

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNITED NATIONS OFFICE FOR SOUTH-SOUTH COOPERATION

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Report on the Audit of United Nations Office for South-South Cooperation Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the United Nations Office for South-South Cooperation (the Office) from 9 to 25 November 2015. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) Governance (mandate, organizational structure, delegation of authority, staff surveys, strategy and annual work plans, inter-agency activities, risk management, annual reports and results-based management);
- (b) Programme and Project Activities (programme thematic areas, vetting of donors and contributors, resource mobilization and strategy, management of contributions, project evaluation, project financial monitoring and project appraisal, approval and monitoring); and
- (c) Operations (human resources, procurement, travel, finance).

The audit covered the activities of the Office from 1 January 2013 to 31 October 2015. During this period the Office recorded programme and management expenses of approximately \$26.2 million. The last audit of the Office was conducted by OAI in 2010. OAI coordinated its work with the Internal Audit and Investigations Group of the United Nations Office of Project Services (UNOPS) and was given the opportunity to consult some of the documentation pertaining to the Office and held by UNOPS. The audit was performed following a request by the present Director of the Office.

At the beginning of the audit, OAI contacted by e-mail the former Director (currently retired), to seek his views and perspective about the Office and its activities, however there was no response.

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

Overall audit rating

OAI assessed the Office as **unsatisfactory**, which means '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'. This rating was mainly due to weaknesses identified in the areas of organizational structure and strategic management, partnerships and resource mobilization, programme and project activities, as well as operations, mainly in the administration of human resources and travel.

Key recommendations: Total = 16, high priority = 9

The 16 recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1 3, 4	High Medium
Reliability and integrity of financial and operational information	6 15, 16	High Medium
Effectiveness and efficiency of operations	2, 7, 11, 14 9, 10, 15	High Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	5, 8, 12 13	High Medium

For high (critical) priority recommendations, 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. All high (critical) priority recommendations are presented below:

Unclear accountability and reporting lines (Issue 1)

The Office is defined in its mandate as “a separate entity hosted by UNDP” which, in the absence of further details, raises questions about its overall accountability and reporting lines. The Office’s activities are guided by decisions taken by the High Level Committee for South-South Cooperation and, to some extent, the Group of 77. Furthermore, the Office operates under UNDP regulations, rules and procedures and its activities are included in the UNDP annual financial statements. Consequently, UNDP is directly exposed to the risks entailed by poor decision making by the Office without however having a level of authority that would allow it to mitigate these risks.

Recommendation: The Office should work with UNDP and other partners on clarifying its accountability and reporting lines and on documenting the same for future reference. In this respect, the signature of a compact between the Office and UNDP would be worth considering while taking into account the legislative mandate.

Inadequate organizational structure and personnel arrangements (Issue 2)

The review of the Office staffing and organizational structure raised a number of shortcomings: (a) an unclear business rationale for the Office structure; (b) an inadequate personnel arrangement; and (c) a high share of personnel at senior level positions.

Recommendation: The Office should perform a comprehensive review of its organisational structure, staffing and the contractual arrangements of its personnel with a view to achieving a more streamlined and clearer distribution of functions and duties as well as enhancing effectiveness of operations.

Corporate Issue¹: Risk assessment tool not covering assessment of private non-profit organizations and ‘UNDP Programme and

The Policy, the ‘Risk Assessment Tool’ template and the respective guidelines only relate to the private sector that includes corporate foundations. They do not cover non-profit organisations, individuals and other entities, which can also be private entities. The existing policies and tools do not clearly address these types of entities in a comprehensive manner.

¹ “Corporate issue” means action is required by a headquarters’ bureau.

Operations Policies and Procedures' not updated (Issue 5)	<p><u>Recommendation:</u> The Bureau for Policy and Programme Support should enhance the assessment of private non-profit organizations by: (a) updating the 'Risk Assessment Tool' and related guidance documents and/or as warranted, developing a policy, tool and guidelines tailored to cover non-profit organizations, non-governmental organizations, civil societies, high net worth individuals etc.; and (b) clarifying the entities that are covered under the term private sector.</p>
Concerns regarding contributions from a donor (Issue 6)	<p>In May 2015, the Office received a contribution of \$1.5 million. Shortly after, the Chairman of the donor was charged by the United States Federal authorities. The donor's risk assessment performed by the Office at the time of receiving the \$1.5 million contribution was ineffective. Further, the recording of the contribution and related costs was not adequate, as these were recorded under three different non-related projects. At the time of the audit fieldwork, there was an unspent balance of \$1.1 million and only part of the expenditure had been reversed to the correct account codes. Further, and in view of the charges raised by the United States authorities, the Office of Financial Resources Management put in place an administrative protocol which included instructing the Office to put on hold any transaction pertaining to this contribution pending the outcome of this audit.</p> <p><u>Recommendation:</u> The Office should address the identified weaknesses with respect to the donor contribution by: (a) reversing any outstanding amounts to the correct project and donor codes in line with the administrative protocol agreed with the Office of Financial Resources Management; and (b) agreeing with the Bureau for Management Services on an appropriate action with regards to the unspent balance of the donor's contribution.</p>
Absence of an overall programme and project management and supervision (Issue 7)	<p>At the time of the audit, there was no staff member with an overall understanding and knowledge of the Office's project portfolio. The audit was not successful in contacting the former Director and could not determine whether this overall picture was only held at his level.</p> <p><u>Recommendation:</u> The Office should assign at least one staff in the management team, other than the Director, to look after the overall management and supervision of its project portfolio.</p>
Corporate issue: Concerns regarding secondments of staff followed by upgrades of posts and levels (Issue 11)	<p>There were two cases of secondments of staff from UNDP to the United Nations Office for Project Services that were followed by an upgrade by one level of the posts and then of the level of the staff encumbering the posts. The two cases raised questions about the rationale behind the secondments, as well as concerns about ineffective scrutiny exercised by the UNDP Office of Human Resources.</p> <p><u>Recommendation:</u> The Office of Human Resources should review and strengthen its processes for handling the secondment of staff to other entities and should exercise greater scrutiny over such administrative arrangement for the purpose of maintaining a proper alignment with its intended objective.</p>

Weaknesses within
human resources
administration
(Issue 12)

The audit noted several weaknesses in the management of human resources, mainly: (a) As a result of marginalization, the Deputy Director was not performing the duties for which she was appointed for; (b) inconsistencies in the job titles between the organization chart, job descriptions and job classifications; (c) performance appraisals not completed; and (d) weaknesses in leave and attendance management.

Recommendation: The Office should improve its administration of human resources by: (a) adequately aligning the actual functions performed with job titles and job descriptions and maintaining an up-to-date organization chart; (b) performing effective recruitment that is in compliance with UNDP policies and procedures and properly documenting related processes in human resources files; (c) completing all performance appraisals within established timeframes; and (d) maintaining proper and complete attendance and leave records for all staff.

Weaknesses within
travel management
(Issue 14)

A number of shortcomings were noted by the audit in the management of travel, mainly: (a) travel undertaken without authorization; (b) issuance of tickets too close to the travel dates; and (c) charges for multi-purpose missions not apportioned to the appropriate accounts/projects.

Recommendation: The Office should improve its travel management by: (a) properly obtaining and documenting the approval of all travel; be it by staff members, consultants or the Director; (b) properly planning for mission travel so that tickets for air travel can be purchased at least 21 days before the travel is to be undertaken; (c) increasing the reliance on technology to reduce travel costs in general, specifically when it entails a long-haul trip for a visit of a couple of days; and (d) recording travel related expenses in the correct project(s), especially in the case of multi-purpose mission travel.

Management comments and action plan

The Office Director, the Office of Human Resources, and the Bureau for Policy and Programme Support accepted all of the recommendations and are in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office was established by the General Assembly in December 1974 as a special unit within UNDP to promote technical cooperation among developing countries. The Office's mandate and name have evolved over the years and it is now identified as a separate entity, hosted by UNDP, which serves as coordinator for promoting and facilitating South-South and triangular cooperation for development, on a global and United Nations system-wide basis. More recently, in February 2015 and in response to the idea of separating as operationally autonomous from UNDP, the General Assembly adopted resolution no. 69/239 which included a request for a comprehensive proposal on upscaling the Office in financial, human and budgetary terms under the auspices of UNDP, including through the appointment of the Special Representative of the Secretary-General on South-South Cooperation.

The Office has its main premises in New York with four Regional Chiefs covering Africa, Asia and the Pacific, Europe, and the Arab States and Commonwealth of Independent States. At the time of the audit, the Office had a workforce of 35 people and a portfolio of 21 ongoing projects.

II. Audit results

OAI made nine recommendations ranked high (critical) and seven recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

High priority recommendations, arranged according to significance:

- (a) Work with UNDP and other partners on clarifying its accountability and reporting lines and on documenting the same for future reference (Recommendation 1).
- (b) Perform a comprehensive review of its organisational structure, as well as of staffing and contractual arrangements of its personnel (Recommendation 2).
- (c) Address the identified weaknesses with respect to the donor contribution by reversing any outstanding amounts to the correct project and donor codes and by agreeing with the Bureau for Management Services on an appropriate action with regards to the unspent balance of the donor's contribution (Recommendation 6).
- (d) The Office of Human Resources should strengthen its processes for handling the secondment of staff to other entities (Recommendation 11).
- (e) Improve the project management practices (Recommendation 8).
- (f) Improve the administration of human resources (Recommendation 12).
- (g) Improve the management of travel (Recommendation 14).
- (h) Assign at least one staff in the management team, other than the Director, to look after the overall management and supervision of its project portfolio (Recommendation 7).
- (i) The Bureau for Policy and Programme Support should enhance the assessment of private non-profit organizations (Recommendation 5).

Medium priority recommendations, arranged according to significance:

- (a) Improve resource mobilization efforts (Recommendation 4).
- (b) Define clear criteria for adopting an implementation modality (Recommendation 9).
- (c) Revise the assignment of Atlas roles and align them with the UNDP internal control framework (Recommendation 3).
- (d) Develop an Office-wide evaluation plan (Recommendation 10).

- (e) Conduct procurement in accordance with UNDP policies and procedures (Recommendation 13).
- (f) Designate a staff in charge of monitoring the accounts receivable and of performing reviews of open items on an ongoing basis (Recommendation 15).
- (g) Establish an Accounting and Finance function (Recommendation 16).

The detailed assessment is presented below, per audit area:

A. Governance and Strategic Management

1. Organizational structure and delegations of authority

Issue 1 Unclear accountability and reporting lines

The mandate of the Office has evolved over the years with some ambiguity in terms of reporting lines and accountability. In accordance with a number of General Assembly resolutions (e.g. nos. 64/222, 68/230), the Office has been recognized as a separate entity, hosted by UNDP, that serves as the coordinator for promoting and facilitating South-South and triangular cooperation for development, on a global and United Nations system-wide basis. More recently, the General Assembly resolution no. 69/239 dated February 2015, includes, in response to the “idea of separating [the Office] as operationally autonomous from the [UNDP]”, a request for “a comprehensive proposal on upscaling the Office in financial, human and budgetary terms under the auspices of UNDP, including through the appointment of the Special Representative of the Secretary-General on South-South Cooperation.”

The audit identified that the concept of the Office being “a separate entity hosted by UNDP” is however not accompanied by additional details on accountability and reporting lines. This generic definition could suggest that UNDP simply hosts the Office and might be expected to provide it with some level of administrative support, if any. This could also suggest limited, if any, accountability or reporting lines between the Office and UNDP with UNDP having a much lower level of authority over the Office’s activities compared to any of its other units.

In this respect, the audit noted that the activities of the Office were guided by decisions taken by the High Level Committee for South-South Cooperation, a subsidiary body of the United Nations General Assembly and the main policy-making body on South-South cooperation in the United Nations system. The work of the Office was also guided by the Group of 77 whose objectives also include the promotion of south-south cooperation.

Furthermore, the Office operates under UNDP regulations, rules and procedures and its activities are included in the UNDP annual financial statements. This implies that any significant discrepancy in the Office’s activities could directly result in a negative opinion expressed by the United Nations Board of Auditors on UNDP’s annual financial statements. Consequently, UNDP is directly exposed to the risks entailed in poor decision-making by the Office, without however enjoying a level of authority that would allow it to mitigate these risks.

Priority	High (Critical)
Recommendation 1:	
The Office should work with UNDP and other partners on clarifying its accountability and reporting lines and on documenting the same for future reference. In this respect, the signature of a compact between the Office and UNDP would be worth considering while taking into account the legislative mandate.	
Management action plan:	
The Director of the Office will work with the Administrator of UNDP to clarify the operational and programmatic arrangements which will encompass accountability and reporting lines. The Director will also work closely with the High-level Committee on South-South Cooperation and other institutional partners for overall policy guidance, within their respective mandates.	
In addition, the Office will work with UNDP to establish revised management and operational arrangements.	
Estimated completion date: June 2016	

Issue 2 Inadequate organizational structure and personnel arrangements

At the time of the audit, the Office had a workforce of 35 personnel with three vacant positions.

The review of the staffing and organizational structure of the office, identified the following shortcomings:

- a) Unclear business rationale for Office structure: The Office structure included six units based in New York, and six Regional Chief positions. One of these positions was vacant (Regional Chief for Latin America and the Caribbean). Another Regional Chief was stationed in New York and the remaining three were stationed in Addis Ababa, Ethiopia; in Geneva, Switzerland; and in Istanbul, Turkey. The business rationale behind the Office's organizational structure was unclear. For example:
 - The Office's activities in the Asia and Pacific region were covered by three different individuals working separately in three different units. The Regional Chief was based in New York, another staff member in New York covered the South-South Global Assets and Technology Exchange (SS-GATE) project (located in Shanghai) and a third staff member who was also based in New York, covered the nationally implemented project, 'China South-South Development Centre' (located in Beijing).
 - The need to have a dedicated full-time Regional Chief based in Geneva covering Europe, did not seem justified under the Office's mandate to promote south-south and triangular cooperation. If an occasional need for coordination with Europe-based entities was to arise, it could be handled either from New York or by the Istanbul-based Regional Chief.
 - The Office did not have a dedicated unit to handle operational activities (finance, procurement, personnel, etc.) as well as overall projects monitoring and reporting, e.g. a Programme Management Unit. Consequently, an overall and complete picture of where the Office's activities stood at a given point was not readily available (refer also to issue 15).

- b) Inadequate personnel arrangements: The majority of the Office personnel were United Nations Office for Project Services (UNOPS) contract holders. Only 31 percent, or 11 staff members held a UNDP staff contract:
- Among the UNOPS contract holders, six (17 percent of the total) held a staff contract which raised questions regarding the soundness and effectiveness of this arrangement. The administration of staff contracts by UNOPS entailed a management fee of 10 percent whereas such a fee would not apply if the contracts were administered by UNDP.
 - Fifteen UNOPS contract holders or 43 percent of the total workforce held an individual contract which was incompatible with the duties that they performed. The individual contractors performed functions of a continuous nature which was contrary to UNDP policies, e.g. the Assistant Director for Partnership and Triangular Cooperation and the Programme Coordinator and Policy Specialist. UNDP policies specify that the purpose of this type of contract is to procure services for time-bound and non-staff tasks.
 - The large number of individual contract holders also had an impact on the results of the annual Global Staff Survey (GSS) as, given the nature of their contract, they were not called to participate in this exercise. The GSS results for 2014 were positive, showing scores above the UNDP overall median in all of the 11 survey dimensions. However, they were not representative of the opinion of the Office personnel because they captured the views of about only 12 participants (i.e. 34 percent of the workforce) and the individual contract holders were not included in the survey.
- c) High share of personnel at senior level: Senior level personnel (D2, D1 and P5) amounted to 26 percent of the total workforce of the Office. The Office had one staff member at D2 level, three staff members at D1 level and five staff members at P5 level.

Inadequate organizational structure and personnel arrangements could lead to an ineffective and inefficient management and use of resources.

Priority	High (Critical)
Recommendation 2:	
The Office should perform a comprehensive review of its organisational structure, as well as of staffing and contractual arrangements of its personnel with a view to achieving a more streamlined and clearer distribution of functions and duties as well as enhancing effectiveness of operations.	
Management action plan:	
A revised organizational structure is being designed by the Office, and an organization chart to reflect the revisions is being developed, to address this matter. The organization chart will reflect a clearer distribution of functions and duties. It is being drafted in consultation with UNDP senior management and Office of Human Resources and will respond to Member States calls to strengthen the Office. As may be necessary, staffing and contractual arrangements will be also revised.	
The management of the SS-GATE and the China South-South Development Centre will be reviewed in the context of the next proposed Office structure.	
Estimated completion date: September 2016	

Issue 3 Inadequate implementation of the internal control framework

In accordance with the 'UNDP Programme and Operations Policies and Procedures', the role of Project Manager in Atlas (enterprise resource planning system of UNDP), is equivalent to the committing officer role per the financial regulations and rules. The Project Manager has the primary responsibility for managing the resources being used. The role of Manager Level 2 in Atlas has the authority to approve procurement processes and/or payment of vouchers valued up to \$50,000. These are considered key roles that can be granted only to staff holding UNDP letters of appointment and governed by Staff Rules and Staff Regulations of the United Nations and cannot be assigned to individual contract holders.

Upon the review of the authorities granted to the Office personnel in Atlas, the audit noted that an individual contract holder was granted the role of Project Manager and of Manager Level 2. These Atlas roles were not compatible with the contractual relationship that the Office had with this person.

Given the requirements of the role, granting personnel financial authorities that exceed what is prescribed by UNDP policies and procedures increases the financial risks of the Office.

Priority	Medium (Important)
Recommendation 3:	
The Office should revise the assignment of Atlas roles and align them with the UNDP internal control framework.	
Management action plan:	
The Office takes note of this recommendation. In this context, it has made a priority of establishing a Programme Management Unit. As part of this process, a revised internal control framework and Atlas access rights would be assigned in line with corporate UNDP policies. This functional activity will be incorporated in the key functions of the Programme Management Unit.	
Estimated completion date: September 2016	

B. Programme and Project Activities

1. Partnerships and resource mobilisation

Issue 4 Lack of a resource mobilization strategy

A comprehensive, up-to-date resource mobilization strategy helps to ensure that offices use a consistent approach to resource mobilization, that relevant roles and responsibilities are clearly understood by all personnel involved and that lessons learned help improve the Office's approach. Additionally, the Partnerships section of the 'UNDP Programme and Operations Policies and Procedures' sets out guidance on managing partnerships and mobilizing resources, to enable offices to effectively support their mission and objectives.

The most recent resource mobilization strategy was documented in the 'Partnership and Resource Mobilization Strategy for 2010-2011' and has not been renewed or updated since.

The Office informed the audit team that there had been an attempt to renew the strategy since 2011, however senior management had decided to focus on the results achieved by projects carried out by the Office and a set of 'product cards' were developed for key projects, so that personnel could use them to promote the work of the Office to potential donors.

The audit identified that the core functions of partnership management and resource mobilization were carried out by the Policy Advisor for Partnerships and Resource Mobilisation, who was not a staff member but an individual contract holder with a contract issued by UNOPS. The Office advised that this was the title of this post as of 2013, which was subsequently changed to Policy and Partnership Advisor for Triangular Cooperation and Partnership. The Office further clarified that, since 2015 and as per the Terms of Reference of the position, the title was Special Senior Advisor of Partnerships and Triangular Cooperation.

Lack of a resource mobilization strategy may result in inconsistent or uncoordinated resource mobilization actions by Office personnel, duplication of efforts or suboptimal levels of resources secured for projects.

Priority	Medium (Important)
Recommendation 4:	
The Office should improve its resource mobilization efforts by:	
<ul style="list-style-type: none"> a) updating the mobilization strategy and communicating it to all Office personnel; and b) assigning the functions of resource mobilization and partnerships to a staff member. 	
Management action plan:	
<ul style="list-style-type: none"> a) The Office will consult with UNDP Bureau of External Relations and Advocacy (BERA) on the key elements that need to be incorporated in updating/enhancing the current resource mobilization strategy, and will seek guidance on how to finalize the resource mobilization document as a collective effort of the Office team. The Office will then communicate the strategy to the team for their guidance and follow-up. In addition, the Office will seek advice and share the results with Member States and other relevant partners, to ensure their engagement. b) A proposed organization chart is being drafted by the Office which will include staff positions for resource mobilization and partnerships. 	
Estimated completion date: September 2016	

Issue 5 Corporate Issue: Risk assessment tool not covering assessment of private non-profit organizations and 'UNDP Programme and Operations Policies and Procedures' not updated

The Partnerships section of the 'UNDP Programme and Operations Policies and Procedures' sets out requirements for identifying a potential partner, conducting due diligence and approaching potential partners. A 'Risk Assessment Tool' template is available for offices conducting a risk assessment of partners and is

accompanied by the 'Revised Guidelines on Cooperation between UNDP and the Private Sector' and the 'UNDP Policy on Due Diligence and Partnerships with the Private Sector'.

The Policy, the 'Risk Assessment Tool' template and the respective guidelines only relate to the private sector that includes corporate foundations. They do not cover non-profit organisations, individuals and other entities, which can also be private entities. The existing policies and tools do not clearly address these types of entities in a comprehensive manner. The Bureau for Policy and Programme Support management noted that there is a requirement in all cases to conduct a thorough risk assessment well in advance of the partnership between UNDP and a third party, and that the 'Risk Assessment Tool', the 'UNDP Policy on Due Diligence and Partnerships with the Private Sector' and the relevant guidelines are expected to be used in conjunction, alongside the case-by-case support that can be provided by the Bureau for Policy and Programme Support Development Impact Group.

Risk assessments of partners, especially non-corporate partners, may not be carried out thoroughly and may fail to identify relevant risks, as was the case with the inadequate risk assessment for one of the donors (refer to Issue 6).

Priority	High(Critical)
Recommendation 5: The Bureau for Policy and Programme Support should enhance the assessment of private non-profit organizations by: <ul style="list-style-type: none"> a) updating the 'Risk Assessment Tool' and related guidance documents and/or as warranted, developing a policy, tool and guidelines tailored to cover non-profit organizations, non-governmental organizations, civil societies, high net worth individuals etc.); and b) clarifying the entities that are covered under the term private sector. 	
Responsible HQ bureau: Bureau for Policy and Programme Support	
Management action plan: The Bureau for Policy and Programme Support will take action or, where other Bureaux may be involved, coordinate with them to: <ul style="list-style-type: none"> (a) update the Risk Assessment tool, changing the word "company" to "entity" and footnoting the definition of the private sector entity as per the UNDP Policy to secure consistency in terminology and remove any ambiguities; and (b) revise the Risk Assessment Tool Guidelines to include specific guidance on how to assess risks related to private entities. 	
Estimated completion date: (a) February 2016, (b) March 2016	

Issue 6 Concerns regarding contributions from a donor

In May 2015, the Office received a contribution of \$1.5 million following the signature of a third-party cost-sharing agreement. The Office distributed the contribution across three projects: (a) \$647,000 to the umbrella project no. 15786, (b) \$353,000 to project no. 15783, and (c) \$500,000 to project no. 60035. In October 2015, the donor's Chairman was charged by the US Federal authorities. In late 2015, in conjunction with the audit and following consultations with the UNDP Office of Financial Resources Management, the contribution of \$1.5 million was reallocated from the three projects and recorded under a new project in order to facilitate monitoring of budget and expenditure. As mentioned below (item 6b), the recording of expenditures was inadequate. However, we noted that no expenditures were recorded under project nos. 15783 and 60035 in 2015.

At the time of the audit, the donor's contribution was used to cover the costs of two conferences, one in Dhaka, Bangladesh from 15 to 18 May 2015 and another in Macau, China from 25 to 26 August 2015. Based on Atlas reports generated in early October 2015 and an expenses breakdown list manually maintained by the Office, expenses for a total of \$347,249 were charged against the contribution leaving an unspent balance of \$1.1 million. The expenses pertained to \$122,429 for the Dhaka conference and to \$224,820 for the Macau conference.

The audit identified weaknesses in relation to the management of the donor's contribution, mainly:

- a) Ineffective donor risk assessment: The risk assessment performed by the Office did not serve to identify potential concerns regarding its partnership with the donor. The audit team performed a web search that resulted in news articles about the Chairman activities that would have normally raised questions about the pertinence of partnering with the particular donor. The Office had performed a web search as part of its risk assessment but this did not seem to have yielded the same results.
- b) Inadequate recording of project expenses incurred: Project expenses were charged to various non-related projects and fund codes. In the case of the Dhaka conference, the costs incurred of \$122,429 were ultimately reversed and charged to the umbrella project no. 15786, under the fund code pertaining to the donor's contribution. At the time of the audit, an amount of \$153,289 related to the Macau conference had not yet been reversed to the correct project and fund code.

The Office indicated that upon publication of the information on the foundation and its benefactor, the UNDP Office of Financial Resources Management instructed the Office to freeze all payments and further expenditures related to this contribution as of 8 October 2015, and communicated publicly that no other elements of the partnership would be further maintained. Also, an administrative protocol was established with UNDP to identify all expenses incurred under the initiative before this date.

An ineffective donor risk assessment increases the risk exposure of the Office, and may incur reputational and financial risks. The inadequate recording of expenses to the relevant project and fund code may undermine the Office's capacity to readily identify how a given contribution has been utilised.

Priority	High (Critical)
Recommendation 6:	
The Office should address the identified weaknesses with respect to the donor contribution by:	

- (a) reversing any outstanding amounts to the correct project and donor codes and processing any further expenses in line with the administrative protocol agreed with the Office of Financial Resources Management; and
- (b) agreeing with the Bureau for Management Services on an appropriate action with regards to the unspent balance of the donor's contribution.

Management action plan:

- (a) Intensive follow-up was made with all providers and Country Offices that issued travel authorizations and the final amount of expenditure incurred has been established at \$381,000, including General Management Services. The Office expects no other charges and this amount is therefore final. These expenditures cover (1) \$131,000 in support to the Dhaka High-level Meeting held on 17-18 May 2015 and, (2) \$250,000 to support the Macao High-level Multi-stakeholders Strategy Forum held on 25-26 August 2015. Therefore, the resource balance from the donor's contribution amounts to \$1.1 million. Both the expenditures and the balance have been registered in an appropriate new project.
- (b) The Office will formally seek legal and operational advice on how to dispose of these funds, which in the meantime will remain frozen.

Estimated completion date: (a) Implemented, (b) pending receipt of legal advice

2. Project management

At the time of the audit, the Office had 21 ongoing projects and an annual average projects expenditure of about \$9.8 million from January 2012 to October 2015. The majority of the Office's project portfolio was implemented through UNOPS, representing 56 percent of development expenditure. The share of direct implementation by the Office accounted for 36 percent of the development expenditure and national implementation represented a share of only 8 percent.

Issue 7 Absence of an overall programme and project management and supervision

The arrangements for programme and project management are set out in the 'UNDP Programme and Operations Policies and Procedures'. These include the role of an overall Programme Manager, who has an overview of the Office's programme and project activities, including project outcomes, to help ensure that the activities of the Office are in line with its mandate and strategy.

The job descriptions for both the Deputy Director and the Assistant Director for Programme, Fund and Knowledge Management set out overall programme and project management and supervision as key aspects of both roles, yet neither staff member was performing such a role and neither was able to provide an overview of the Office's project activities.

At the time of the audit, there was no staff member with an overall understanding and knowledge of the Office's project portfolio. The audit was not successful in contacting the former Director and could not determine whether the overall picture was only held at his level.

Lack of an overall project management and supervision may result in projects undertaken that may not be in line with the Office's mandate or strategy and in the Office not being able to readily identify poor project management practices or difficulties in achieving intended results.

Priority	High (Critical)
Recommendation 7:	
The Office should assign at least one staff in the management team, other than the Director, to look after the overall management and supervision of its project portfolio.	
Management action plan:	
The Office will take immediate action to implement the recommendation after the proposed organization chart is approved.	
Effective 1 March 2016 the Deputy Director will assume the responsibility of overall management and supervision of the project portfolio.	
Estimated completion date: September 2016	

Issue 8 Weaknesses within project management

The Project Management section of the 'UNDP Programme and Operations Policies and Procedures' and its sub-sections set out UNDP's project management requirements across all stages of the project lifecycle.

The review of a sample of eight development projects (nos. 15783, 15786, 56623, 56868, 58020, 60035, 60446, and 74365) representing 51 percent of expenses incurred during the audit period, identified a number of weaknesses, as follow:

- Project no. 15783 and the umbrella project no. 15786 have been active since 1999. The projects have been ongoing for 15 years and thus they were no longer aligned with UNDP's project design requirements. Furthermore, after 15 years of activities the projects would need to be either closed or reformulated as their objectives should have already been achieved or, ultimately, were unlikely to be achieved in the foreseeable future.
- There was no evidence of a project risk assessment/risk log in the project document of two projects and no risks and issues log and monitoring in Atlas for all eight projects.
- The project scope and outputs were broad, not in line with current results-based UNDP requirements in four projects.
- Monitoring and reporting requirements in the project document were not clear/specific and not in line with the UNDP requirements for three projects.
- Project reporting requirements set out in the project document were not met in three projects.
- The Project Appraisal Committee membership did not include members from outside the Office for three projects.
- The Chair of the Project Appraisal Committee was also the Project Manager for the project under appraisal in two projects.

- The Project Steering Committees of two projects did not meet in line with the project document requirements.
- One project lacked an effective donor risk assessment.
- In one case no Project Appraisal Committee meeting was held to review a new project.

Weaknesses in project management activities may result in the Office not implementing projects in line with its mandate, projects failing to achieve their intended results/outputs or the Office failing to secure further funding from donors.

Priority	High (Critical)
Recommendation 8: The Office should improve its project management practices by: <ul style="list-style-type: none"> a) performing project initiation, appraisal (including risk assessment and implementing partner assessment), monitoring, reporting and evaluations in a systematic manner and in accordance with UNDP policies; and b) either closing or, if warranted, reformulating project nos. 15783 and 15786 with a view to have a full alignment with current UNDP practices and a clearer definition of responsibilities among the partners involved. 	
Management action plan: <ul style="list-style-type: none"> a) The Office has made a priority of establishing a Programme Management Unit that will guide and oversee project management ensuring that all practices are aligned with UNDP policies and procedures. b) The Office will comprehensively review all projects in its portfolio in line with the Office's strategic framework (2014-2017), with special priority given to project nos. 15783 and 15786 as recommended. All projects will be reviewed as necessary in line with corporate guidelines, and with a view to streamlining programme delivery and enhancing impact. 	
Estimated completion date: December 2016	

Issue 9 Unclear rationale for selection of implementation arrangements

In accordance with the 'UNDP Programme and Operations Policies and Procedures', an important element of defining and formulating a project includes the identification and selection of the implementing partner. Among the different implementation options are the national implementation, direct implementation and implementation by another United Nations agency.

The implementation of projects by UNOPS accounted for 56 percent of project expenses and direct implementation represented 36 percent. The use of the national implementation modality was limited and applied only in China where the implementing partner was the China International Center for Economic and Technical Exchanges.

In most cases the Office's projects had a global or regional outreach with more than one national counterpart and were not country specific. Further, the projects rarely required technical expertise critical to achieve the intended objectives, which would be a reason for which to rely on a UN agency as the implementing partner. Given this context and subject to the Office having the capacity, a more extensive use of the direct implementation modality would have been expected. Conversely, a more significant reliance on UNOPS as implementing partner would be more appropriate if the Office considered that it did not have the capacity to directly implement projects. Hence, it was not clear why the Office would rely on UNOPS implementation in some instances but would adopt the direct implementation modality in others.

An unclear approach for the selection of an implementation modality may result in sub-optimal implementation of activities and impede the achievement of projects objectives.

Priority	Medium (Important)
Recommendation 9:	
The Office should define clear criteria for adopting an implementation modality and, if warranted, review its portfolio for the purpose of making changes in the implementation of its current projects.	
Management action plan:	
As mentioned in the Management Action Plan for Recommendation 3, the Office has made a priority of establishing a Programme Management Unit.	
The Office is currently reviewing options for implementation modalities with a number of partners including UNDP and UNOPS. In addition, the recommendation to establish a Programme Management Unit will build in-house capacity to support whatever implementation modality is utilized.	
Estimated completion date: September 2016	

Issue 10 Lack of a project evaluation plan

The Evaluation section of the 'UNDP Programme and Operations Policies and Procedures' sets out a requirement for senior management to develop a 'costed evaluation plan'. By performing project evaluations, offices can assess the effectiveness of their project delivery and use lessons learned to inform both the design and implementation of future projects as well as the feedback provided to partners and other stakeholders.

The Office did not have an evaluation plan in place. A number of evaluations were performed over the audit period and these were listed in a document provided by management, however there was no forward-looking plan or an understanding of which projects were due to be evaluated.

The absence of an evaluation plan may result in poor project management and delivery practices not being identified, or not identified on a timely basis.

Priority	Medium (Important)
Recommendation 10:	
The Office should develop an Office-wide evaluation plan covering all projects managed by the Office. The plan should be updated on a rolling basis and used as a means to track and report on evaluations taking place.	
Management action plan:	
The Office will liaise with the UNDP Independent Evaluation Office to obtain their advice in the design and implementation of an evaluation plan. The result of the evaluations will be a critical input to the Office's design of its next strategic framework.	
In addition, the Office has made a priority of establishing a Programme Management Unit that will guide and oversee project management ensuring that all practices are aligned with UNDP policies and procedures, and reflect the recommendations of the evaluations.	
Estimated completion date: December 2017	

C. Operations

1. Human Resources

Issue 11 Corporate Issue: Concerns regarding secondments of staff followed by upgrades of posts and levels

The primary objective of staff secondment among UN agencies is to promote and facilitate the inter-agency exchange of staff.

The audit identified two cases where the secondment was used for a different purpose:

a) Upgrade of post from D1/P6 to D2/P7:

This case concerns a staff assigned to an entity outside the Office (the Entity) and who was upgraded from D1/P6 to D2/P7 in mid-2013.

Over the past years, the successive Chairs of the Entity reiterated the request to upgrade the particular post and to promote its incumbent to a D2. In the views expressed by the Entity, this post was not a regular UNDP staff post, the job description was decided by the Entity and the performance review of the incumbent was not done by the Office or UNDP, but instead by the Chair of the Entity. Consequently, for the same reasons, the Entity indicated that promotion should not be subject to the regular UNDP rules and procedures. In this respect, UNDP management had indicated that, based on established policies and procedures, a revision of the job description followed by a reclassification of the post to a higher level would require a competitive selection process (i.e. advertisement, short-listing and interviews) for this position to be filled. UNDP management had also mentioned that a D2 level might not be compatible with a post that is programme-funded.

Between April and June 2013, the staff was administratively seconded to UNOPS and the post was upgraded to P7/D2 level. The incumbent was then re-appointed to this post “in accordance with the Entity established rules and procedures” and the staff member was upgraded from P6 to P7. The funding of the post was provided by UNDP up to the P6/D1 level and the Entity agreed to fund the cost difference between P6/D1 and P7/D2.

b) Upgrade of post from P5 to D1

In June 2014, UNOPS advised UNDP that one of the Office staff (P5 level) was selected to a position at the D1/P6 level and requested his secondment. The secondment was concluded in June 2014. However, the secondment of the staff from UNDP to UNOPS was followed by an assignment of the same staff from UNOPS back to the Office at a higher level (D1 instead of P5) to occupy a newly created post.

Upon reviewing this arrangement, the audit identified a number of concerns:

- The post initially occupied by the seconded staff was not filled but was substituted with the newly created post with a new title and as an integral part of the Office activities.
- The Terms of Reference of the newly created D1 post were identical to the job description of the Office Deputy Director. Identical job descriptions for different positions could indicate either a duplication of duties or a case where one of the incumbents is not performing the duties stated in the job description and against which he/she was appointed.
- As in the previous case, the choice of having this matter handled through UNOPS instead of going through the UNDP Office of Human Resources for the reclassification, advertisement and competitive selection raises a number of questions. The Office of Human Resources did not handle this selection and appointment process, even though the staff was already a holder of a UNDP contract; and
- The result of this cumbersome administrative process was that the staff received an upgrade from P5 to D1 level without the need to perform all the duties that were the basis for the classification of the post at the D1 level (also refer to duplication in job descriptions mentioned above). In the absence of a sound justification for this process, it appears as a mechanism that was used for an irregular staff promotion.

While the first case could be considered as not falling under OAI’s purview as it relates to a staff assigned to an entity outside the Office, it is under OAI’s purview because the arrangements were done in consultation with the Human Resources Units in both UNOPS and UNDP. OAI’s opinion is that the UNDP Office of Human Resources was not effective in performing its duties as it did not properly scrutinize the purpose of the proposed secondments and did not adequately question the administrative path followed to achieve the intended results.

The use of secondment arrangements for purposes other than intended objectives may lead to situations where existing policies and procedures are circumvented and could have a negative impact on staff morale.

Priority	High (Critical)
Recommendation 11:	
The Office of Human Resources should review and strengthen its processes for handling the secondment of staff to other entities and exercise greater scrutiny over such administrative arrangements for the purpose of maintaining a proper alignment with intended objectives.	

Management action plan:

The Office of Human Resources agrees to exercise greater scrutiny over requests for secondment of staff by other agencies to ensure that such arrangements are used for their intended and agreed objective.

Estimated completion date: January 2016

Issue 12 Weaknesses in human resources administration

The 'UNDP Programme and Operations Policies and Procedures' section on Human Resources specifies the manner in which posts are classified, staff are recruited and administered, and their performance appraised.

The review of a sample of 10 internationally recruited staff (eight working under UNDP contracts and two working under UNOPS contracts) noted weaknesses/deficiencies in the management of personnel, specifically:

- The Deputy Director was not fully performing the duties for which she was appointed: The Deputy Director provided the audit team with a written statement indicating, inter alia, that she had suffered from marginalization in her four-year tenure and had made several unsuccessful attempts to clarify and agree with the former Director on an adequate distribution of roles and functions. The statement was accompanied by a number of e-mail exchanges with the former Director that supported her attempts to clarify and agree on roles and responsibilities.
- There were inconsistencies in the job titles among the organization chart, job descriptions and job classifications. As an example, in one case a staff member's job description indicated the title of "Knowledge Management Specialist" while the organization chart indicated a title of "Chief, Development Solutions and Technology Exchange" and the job classification indicated a title of "Chief, Knowledge Management and Operations". In another case, a staff member's job description indicated a title of "Assistant Director International Contract Service-13" while the organization chart indicated a title of "Assistant Director for Programme, Fund and Knowledge Management". The non-harmonization of job titles could create difficulties when assessing the staff member's performance.
- The job classification for the position of Chief-Africa region, although requested, could not be provided.
- Weaknesses in recruitment: In one instance, the vacancy announcement for the position of Chief-Arab States region indicated a required language proficiency in both English and French. However, the individual selected for the position was not proficient in French and had only a working knowledge. There was insufficient information on file to document how both the Chief-Africa region and the Chief-Asia Pacific region were selected for their positions.
- Performance appraisals not completed: The performance evaluations for three staff members were not completed for 2013 and 2014 and the performance evaluation of one staff member was not completed for 2014. For the 26 personnel working under UNOPS contracts, the Office policy was that these individuals should complete and submit an achievement report; yet for one of the aforementioned cases an achievement report had not prepared for either 2013 or 2014.
- Weaknesses in leave and attendance management: Although requested, the leave and attendance records were not provided for the Chief-Europe region and the Chief-Africa region. The two staff are not stationed

in New York which increases the importance for them to have complete and properly maintained leave and attendance records.

The various shortcomings identified above expose the Office to a number of risks including misuse of financial and/or human resources and an ineffective management of personnel and their performance.

Priority	High (Critical)
Recommendation 12:	
The Office should improve its administration of human resources by:	
<ul style="list-style-type: none"> a) adequately aligning the actual functions performed with job titles and job descriptions and maintaining an up-to-date organization chart; b) performing effective recruitment of personnel that is in compliance with UNDP policies and procedures and properly documenting related processes in human resources files; c) completing all performance appraisals within established timeframes; and d) maintaining proper and complete attendance and leave records for all staff. 	
Management action plan:	
Effective immediately, the Office has already started implementation of this recommendation, namely through conducting recruitments in line with corporate policies, completing performance appraisals for 2015, and enforcing attendance and leave-monitoring procedures.	
In addition, to mitigate future risks and potential management issues in both finance and human resources, the Office has made a priority of establishing a Programme Management Unit that will guide and oversee human resources functions, operation and processes ensuring that they are aligned with corporate policies and procedures. Items a) and b) will therefore be improved by the establishment of the Programme Management Unit.	
Estimated completion date: September 2016	

2. Procurement

During the period under review the Office processed 870 purchase orders with a total value of \$8 million. The majority of these purchase orders were processed by UNOPS on behalf of the Office.

Issue 13 Weaknesses in individual contractors procurement processes

The 'UNDP Programmes and Operations Policies and Procedures' procurement section specifies the procedures applicable to the procurement of goods and services and the recruitment of individual contract holders.

The audit reviewed the top 25 procurement activities totalling \$1.4 million (19 percent of total procurement). These activities represented procurement of services of individual contractors. The audit further reviewed the

top five procurement activities that did not pertain to individual contracts in order to ascertain how these were processed (totalling \$139,000). As a result of these reviews the following weaknesses were noted:

- In one case of an individual contract covering the period September 2013 to March 2014, the candidate selected did not meet the educational requirements for the position. The selected candidate had a Bachelor's degree whereas the terms of reference specified that candidates should possess of a Master's Degree.
- Two cases of individual contract holders were working in the Office of the President of the United Nations General Assembly. It was unclear why the Office was administering and paying for these contracts.

Non-adherence to procurement rules entails the risk that UNDP may not select the best candidates for positions, which may further have a negative impact on programme delivery.

Priority	Medium (Important)
Recommendation 13:	
The Office should conduct all procurement activities in accordance with UNDP policies and procedures.	
Management action plan:	
The Office has made a priority of establishing a Programme Management Unit that will guide and oversee procurement ensuring that all practices are aligned with UNDP policies and procedures. Until the establishment of the Unit, the Office will ensure that all procurement activities are carried out in line with the relevant guidelines.	
Estimated completion date: September 2016	

3. General Administration

Issue 14 Weaknesses within travel management

The UNDP 'Programme and Operations Policies and Procedures' include the following provisions regarding travel-related expenses:

- UNDP requires that all business travel is authorized before the traveler leaves for the trip. It is strongly encouraged to confirm travel itineraries as early as possible and purchase airline tickets at least 21 days in advance of travel to have the best opportunity to confirm the lowest fare.
- The use of virtual technology, instead of travel, as a means of communication is strongly encouraged.

The unit incurred about \$4.5 million in travel-related expenses during the audit period. A portion of these expenses was incurred by UNOPS, as an implementing agent, as a number of personnel were under UNOPS contracts.

The audit identified the top seven vendors and staff who incurred the highest travel costs during the audit period under review (with annual travel expenses of \$10,000 per year and above). A sample of travel transactions was selected and reviewed, relating to one vendor and six staff members, which, in total, comprised approximately \$0.3 million of travel costs. The review of the sample noted the following weaknesses:

(a) Travel undertaken without authorization:

Seven individual trips were separately undertaken by the former Director and two Office managers for a total cost of \$82,021 for which there was no documented travel authorization on file. The Office advised that travel authorizations were often given verbally.

(b) Issuance of tickets too close to travel date:

In 13 of the 24 transactions related to staff members travels, the request for travel arrangements were made less than two weeks before the travel date. In three instances, the travel request was raised only one or two days prior to departure.

(c) Long-haul travel for missions for a short field visit:

Mission travels for three days or less involved substantial air fare-related expenses. For example, a mission to Brazil-2013 by the the Assistant Director for Programme, Fund and Knowledge Management with a total travel cost of \$10,177 for a one day stay. Three similar cases were also noted for travels undertaken by the former Director. However, given his representation role, this type of long-haul trips for a short visit might be, in some instances, unavoidable.

(d) Charges for multi-purpose missions not apportioned to appropriate accounts/projects:

In two cases the entire cost of travel undertaken by an Office staff was charged to only one project, even though the mission covered more than one activity or project to which the related expense should have been charged:

- Mission to Guangzhou and Shanghai in 2013 with \$22,842 in travel-related expenses. The entire cost of this travel was charged to project no. 58020 whereas the purpose of the travel also included activities that fell under project no. 60035.
- Mission to Shanghai in 2014 with \$12,738 in travel-related expenses. This mission involved activities under both project nos. 58020 and 60035, yet the entire cost of the travel was charged to project no. 58020.

The deficiencies and weaknesses identified could lead to financial losses for the Office and exposure to reputational risks.

Priority	High (critical)
Recommendation 14:	
The Office should improve its travel management by:	
<ul style="list-style-type: none"> a) properly obtaining and documenting the approval of all travel; be it by staff members, consultants or the Director; b) properly planning for mission travel so that tickets for air travel can be purchased at least 21 days before the travel is to be undertaken; 	

- c) increasing the reliance on technology to reduce travel costs in general, specifically when it entails a long-haul trip for a visit of a couple of days; and
- d) recording travel related expenses in the correct project(s); especially in the case of multi-purpose mission travel.

Management action plan:

The Office is already implementing the recommendation.

A Travel Protocol, incorporating all corporate guidance and policies on travel, as well as the specific recommendations of this audit, will be launched 1 March 2016 guiding all travel undertaken by the Office staff.

Once the Programme Management Unit is established, the travel function will be taken over by this Unit.

Estimated completion date: September 2016

4. Finance

Issue 15 Lack of accounts receivable monitoring

The Accounts Receivable section of the 'UNDP Programme and Operational Policies and Procedures' states that the responsibility for monitoring, follow-up and reporting on accounts receivable lies with programme and finance staff in each business unit.

The Office did not have a mechanism or process in place to consistently monitor and report on outstanding receivables, including for staff travel and donor contributions. At the time of the audit, there was one outstanding salary advance receivable for \$4,284 which had been outstanding since July 2014. The audit team discussed this item with the Office and was informed that this was erroneously attributed to the Office as the concerned staff had never worked for the Office; documentary evidence provided by the Office showed that the staff member was hired under the United Nations Volunteers Programme to work on a project in Guinea-Bissau.

For donor contributions, although the Office had a record of what contributions had been made, there was no formal process in place to monitor and follow-up on donor contributions as they become due.

Lack of an effective accounts receivable monitoring and follow-up mechanism may result in the Office failing to recover receivables due.

Priority Medium (Important)

Recommendation 15:

The Office should designate a staff in charge of monitoring the accounts receivable and of performing reviews of open items on an ongoing basis.

Management action plan:

The Office has made a priority of establishing a Programme Management Unit that will have staff in charge of monitoring the accounts receivable and perform reviews of open items, ensuring that all practices are aligned with corporate policies and procedures.

Some of the cases identified by the audit refer to projects implemented by country offices and funded by one of the three trust funds managed by the Office. The Office through its Programme Management Unit will improve oversight of these projects on an ongoing basis.

Estimated completion date: September 2016

Issue 16 Weaknesses in allocating funds and management of expenses

The 'UNDP Financial Regulations and Rules' (section G: Administration of Resources) as well as the Internal Control Framework (primarily under the definition of the Finance staff role) set out requirements for managing and recording financial resources. The Financial Resources section of the 'UNDP Programme and Operational Policies and Procedures' also provides detailed guidance on Revenue and Expense Management, in the corresponding section. Proper revenue and expense management helps offices correctly track, account for and report on all financial activities.

The review of the Office's General Ledger Journal Entries (GLJEs) identified an unusually high number of entries. During the audit period, the Office raised 262 journal entries for a total amount of \$37 million. This represented an average of eight GLJEs per month of a total of \$1 million relating mostly to transfers of funds or expenses between different projects (refer to Issue 6 for an illustration of transfers of funds and expenditure between projects). Movements of funds or expenses between projects appeared to be mostly opportunistic and not part of an office-wide financial planning approach.

The above weaknesses were symptomatic of a lack of an Accounting and Finance function (a staff or a unit) in the Office (refer also to Issue 2).

Weaknesses in the allocation of funding and the recording of expenses to the correct projects and activities may result in the Office not being able to track its financial resources, undermines the quality of reporting to donors, and a loss or misappropriation of funds could go unnoticed.

Priority	Medium (Important)
Recommendation 16:	
The Office should establish an Accounting and Finance function for the purpose of correctly allocating funds, recording expenses to projects and the tracking of same on an ongoing basis.	
Management action plan:	
The Office has made a priority of establishing a Programme Management Unit that will have staff in charge of allocation of funds, ensuring that all practices are aligned with corporate policies and procedures.	

The Office will discuss and update the protocol for allocating resources with UNDP Bureau for Management Services and other relevant offices.

Estimated completion date: September 2016

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **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.
- **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.
- **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.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **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.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to 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.