 2013.</p> <p>(b) DOCO will clarify with each UNDG Working Mechanism the areas it will support in 2013 which will be reflected in the DOCO work plan to be integrated into the UNDG work plan and be endorsed by the UNDG by May 2013.</p>	

**Issue 6**      Inadequate virtual meeting minute taking/ record keeping

In an effort to introduce more flexibility in the way the members of the UNDG Working Mechanisms meet and to improve cost effectiveness, the work of the various Working Mechanisms has been increasingly carried out on a virtual basis. Decisions made during these virtual meetings are maintained in the form of e-mails by the DOCO Team Leader, supporting each Working Mechanism. The UNDG website only included minutes of meetings where teams met physically. Formal minutes of virtual meetings were not maintained.

OAI considers that virtual interaction and meetings should be recorded to allow for follow-up on decisions taken and ensure adequate recordkeeping for discussions and decisions to enhance transparency and communication.

Priority	Medium (Important)
<b>Recommendation 4:</b>	
DOCO should develop a policy to ensure that decisions taken in virtual meetings, as in other meetings, are recorded and communicated/published to ensure transparency and communication.	
<b>Management comments and action plan:</b> <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
DOCO will issue a guidance note to UNDG Working Mechanisms it supports requiring them to produce minutes of official meetings whether in-person or virtual and to share them with DOCO for recordkeeping, circulation to Working Group members and further dissemination within the UN or posting on the UNDG website as appropriate. Guidance note to be circulated to UNDG Working Mechanisms supported by DOCO by end June 2013.	

<b>3. Management and Accountability System</b>	<b>Partially Satisfactory</b>
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In 2008, UNDG approved the Management and Accountability System of the UN Development and Resident Coordinator System with the objective of further strengthening the Resident Coordinator System, and providing “a clear framework in which both accountability and management can be exercised effectively.” The concept of a “functional firewall” between the UNDP coordinating role and the UNDP programmatic function was introduced.

A review of the Management and Accountability System including the “functional firewall”, was performed in June 2011, resulting in an implementation plan for all UNDG member organizations, which focused on some key aspects, including renewed steps to implement the four key aspects of the Management and Accountability System implementation plan approved by UNDG in 2009, with regards to mutual accountability: (a) revising the job descriptions of UN Country Team members; (b) reporting by UN Country Team members to the Resident Coordinator on resource mobilization and programme implementation performance; (c) providing an assessment of performance as a formal input to agency performance appraisal processes; and (d) including UN Country Team results in agency performance appraisal systems. The UNDG made the full implementation of these four critical changes a key priority for 2012. At the end of 2012, only eight out of 20 organizations had confirmed full implementation of agency specific aspects of the Management and Accountability System, 11 agencies had reported partial implementation of one or more actions and one agency had reported no implementation.

OAI reviewed the role of DOCO as defined by the Management and Accountability System framework, and as stated under the UNDG Work Plan for 2010-2012, which involves support to:

- the selection process of the Resident Coordinator/Resident Representative/Humanitarian Coordinator/Designated Official/Deputy Special Representative of the Secretary General;
- the annual performance appraisal system including the One 80 Competency Development Tool;

- the strengthening of the leadership and coordination capacities of Resident Coordinators, UN Country Teams and new Coordination Officers; and
- the strengthening of policies and procedures for enhanced leadership and mutual accountability of the Resident Coordinator System at the country level.

For the first two areas, the OAI review resulted in a satisfactory assessment based on the analysis of available documentation, meetings and interviews with DOCO staff and Regional UNDG Chairs.

The review of the third and fourth areas also included findings from our review of the Resident Coordinator System Issues Working Group and the Working Groups on the UNDG/Executive Committee on Humanitarian Affairs Working Group on Transition as they all contributed to the same outputs of the UNDG work plan and the Management and Accountability System framework.

With regard to DOCO assistance on strengthening the leadership and coordination capacities, and its Support to the Resident Coordinator Systems Issues Working Group, some delays or reprioritizing occurred in delivering timely planned results, such as the strategy for Resident Coordinator/UN Country Team competency development, analysis of the usefulness of the Resident Coordinator preparation package, and analysis/identification of the real performance issues of Resident Coordinators and UN Country Teams. Also, some activities were discontinued due to budget cuts, such as the regional UNDAF trainings that were bringing key players of country teams together. In place of it, a series of webinars were to be organized, with additional engagement through global/regional Coordination Officer's meetings. A global meeting was being considered for 2013, once the QCPR, UNDG Strategic priorities, Delivering as One Standard Operating Procedures and the Burden Sharing review were completed.

DOCO invested much effort in the Country Specific Orientation for first time Resident Coordinators. An analysis of the type of briefings needed was performed and served as the basis for the draft Standard Operating Procedures that were presented to the Working Group on Resident Coordination System Issues in July 2012. At the end of 2012 however, the Standard Operating Procedures were still in a draft form, pending finalization of the UNDG system-wide cost sharing of the Resident Coordinator System.

DOCO support to strengthening policies and procedures also suffered from delays in delivering results. In the area of transition countries, especially under the UNDG/Executive Committee on Humanitarian Affairs Working Group, the challenges included: a limited pool of experienced leadership for transition countries; differences in remuneration incentives under the contractual modalities for Resident Coordinator positions versus those who are also Deputy Special Representatives of the Secretary-General; the lack of coordination among the Department of Political Affairs, the Department of Peacekeeping Operations, and the UNDP Bureau for Crisis Prevention and Recovery to respond to crisis situations, as evidenced by the simultaneous deployment of advisors to perform similar functions with minimal or no coordination. OAI noted that the Capacity Gap's Deployment Steering Committee, established by UNDG in May 2009 and which is co-chaired by DOCO and the UNDP Bureau for Crisis Prevention and Recovery, began to address this concern in 2012 through a 'platform' discussion among its members to review current and planned deployment support to Resident Coordinator Offices in crisis and post-crisis countries in order to prevent duplication and address gaps. This is now a standing item on the Deployment Steering Committee meeting agendas.

While noting that the implementation of the Management and Accountability System is not fully under the control of DOCO and is greatly dependent on the actions of the UNDG Working Mechanisms and on the UNDG commitment to ensuring the implementation of the agreed upon actions, OAI wishes to highlight that delayed implementation of the Management and Accountability System may prevent UNDG and Member States from ensuring that adequate accountability and management is entrusted to the organization. Implementation of the OAI recommendation under Issue 5, regarding the requirement that Working Groups follow a stricter framework for the preparation and validation of their work plans, which include performance indicators and baselines, should improve the ability to conduct realistic assessments of progress.

#### 4. Country and regional support

Partially Satisfactory

The Field Support Team is the DOCO field-facing coordination support and knowledge management team. It is composed of two units:

- The Regional Liaison Unit, comprising of Regional Liaison Advisors, serves as the primary interface of DOCO to the field (Regional UNDG Teams and UN Country Teams). The unit is tasked with ensuring that there is a clear, shared understanding of UNDG strategic priorities and guidance, including the Management and Accountability System, aid effectiveness, UNDAF programming, coherence and harmonization, Delivering as One, and regional and country coordination issues.
- The Knowledge Management Unit institutionalizes the knowledge management capacity within DOCO for the purposes of capturing, analysing and reporting on field-based results for development coordination to support refinements in UNDG policies and tools. It also disseminates and communicates information, lessons learned and best practices regarding regional and country coordination, to support the achievement of UNDG strategic priorities and the Management and Accountability System objectives.

OAI reviewed documentation provided by DOCO, held discussions with management, Regional Liaison Advisors, and surveyed a sample of nine Resident Coordinators (countries who developed an UNDAF under the period audited [2011-2012] and Delivering as One countries).

##### **Issue 7**      Lack of clarity in the distribution of UN Country Team support functions and responsibilities

The Management and Accountability System entrusts the function of technical support and quality control of UNDAFs to the Regional UNDG Teams. The division of labour between the Regional UNDG Teams and DOCO confirms that first-line technical advice and support to UN Country Teams lies at the regional level.

The support provided by DOCO at the country and regional level has generally been perceived as positive, as it has been provided in a timely manner by staff members having the relevant expertise.

However, based on the documentation reviewed, and interviews and surveys conducted among some Resident Coordinators and DOCO staff, the following weaknesses were noted:

- The distribution of roles and responsibilities between the Regional Liaison Advisors and the Regional UNDG Teams was at times unclear, and had led to confusion regarding where accountabilities for support should have been. In 2011, the review of the Management and Accountability System indicated that “the primary concern raised by UN Country Teams was a need for more clarity about the roles and responsibilities of the Regional Teams, and about the vertical integration of roles between DOCO, the regions and the UNCT.” Further, the independent evaluation of the Delivering as One countries conducted in 2012 recommended to further clarify the role and added value of the regional teams, specifically concerning Delivering as One, thus clarifying accountability overall. In addition, five out of nine Resident Coordinators indicated in their responses to the OAI survey, that they were not clear on whom to approach for support regarding specific coordination-related issues. The need to define more clearly the role of DOCO was also felt at the regional level.
- Expectations of support at the level experienced prior to the restructuring of DOCO still existed in many instances. For example, the responsibilities of DOCO vis-à-vis Regional UNDG Teams on procedural and institutional issues relating to the Delivering as One/UN coherence agenda was not clear or well understood, by the Resident Coordinators some of whom continued to look to DOCO for guidance. This also resulted from the fact that the redistribution of roles between the Regional UNDG Team and DOCO was done with insufficient resources at both levels to fully provide the level of support needed in the

countries. In an attempt to leverage its limited resources and ensure greater outreach, DOCO is increasingly shifting its support modalities to internet-based communication (Skype and Webinars).

- DOCO Regional Liaison Advisors did not participate in the annual Regional UNDG Team meetings. DOCO explained that, in 2011, and to some extent in 2012, due to budgeting constraints, travel was kept to a minimum and confirmed that starting in 2013, the participation of the Regional Liaison Advisors in these meetings was standard. DOCO management indicated that they worked closely with the Regional Coordination Specialists, and also attended the Regional UNDG Team meetings where possible. The Director of DOCO also had regular exchanges with the Regional UNDG chairs and attended the Regional UNDG Team meetings, as did the Deputy Director of DOCO.

OAI is of the view that unclear roles and responsibilities may lead to expectations of higher levels of support from Resident Coordinator Offices and UN Country Teams than has been planned or that can actually be provided, and may result in critical gaps not being addressed. OAI notes that expectations may also be raised due to the limited resources available both at the regional and DOCO level to support UN Country Teams. Since this issue is being addressed with the Burden Sharing review, OAI has not issued a recommendation.

#### **Issue 8**      Inadequate resources and capacities to support country teams/UN Country Teams

While the DOCO functional review envisaged a total of six Regional Liaison Advisors to support the country teams, at the time the audit was conducted, only two positions had been filled. Management indicated a third Regional Liaison Advisor position was being held through a non-Reimbursable Loan Agreement with the Dutch Government. This resulted in staff working long hours, and undertaking other operational tasks that came with a high transaction cost. Management confirmed that an additional Advisor would be recruited in 2013, maintaining the total of Regional Liaison Advisors to three after the departure of the Regional Liaison Advisor on a non-Reimbursable Loan Agreement. Additionally, the capacity of the Regional UNDG Teams to support the country teams was not adequate, specifically in regard to policy-related matters and the specific expertise required for special-context countries such as conflict/post-conflict environments.

This gap in relevant expertise was also raised in various fora, including the independent evaluation of Delivering as One in the UN Country Team survey report 2012, and the report on UN Country Teams engaging in national policy dialogue dated December 2011. These analyses highlighting the impact of insufficient resources should be taken into consideration prior to adding the roll-out of the Standard Operating Procedures for Delivering as One to the DOCO workload in 2013. The additional support to the coherence and harmonization process in Delivering as One countries, due to the increase from the original 8 pilot countries to the 32 participating countries at the time of the audit, also needs to be taken into account. Also, further increases in the number of Delivering as One countries is expected as it is included as an objective of the UN Secretary-General's second mandate.

Based on a review conducted in 2011, an upgrade of UNDAF related guidelines based on best practices was to be developed in 2012; it was postponed with the UNDAF Programming Network determining that revisions should have been undertaken after the QCPR and Standard Operating Procedures were completed to ensure alignment and best utilization of time invested by UNDG.

Further, in order to assess the level of support to the UNDAF process, OAI conducted a survey of Resident Coordinators of UNDAF roll-out countries in 2011 and 2012. Their feedback highlighted the need for further guidance on the United Nations Development Assistance Plan and harmonization of business practices.

Funding has been reduced in recent years for the UNDAF roll-out countries and in some cases the Resident Coordinator Office has significantly limited the level of support that DOCO was able to provide through the Country Coordination Fund. In interviews, some Resident Coordinators and Regional UNDG Team Chairs mentioned to OAI that funds were not commensurate to the enhanced level of stakeholder participation,



training requirements and expertise employed to support the process or within the context of increased harmonization between agencies and with host governments. It was also mentioned that country allocations to support UNDAF were not based on specific country contexts, where for example a post conflict country's needs may be higher than the mainstream countries developing their UNDAFs. However, DOCO confirmed that the UNDAF allocation was doubled for 2013 for all UNDAF rollout countries and that an additional allocation for conflict analysis had been established and provided for several years.

On Delivering as One, DOCO support included support to the pilot and self-starter countries, bi-annual consultations with Resident Coordinators from the pilot countries, consultations with multiple stakeholders in New York and various conferences related to Delivering as One, support for multiple donor consultations ensuring the participation of Delivering as One Resident Coordinators and the secretariat to the undg efw Steering Committee, as already mentioned under Issue 5.

The OAI survey of eight Delivery as One countries highlighted the following:

- Further need for guidance on monitoring and evaluation relating to Delivering as One as highlighted by four respondents, especially in developing baselines and monitoring and evaluation frameworks. While a number of UN staff members had undergone Training-of-Trainers, the demand for guidance and support in implementing Results Based Management and monitoring and evaluation was high, as reported upon by one undg Regional Chair to undg in January 2011, the supply of consultants with the required expertise may not have been able to meet this demand.
- While guidance may be available, several respondents have indicated the need for support in the operationalization of guidance, specifically on the United Nations Development Assistance Plan, joint programming and harmonization of operational activities.
- Support for interaction between pilots and self-starters to enhance the platform for knowledge sharing should be encouraged, as well as the development of and the support for a knowledge sharing platform, as this was an area where most respondents expressed further need.

It is also noteworthy that the absence of funding for the Expanded Funding Window had prevented new allocation of funds, and this had impacted the programming function of the Resident Coordinator Offices, (who are partly funded from the Expanded Funding Window). At the time of the audit, discussions were ongoing on revising the funding mechanism of the Expanded Funding Window to ensure self-sustainability; however, these were only at the preliminary stages.

Overall, OAI noted from the surveys that one consistent key expectation was that at the global level, DOCO would advocate for agencies' headquarters to support the harmonization of business processes at that level.

Inadequate capacity and resources to support UN Country Teams at the country level increases the risk of not achieving the UN reform priorities at risk, and may negatively impact on the efficiency and effectiveness of the UN system. The issue of inadequate resources is linked to Issue 1; therefore no recommendation on resources has been made.

Priority	High (Critical)
<b>Recommendation 5:</b>	
DOCO should convey to the undg the need to prioritize the support provided to Delivering as One countries by:	
(a) ensuring key guidance for monitoring and evaluation of Delivering as One is provided to the	

Delivering as One pilot and self-starter countries; (b) strengthening its support beyond policy directives into operational support for implementing these policies/guidelines, especially on the UN Development Assistance Plan and monitoring and evaluation; and (c) sharing of experiences at the country level and at higher-level forum to influence appropriate policy decisions.
<b>Management comments and action plan:</b> <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed  DOCO will communicate OAI Recommendation 5 to the UNDG Chair and to the Regional UNDG Team Chairs for appropriate action and direction within UNDG by the end of May 2013.

<b>Priority</b>	<b>Medium (Important)</b>
<b>Recommendation 6:</b>	
DOCO should support the revising of the UNDAF guidelines, taking into consideration the views and lessons learned from UN Country Teams, and incorporating relevant input from all stakeholders.	
<b>Management comments and action plan:</b> <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed  DOCO will support the relevant UNDG Working Mechanisms in addressing appropriate revision of the UNDAF guidelines which will be based on the guidelines to be produced for operationalizing the Standard Operating Procedures (which were called for in the 2012 QCPR). Support to be provided based on associated UNDG Working Mechanisms and DOCO work plans through 2013.	

<b>5. Knowledge management</b>	<b>Partially Satisfactory</b>
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A dedicated Knowledge Management Unit was established in DOCO for capturing, analysing and feeding relevant field experiences into the work of UNDG at headquarters and the regional level, thus supporting the refinement of UNDG policies, tools, analyses and decision making.

The Knowledge Management Unit was a three person team (Team Leader, Monitoring and Evaluation Specialist and Website Specialist). The new structure of DOCO had envisaged a fourth staff member, a Field Training Specialist post, which was abolished in 2011.

Although the unit had been operational for only about one year at the time of the audit, it had developed tools allowing successful knowledge sharing even with limited resources: the Coordination Practice Network, which was an email based community of practice network with almost 4,000 members, and played a key role in inter-agency knowledge sharing and peer support on UN coordination issues; the rosters of experts maintained by the United Nations System Staff College and training arrangements, which allowed the unit to leverage DOCO support and training. OAI further noted good practices with regard to the newsletter and the pilot project for case studies initiated. The UNDG Toolkit was initially planned to be launched in November 2011, but was actually launched in February 2012 and had been regularly updated since.

Although UNDG had tasked DOCO with accelerating the efforts on knowledge management, OAI noted that some important activities had been postponed due to competing priorities and insufficient human resources (design of the UNDG Knowledge Management strategy, revamping of the website and the implementation of a help-desk for UNDAF questions). The revision of the Resident Coordinator Annual Report System was also

delayed pending the QCPR conclusions which would have impacted the reporting system and due to the UNDG decision to change the Resident Coordinator/UN Country Team Performance Appraisal Cycle. The delayed implementation of these activities resulted in the low delivery for the unit (expenditure of \$50,000 against \$1 million of the 2012 budget).

**Issue 9**      Lessons learned, good practices not well codified and disseminated

Based on a review of documents, discussions with relevant staff and management, and feedback from a sample of Resident Coordinators, OAI noted that there was an abundance of information available from the various reviews, the external/independent evaluations of Delivering as One undertaken and from lessons learned emanating from the Delivering as One countries themselves. Nevertheless, there were gaps in the analysis and dissemination of lessons learned and good practices, some of which are highlighted below:

- Consolidation of the lessons learned had yet to be undertaken in order to support the sharing of knowledge between Delivering as One and self-starters (a pilot on good practices was initiated in 2012). UNDG did not leverage the extensive volume of information available from Delivering as One countries in order to streamline guidance and support - this gap has been identified in a number of reviews and evaluations.

Tracking and analysis of country inquiries and the corresponding responses provided had been documented only up to mid-2011, due to lack of staffing as a result of the restructuring of DOCO. No further formalized tracking or analysis was undertaken until the end of 2012 when an analysis of the inquiries to determine frequently asked questions was reinitiated. However, the tracking resumed and was re-established in 2012.

- OAI browsed the UNDG website and noted several instances where the website did not provide up-to-date information, had inaccurate references and links, hindering information and knowledge sharing. The revamping of the website was postponed until 2013 due to other priorities.

Although a template for recording good practices had been developed and tested, the process for collecting lessons learned/good practices needed to be revised to allow the collection of data in a more systematic manner. Codification of the process into standard procedures had also not taken place, for example, how country-level experiences/information flows from the Regional Liaison Advisors and the Knowledge Management Unit. In the absence of clear and standardized processes and procedures the Country teams run the risk of 're-inventing the wheel' each time in addressing issues, resulting in duplication of efforts, increased costs, reduced efficiency the increased risk that important information will be missed, negating the very objective of enhancing UN coherence.

Priority	Medium (Important)
<b>Recommendation 7:</b>	
DOCO should:	
<ul style="list-style-type: none"> <li>(a) systematize its process for identifying, analysing, codifying and disseminating lessons learned and good practices, including expediting the revamping of the UNDG website; and</li> <li>(b) strengthen its system for tracking and analysing the queries from country teams, responses provided by DOCO to these queries, for use in developing information kits/frequently asked questions to be disseminated to UN Country Teams and Resident Coordinator Offices for reference purposes, and to guide policy decisions at the higher level.</li> </ul>	

**Management comments and action plan:**  Agreed  Disagreed

- (a) DOCO has conducted a procurement process to identify a consultant who will support the plan to revamp the UNDG website by end of 2013.
- (b) DOCO will finalize the template for sharing lessons learned and good practices and issue guidance on this in 2013. In addition, the collection of good practices will be systematized as part of the revised RCAR system which will be launched end of 2013 (see Recommendation 8).
- (c) DOCO is currently revising and updating its FAQs to align them with updated guidance and incorporating questions and answers received by DOCO over the past 12-18 months, including the creation of a new set of FAQs on relevant issues to be completed by end 2013. Subsequently, existing FAQs will be systematically updated and new ones created based on current issues and analysis of the queries received.

#### **Issue 10**      Incomplete Resident Coordinator Annual Reports

Using a corporate template, Resident Coordinator Offices prepare a report on an annual basis that is shared with UNDG and DOCO. According to the Resident Coordinator's Annual Report (RCAR) guidelines, each UN Country Team should report on the results achieved based on its annual work plan, using the given RCAR format. Key objectives of the RCARs among others are to enable DOCO to properly report to donors on the use of funds and mobilize subsequent year funds from the Support to Resident Coordinator and UN Country Coordination Funds. The RCAR provides an opportunity for UN Country Teams to review their collective results, share good practices in support of national development plans and priorities, improve their planning process and identify the support they need from Headquarters and Regional UNDG Teams. It also allows for UN Country Teams in transition settings to articulate processes and results achieved in cooperation with UN peacekeeping, peace building, political and humanitarian actors in line with the Secretary-General's decision on integration dated June 2008.

OAI randomly selected six Resident Coordinator Annual Reports pertaining to six different offices for review and noted that the RCARs lacked substantive information especially on the output and allocation of funds.

- The RCAR makes a provision for the Resident Coordinator Office to report on actual expected outputs accomplished during the year against expected outputs which are derived from the work plan. OAI noted that 50 percent of the sample selected did not include information on their actual outputs in the RCAR. Such lack of information prevents stakeholders from assessing the performance of the Resident Coordinator Offices.
- The lack of detail and inconsistent quality of the RCARs did not allow for the identification and useful analysis of good practices by the Knowledge Management Team.
- Of the total sample, 67 percent did not include information on the amount of money received from the Country Coordination Fund or on how it was spent.
- Additionally, 50 percent of the total did not include information pertaining to the use of the Support to Resident Coordinator funds received.

OAI also noted that the amount of funds reported in the RCARs included other funds than those received centrally through DOCO, and therefore could not be reconciled to the allocation of funds provided by DOCO, thereby hampering monitoring and oversight of the funds.

While the content of the RCARs reviewed more or less complied with the template, the reports did not provide sufficient information for a complete results chain, and therefore did not follow the results-based management

principles. Regional UNDG Chairs also mentioned the inconsistent quality of RCARs and a needs assessment was conducted in the Latin America and Caribbean region.

DOCO informed OAI that a new RCAR form will be rolled out with the objective being to remedy the shortcomings of the current RCAR. Inadequate or incomplete information on the RCAR may prevent DOCO from providing accurate reporting information to the UNDG and Donors, thus compromising accountability for results.

Priority	Medium (Important)
<b>Recommendation 8:</b>	
DOCO should ensure that the new Resident Coordinator Annual Report guidelines and format allow for improvement of the content and quality of the information reported by defining and detailing how Resident Coordinator Offices should report on the allocation of funds received as well as on the outputs achieved with the funds.	
<b>Management comments and action plan:</b> <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
DOCO will finalize guidance for the new RCAR system in collaboration with UN Department of Economic and Social Affairs and the UNDG Working Mechanisms. The revised system will incorporate reporting on the allocation of funds received and outputs achieved with them. The revised RCAR system is subject to UNDG endorsement at the relevant levels, and is planned to be rolled out at the end of 2013.	

**6. Operations** **Partially Satisfactory**

**6.1 Fund arrangements and modalities** **Partially Satisfactory**

In order to facilitate effective UN coordination, the Country Coordination Fund acts as the operative instrument over a three-year period to mobilize resources to meet UN Country Team needs. The Country Coordination Fund is open to contributions from any number of donors and managed in accordance with a Memorandum of Understanding signed by each donor government and UNDP. The resources mobilized under the Country Coordination Fund are received through UNDP and governed by UNDP regulations and rules. The Country Coordination Fund is managed by DOCO. Total expenditures in 2012 for the Country Coordination Fund were approximately \$17 million and were disbursed to 134 countries following consultations with the Regional UNDG Chairs.

In addition to the Country Coordination Fund, the UNDP Executive Board earmarks resources for the programme support to the Resident Coordinator Office. The funds referred to as Support to the Resident Coordinator funds are also managed by DOCO, under UNDP regulations and rules. The purpose of the funds is to provide support for UN Coordination activities. In 2012, Support to the Resident Coordinator allocations were approximately \$13 million.

Allocation decisions for both funds are made by DOCO in consultation with the UNDG Regional Chairs as outlined by the Management and Accountability framework. Support to the Resident Coordinator and Country Coordination Fund allocations to countries are provided to all Resident Coordinator Offices for Staffing Support and General Operating Support, thus ensuring universal support and the predictability of funds to the Resident Coordinator/UN Country Team.

The Support to the Resident Coordinator and Country Coordination Fund budgets are monitored by DOCO and the allocation to the countries are based on a pre-established formula. In May 2007, a communication went to Resident Coordinators from the then Development Group Office indicating that there would be a revision to the allocation mechanism. This revision created a formula for allocations to countries which was the mechanism in place for the audited period.

**Issue 11**      Corporate Issue: Lack of clarity in the funds arrangement

According to the Funds' guidelines, DOCO monitors the use of funds, through financial reports provided by the Resident Coordinator Offices. The funds for the Support to the Resident Coordinator and Country Coordination Fund are reflected in the financial statements of UNDP.

As per the proposals on programming arrangements for the period 2008-2011 put forward by UNDP to the Executive Board, the Support to the Resident Coordinator funds represents programme resources available to Resident Coordinators, serving as seed money in support of United Nations programming. Although DOCO did provide UNDP with updated guidance in this regard in 2010, guidelines on the functioning of these funds was not available in the UNDP Programme and Operations Policies and Procedures as the funds were considered outside of UNDP. The TOR describing the purpose and eligible activities under the Country Coordination Fund were available on the UNDG website.

<b>Priority</b>	<b>Medium (Important)</b>
<b>Recommendation 9:</b>	
UNDP Office of Financial Resources Management should ensure that comprehensive guidance on the purpose and use of resources for Programme support to the Resident Coordinator system is available within the Programme Operations Policy and Procedures in order to assist the Resident Coordinator's office in their budgeting and programming activities.	
<b>Management comments and action plan:</b> <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
The Support to Resident Coordinator funds are covered by the Resource Planning Framework guidelines addressed in the Programme and Operations Policies and Procedures. A link shall be provided in Programme and Operations Policies and Procedures to the guidance available on the DOCO website.	

The TORs of the Country Coordination Fund predated the establishment of the Regional UNDG Teams. The role of the Regional UNDG Chair in reviewing the initial proposal for the allocation of funds prepared by DOCO is therefore not disclosed in the TORs. Despite specific communication from DOCO to the Regional UNDG Chairs, OAI noted in its interviews with four Regional Chairs that their interpretation varied from information-sharing to actual validation and endorsement of the allocation.

Furthermore, the formula for allocating funds to the UN Country Teams was developed in 2007, and later adjusted to reduce the non-core funding. The formula used for the allocation is not reflected in the TOR. DOCO acknowledged the need to enhance clarity on the process for allocating and managing the Support to the Resident Coordinator and Country Coordination Fund funds by updating the TORs to reflect the current allocation mechanism.

OAI further noted when reviewing the management of the Country Coordination Fund, that the fund operates in a way that is similar to a trust fund, as defined by UNDP Programme and Operations Policies and Procedures. The overall programme management, monitoring and reporting is the responsibility of the Director of DOCO. Yet in the case of the Country Coordination Fund, Resident Coordinators manage and are accountable for the allocated

funds. The DOCO annual report provides consolidated financial information on the use of funds. As the Country Coordination Fund contributions are received by UNDP as extra-budgetary income and managed by DOCO on behalf of UNDP. However, the responsibilities for the use of allocated funds between DOCO and the Resident Coordinators observed during the audit was unclear and needs to be formally clarified in line with UNDP existing fund management modalities.

<b>Priority</b>	<b>Medium (Important)</b>
<b>Recommendation 10:</b>	
The UNDP Office of Financial Resources Management should clarify the modalities under which the Country Coordination Fund is managed, especially with reference to the UNDP trust fund modality.	
<b>Management comments and action plan:</b> <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
The Country Coordination Fund is a series of non-core trust funds into which direct donor contributions are deposited for UNDP activities in supporting the UN system. These trust funds are covered by the existing UNDP trust fund management guidance in the Programme and Operations Policies and Procedures. A link shall be provided in the Programme and Operations Policies and Procedures to the guidance available on the DOCO website.	

<b>Priority</b>	<b>Medium (Important)</b>
<b>Recommendation 11:</b>	
DOCO should update the TOR of the Country Coordination Fund and include the change in the allocation mechanism and the formula as communicated separately in 2007. The TOR should reflect the Management and Accountability framework by clearly defining the roles and responsibilities of DOCO, the Regional UNDG Team and the Resident Coordinator Offices.	
<b>Management comments and action plan:</b> <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
DOCO will publish the updated TOR on the UNDG/DOCO website and provide it to the Regional UNDG Team Chairs to clarify their understanding of the current arrangements for the Country Coordination Fund allocations to countries. This will be completed by the end of June 2013.	

<b>6.2 Contribution management</b>	<b>Satisfactory</b>
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DOCO, as the secretariat of the UNDG Working Mechanisms, Networks & Advisory Groups receives contributions of participating UNDG agencies in support of the implementation of specific joint activities related to accomplishing UNDG Strategic priorities, as outlined in the respective annual work plans. DOCO stated that for the period under review DOCO has an agreement for each contribution/revenue received from UNDG members through the Working Groups or networks. As of 2012 DOCO has systematically signed the UN Agency to UN Agency Contribution Agreement which was approved by the UNDG/Fiduciary Management Oversight Group in December of 2011. In exceptional cases of contributions of less than \$100, such as the Resident Coordinator induction, the Resident Coordinator Issues Working Group signed the official Working Group minutes as an agreement for the cost sharing of the activity.

**Issue 12**      Corporate Issue: Contributions recorded as negative expenses

Pursuant to UNDP guidelines, contributions are to be recorded as revenue, yet OAI noted that UNDG members' (UN agencies) contributions to the Working Groups were recorded in Atlas as negative expenses instead of revenue. The following reasons were put forward by DOCO:

- The contributions from agencies were usually earmarked for a specific joint activity, i.e. the Harmonized Approach to Cash Transfers governance review or induction of new Resident Coordinators, etc. The majority of the contributions were received after the expense had been incurred (approximately three months later), with DOCO pre-financing the activity to ensure timely delivery and implementation.
- Based on the UNDP cost recovery policy, contributions are subject to General Management Support, and some agencies had expressed their disagreement with having to pay an administrative fee to UNDP in its role as administrator of the UN Coordination.

OAI is of the view that recording revenue as a negative expense leads to an understatement of the expenses and revenue. The UNDP Treasury recognized the lack of policy for the receipt of contributions from other UN agencies to entities such as DOCO. The Treasury also indicated that, in its view, the nature of the transactions between DOCO and other UN agencies discussed in this section resemble common services cost recovery. Under current policy, General Management Support is not incurred on common services, and therefore General Management Support should not be incurred for contributions received by DOCO for the Working Group activities. However, this is not clearly defined in the Programme and Operations Policies and Procedures. At the time the audit report was drafted, DOCO and the Office of Financial Resources Management had still not found a conclusive alternative to this practice.

<b>Priority</b>	<b>Medium (Important)</b>
<b>Recommendation 12:</b>	
The UNDP Office of Financial Resources Management should, in coordination with DOCO, develop a clear policy and instructions on the receipt and recording of contributions relating to coordination activities from UN agencies to entities such as DOCO for coordination purpose.	
<b>Management comments and action plan:</b> <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
The Office of Financial Resources Management views these transactions as reimbursement of expenses, similar to common services, and not as revenue. Suitable procedures will be developed and reflected in the Programme and Operations Policies and Procedures.	

### 6.3 Consultant management

**Satisfactory**

OAI reviewed documentation relating to procurement of approximately 60 percent of the consultants hired by DOCO during the audit period. OAI noted that in general consultant management was done in accordance with UNDP policies. Two exceptions were noted relating to the contracts of former UN staff hired as consultants, and for which there was no final evaluation done prior to final payment of their invoices, as required by the Programme and Operations Policies and Procedures.



## ANNEX Definitions of audit terms - ratings and priorities

### A. AUDIT RATINGS

In providing the auditors' assessment, the Internal Audit Services of UNDP, UNFPA, UNICEF and WFP use the following harmonized audit rating definitions. UNDP/OAI assesses the country office or audited HQ unit as a whole as well as the specific audit areas within the country office/HQ unit.

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity. *(While all UNDP offices strive at continuously enhancing their controls, governance and risk management, it is expected that this top rating will only be achieved by a limited number of business units.)*
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity. *(A partially satisfactory rating describes an overall acceptable situation with a need for improvement in specific areas. It is expected that the majority of business units will fall into this rating category.)*
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised. *(Given the environment UNDP operates in, it is unavoidable that a small number of business units with serious challenges will fall into this category.)*

### B. PRIORITIES OF AUDIT RECOMMENDATIONS

The audit recommendations are categorized according to priority, as a further guide to UNDP management in addressing the issues. The following categories are used:

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP and may affect the organization at the global level.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.