

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



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNITED NATIONS VOLUNTEERS PROGRAMME**

**Report No. 1783**  
**Issue Date: 12 January 2018**

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## Report on the Audit of the United Nations Volunteers Programme Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the United Nations Volunteers Programme in Bonn, Germany (the Office) from 23 October to 10 November 2017. 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project implementation, knowledge management); and
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security).

The audit covered the activities of the Office from 1 January 2016 to 30 September 2017. During that period, the Office recorded programme and management expenses of approximately \$256 million. The last comprehensive audit of the Office was conducted by OAI in 2010. An audit of the Office's Information and Communication Technology was conducted by OAI in 2013.

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 **partially satisfactory/some improvement needed**, which means that "The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to control lapses with a third-party arrangement and an inadequate cost recovery mechanism.

### Good practice

The audit team noted that management involved staff in the current transformation process, which began in early 2017, and to keep them abreast of its progress. Staff were involved in the various task forces that served as a reference point for the Management Consulting Team review. The result was the new organizational chart. The Staff Association was also actively involved during the process. Staff meetings, management meetings, small group and section meetings were organized as well as several Town Hall meetings to respond to staff questions and concerns. In addition, arrangements were made for staff counseling as well as professional training with the Office's Human Resources Unit in the areas of resume and interview preparation.

**Key recommendations:** Total = 6, high priority = 2

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	2	High
Effectiveness and efficiency of operations	4, 5	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	1	High
	3, 6	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:

Control lapses with a third-party arrangement (Issue 1)

In 2016-2017, the Office received funds totalling 2 million euros from the host government as a pass-through transfer of funds for an international school. The transfer was made at the request of the international school and based on an agreement that was signed between the previous Executive Coordinator and the host government in November 2015. However, records made available to the audit team did not provide adequate justification for the Office's action to serve as a conduit for payments to a third party. The records reviewed did not provide evidence that the Legal Office was consulted on the validity of the endorsement of the request from the international school prior to entering into the third-party arrangement.

Recommendation 1: The Office should consult the UNDP Legal Office on the appropriate action to take on the current arrangement, including steps to take if the signed arrangement will be terminated.

Inadequate cost recovery mechanism (Issue 2)

The Office charged Host Agencies a fixed fee of \$399 per international UN Volunteer on a monthly basis. The monthly fee of \$399 was based on a Time and Effort Study commissioned by the Office in 2015. However, the Study did not provide adequate justification for the monthly fee of \$399. As a result, it was difficult to assess whether the Office appropriately charged the Host Agencies.

Recommendation 2: The Office should review its cost recovery mechanism to ensure appropriate fees are charged to the Host Agencies and to ensure the full recovery of costs.

### Management comments and action plan

The Executive Coordinator accepted all recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

A handwritten signature in blue ink, appearing 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. About the Office**

The Office was established by the United Nations General Assembly in 1970 and is administered by UNDP. The Office is headed by an Executive Coordinator who is appointed by the UNDP Administrator as per GA resolution A/RES/2659 (XXV) in consultation with the Secretary-General. The Office's original mandate, per GA/RES/2659 (XXV), was to "promote and co-ordinate the recruitment, selection, training and administrative management of the activities of the United Nations Volunteers (UN Volunteers) within the UN System," and mobilize UN Volunteers in support of peace and development for UNDP and other United Nations entities. In the following years, the Office's mandate and functions evolved. As per GA resolutions and GC/EB decisions (DP/2013/34), the Office provides a report "on the evolution of the role and function of the United Nations Volunteers programme since its inception."

A major milestone was in 2002, when the mandate was formally broadened by the General Assembly (per A/RES/57/106) to include the advocacy of volunteerism for development and the integration of volunteerism for development in the programmes of United Nations agencies and governments. In addition to the Office in Bonn, the Office also operates out of five Regional Offices (Amman [from 2017], Bangkok, Dakar, Nairobi, and Panama City) and 60 Field Units in various countries (projected from 2018).

At the time of the audit, the Office was undergoing a Transformation Plan in response to a variety of internal and external challenges including but not limited to a mismatch between available resources and expenditure. The Office was in the middle of a staff reduction and redeployment process with the key objectives of being financially sustainable, increasing the number of UN Volunteers and streamlining operations and processes. The Transformation Plan was expected to be fully implemented in 2018.

## **II. Good practice**

OAI identified a good practice, as follows:

Governance. The audit team noted that management involved staff in the current Transformation Plan, which began in early 2017, and kept them abreast of its progress. Staff were involved in the various task forces that served as a reference point for the Management Consulting Team review, the result of which is the new organizational chart. The Staff Association was also actively involved during the process. Staff meetings, management meetings, small group and section meetings were organized as well as several Town Hall meetings to respond to staff questions and concerns. In addition, arrangements were made for staff counseling as well as professional training with Human Resources in the areas of resume and interview preparation. The audit team did not receive negative feedback from staff on the implementation of the Transformation Plan.

## **III. Audit results**

Satisfactory performance was noted in the following area:

- (a) Partnership/resource mobilization – No reportable issues were noted with the Office's relations with partners and its resource mobilization activities.

OAI made two recommendations ranked high (critical) and four 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) Consult the Legal Office on the appropriate action to take on the current arrangement (Recommendation 1).
- (b) Review cost recovery mechanism (Recommendation 2).

**Medium priority recommendations,** arranged according to significance:

- (a) Comply with UN Volunteer Learning Policy and Conditions of Service (Recommendation 3).
- (b) Strengthen financial resources management (Recommendation 4).
- (c) Strengthen general administrative management (Recommendation 5).
- (d) Ensure that terms of individual contracts are adhered to (Recommendation 6).

The detailed assessment is presented below, per audit area:

## A. Governance

### 1. Leadership

#### Issue 1 Control lapses with a third-party arrangement

According to the Standards of Conduct for the International Civil Service, “international civil servants should avoid assisting third parties in their dealings with their organization where this might lead to actual or perceived preferential treatment.” Additionally, “if the impartiality of the international civil servant is to be maintained, international civil servants must remain independent of any authority outside their organization; their conduct must reflect that independence.”

In 2016-2017, the Office received funds totalling 2 million euros from the host government as a pass-through transfer of funds for an international school. The transfer was made at the request of the international school and based on an agreement that was signed between the previous Executive Coordinator and the host government in November 2015. However, records made available to the audit team did not provide adequate justification for the Office’s action to serve as a conduit for payments to a third party.

The records reviewed did not provide any evidence that the Legal Office was consulted on the validity of the endorsement of the request from the international school prior to entering into the third-party arrangement. Furthermore, the Office informed the audit team that the previous Executive Coordinator was a board member of the international school. The justification for making payments to the school had not been established.

There is the risk of a perceived conflict of interest, which could be detrimental to the Office’s reputation with its stakeholders as well as within the United Nations community.

<b>Priority</b>	High (Critical)
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#### **Recommendation 1:**

The Office should consult the UNDP Legal Office on the appropriate action to take on the current arrangement, including steps to take if the signed arrangement will be terminated.

**Management action plan:**

The Office has taken immediate action on this recommendation and informed the host government, on 20 December 2017, that aside from the remaining contractual obligation, it will not enter into any new similar agreement in the future.

**Estimated completion date:** June 2018

**OAI Response**

OAI acknowledges the actions taken by management; these will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

**B. Programme**

**Issue 2**      Inadequate cost recovery mechanism

The Office's cost recovery policy, which is aligned with UNDP's policies and procedures, stipulates that volunteer management activities and corresponding costs are directly attributed to the cost of the UN Volunteer.

The Office charged the Host Agencies a fixed fee of \$399 per international UN Volunteer monthly. The monthly fee was based on a Time and Effort Study commissioned by the Office in 2015. The United Nations Department of Peacekeeping Operations funded assignments were charged a fixed amount of 8 percent. However, the Study did not provide adequate justification for the monthly fee of \$399. As a result, it was difficult to assess whether the Office appropriately charged the Host Agencies.

**Priority**      High (Critical)

**Recommendation 2:**

The Office should review its cost recovery mechanism to ensure appropriate fees are charged to the Host Agencies and to ensure the full recovery of costs.

**Management action plan:**

The Office welcomes the recommendation that it further review its cost recovery mechanism. An independent review is currently ongoing and scheduled to be completed before the end of first quarter of 2018.

**Estimated completion date:** March 2018



### **Issue 3**      Non-compliance with UN Volunteer Learning Policy and Conditions of Service

According to the Conditions of Service for UN Volunteers, they are entitled to receive an individual Learning and Training Allowance. The Memorandum of Understanding between the Office and the Host Agencies states that "UNV will require UN Volunteers to use learning opportunities in accordance with the provisions of the applicable Conditions of Service."

According to the Conditions of Service, the Learning and Training Allowance was only available for UN Volunteers who completed a minimum of 12 months of service. As part of the pro-forma costs, the Office collected funds (\$50 per UN Volunteer) each month from the Host Agencies to pay for training activities and recorded them under the payable account (21501). However, the Office also received \$50 per UN Volunteer each month from Host Agencies for UN Volunteers who would not be eligible to engage in training activities.

For 2016, approximately \$1.7 million was collected from the Host Agencies and approximately \$1.3 million was expended. With regard to 2017, at the time of the audit, an amount of approximately \$1.8 million had been collected from the Host Agencies and approximately \$1.2 million was expended for training activities.

In addition: The Office issued a standard operating procedure in November 2016 to charge the payable account for UN Volunteer learning and training activities. However, it was not being followed. The actual training costs were directly charged to an expense account instead of the payable account.

At the time of the audit, the Office had approximately \$0.6 million collected from the Host Agencies in 2017 that remained unspent.

Collecting training fees for UN Volunteers that are not eligible will hinder the transparent costing for Host Agencies. Without a timely reconsolidation of the training payable account the Office does not have a good overview of the difference between the collected and expended training fees.

<b>Priority</b>	Medium (Important)
<b>Recommendation 3:</b>  The Office should comply with the UN Volunteer Learning Policy and Conditions of Service by: <ul style="list-style-type: none"> <li>(a) reviewing the Conditions of Service with regard to UN Volunteers with less than 12 months of service and the practice of receiving funds from the Host Agencies for services that will never take place due to the UN Volunteers' ineligibility;</li> <li>(b) reconciling the payable account on a quarterly basis to ensure that all eligible UN Volunteers have availed themselves of training and learning opportunities during their period of service; and</li> <li>(c) re-emphasizing the need to follow the standard operating procedure with regard to charging the cost of UN Volunteer training and learning activities to the payable account.</li> </ul>	
<b>Management action plan:</b>  The Office will continue to conduct reconciliation of the payable account four times a year and the information will be shared with the Capacity Development Team of the Human Resources Unit. The Office will also implement the recommendation through notification to relevant personnel. The last notification was provided on 30 October 2017.	

Regarding recommendation(a), this has already been reviewed as per an Executive Coordinator memo dated 30 October 2017 and effective 1 November 2017.

**Estimated completion date:** April 2018

## C. Operations

According to Internal Control Framework for UNDP, management should ensure that control activities occur throughout their offices at all levels and in all functions. These control activities should provide efficiency and effectiveness of operations.

OAI noted weaknesses on the Office's control activities in the areas of financial resource and general administrative management.

### 1. Financial resources management

#### Issue 4 Weaknesses in financial resources management

##### (a) Payments not linked to original purchase orders

There were 92 payment vouchers that included additional items that were not in the original purchase orders. These additional items represented charges for value added tax (VAT) and various other expenses such as, learning costs, supplies, and construction costs, which ranged from \$300 to \$25,000. The purchase orders were not amended to reflect the correct invoice or create a separate payment voucher for substantial additional amounts to be paid.

##### (b) Contracts for services not correctly classified in Atlas

The audit reviewed purchase orders issued to 16 suppliers and found that all 16 were incorrectly classified as "International Individual Consultants." This practice may result in the misrepresentation of actual expenses incurred by the Office.

The above weaknesses may prevent the organization from the efficient and effective management of its financial resources.

Priority	Medium (Important)
<b>Recommendation 4:</b>	
The Office should strengthen its financial resources management by:	
<ul style="list-style-type: none"> <li>(a) ensuring that foreseen expenses are included in the requisitions and purchase orders when the activities are being approved in Atlas;</li> <li>(b) amending the purchase order in cases where the invoice is higher than the purchase order amount or create a separate payment voucher for substantial additional amounts to be paid; and</li> <li>(c) ensuring that contracts for services are correctly classified when preparing the related requisitions and purchase orders in Atlas.</li> </ul>	

### Management action plan:

The Office's practice for purchase order payments other than for travel tickets is to amend the purchase order if the invoice and purchase orders do not match ensuring the amendment goes through the respective approval channels.

For travel transactions, the difference between the purchase orders and invoice is usually due to VAT and price changes between time of booking and actual issuance of ticket. It is expected that with the implementation of the recommended Travel and Expense online booking tool module, purchase orders will no longer be a part of the process and hence eliminating this issue.

The Office acknowledged the recommendation and will conduct training for project managers and programme assistants on the correct catalogue items (account codes) to be used.

**Estimated completion date:** (a) Already being implemented for non-travel transactions, and for travel transactions, this will be superseded by the introduction of Travel and Expense module; (b) June 2018

### OAI Response

OAI acknowledges the actions taken by management; these will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

## 2. General administrative management

### Issue 5 Weaknesses in general administrative management

#### (a) Cumbersome process for VAT refunds

The Office is required to pay VAT on purchases and procurement of goods and services. The host government allows refunds of VAT payments over 25 euros to the UN agencies upon submission of a request for refund together with the original invoice showing the amount of VAT paid.

For the Office, the fund requests were prepared on a quarterly basis by the Administrative Assistant of the Common Services Unit and were submitted to the host government with the original invoices for all applicable refunds. However, this was a cumbersome task as it involved processing of multiple documents. There was also the risk of losing documents during the process, which could result in not getting a full refund on the amount of VAT paid.

#### (b) Inefficient processing of staff travels

During the period 1 January 2016 to 30 September 2017, the Administrative Services Unit processed a total of 462 purchase orders relating to payments of tickets and daily subsistence allowances. The Office used an in-house system while the Travel and Expense module in Atlas was more efficient. The Office indicated that discussions were ongoing with UNDP Headquarters to use the Atlas Travel and Expense/online booking tool in 2018.

The reclaiming of VAT expenditures instead of using a tax exemption certificate and the use of the in-house system for processing travel requests may result in additional unnecessary costs to the Office.

<b>Priority</b>	Medium (Important)
<b>Recommendation 5:</b>	
The Office should strengthen its general administrative management by:	
<ul style="list-style-type: none"> <li>(a) approaching the host government to inquire about the possibilities of obtaining a tax exemption certificate for the UN system; and</li> <li>(b) ensuring that the plan to use the Atlas Travel and Expense module in 2018 is actively pursued.</li> </ul>	
<b>Management action plan:</b>	
The Office indicated that the host government's tax system did not provide a tax exemption certificate for the UN system. The Office will approach the host government once again; however, the final decision will rest with the host government.	
The Office has already started discussions with UNDP Headquarters and will use the Atlas Travel and Expense module in 2018.	
<b>Estimated completion date:</b> March 2018	

### 3. Procurement

#### Issue 6 Individual contract not properly defined

UNDP Individual Contracting Guidelines state that cumulative contract amount computations shall include all other payments disbursed to the contractor in addition to professional fees e.g., living allowances, travel costs, incidentals, etc.

The audit reviewed nine individual contracts issued between January 2016 and September 2017. In one case, the individual contract (Contract No. 0082185) stated that travel to and from the duty station as well as living expenses in the duty station were included in the total contract amount of \$22,000. However, it was noted that in addition to the \$22,000, the contractor received DSA and terminal expenses amounting to \$16,392 as well as a round trip ticket costing \$1,880 for the trip to and from the duty station. The consultant was a former senior human resources officer from another UN agency, and the individual contract was processed through a direct contracting modality.

In the absence of a contract amendment to show the correct total amount of this contract i.e., \$40,272, the additional cost of \$18,272 was not justified.

<b>Priority</b>	Medium (Important)
<b>Recommendation 6:</b>	
The Office should ensure that terms of individual contracts are adhered to and properly amended if there are any changes in contract terms.	
<b>Management action plan:</b>	
The Office acknowledges the recommendation. Meanwhile, the Office notes that this was an isolated case as cited in the audit comments and if such a case arises in the future corrections will be made as necessary.	
<b>Estimated completion date:</b> Ongoing	

## Definitions of audit terms - ratings and priorities

### A. AUDIT RATINGS

- **Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

### 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. 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.