

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



*Empowered lives.  
Resilient nations.*

**AUDIT**  
  
**OF**  
  
**UNDP HUMAN DEVELOPMENT REPORT OFFICE**

**Report No. 1997**  
**Issue Date: 13 July 2018**

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## Report on the Audit of UNDP Human Development Report Office Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UNDP Human Development Report Office (the Office) from 11 to 19 June 2018. 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 (organizational structure and delegations of authority, risk management);
- (b) Country Offices and Regional Bureaux support;
- (c) programme/project management;
- (d) partnerships, resource mobilization, outreach; and
- (e) operations (financial resources management, human resources management, procurement, and general administrative management).

The audit covered the activities of the Office from 1 January to 31 December 2017. The Office recorded programme and management expenses of approximately \$5.5 million. The last audit of the Office was conducted by OAI in 2011.

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 **satisfactory**, which means “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.”

**Key recommendations:** Total = 3, high priority = 1

The three recommendations aim to ensure the achievement of the organization’s strategic objectives and include actions to address the Office’s: mandate and positioning (Recommendation 1, high priority); the advocacy role (Recommendation 2, medium priority); and financial sustainability (Recommendation 3, medium priority).

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. The high (critical) priority recommendation is presented below:

Office’s charter not established (Issue 1)

There was no approved charter that described the Office’s mission, authority, responsibility, independence, and funding, as was the case with other independent offices within UNDP (e.g., OAI and Independent Evaluation Office). The Office’s independence was only mentioned in several documents, like in the Corporate Accountability Framework, which listed the Office among the independent offices in UNDP, or in the UNDP-wide organigramme. Further, the Office was not a member of the Organizational Performance Group.

Recommendation: The Office should, in collaboration with the Executive Office and Bureau for Management Services, establish a charter which should include the Office’s purpose, structure, mission, and positioning within the organization. This charter should also address the Office’s participation in the Organizational Performance Group.

### Management comments and action plan

The Director, Human Development Report Office, accepted all three 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.



Antoine Khoury  
Office-in-Charge  
Office of Audit and Investigations

## **I. About the Office**

The mission of the Human Development Report Office (the Office) is to promote innovative ideas, advocate practical policy options, and constructively challenge policies and approaches that constrain human development. The key objectives of the Office are to:

- (a) prepare and disseminate the annual Human Development Reports (HDRs);
- (b) support the preparation of regional, national and sub-national HDRs; and
- (c) undertake advocacy and outreach activities to advance the human development agenda.

The HDR is an independent report by UNDP. Its editorial independence is guaranteed by a special resolution of the General Assembly (A/RES/57/264) issued in 2003. It recognizes the HDR as "an independent intellectual exercise" and "an important tool for raising awareness about human development around the world."

The HDR is prepared by the Office with intellectual and professional contributions from leading development scholars and practitioners working under the coordination of the Office.

## **II. Audit results**

Satisfactory performance was noted in the following areas:

- (a) Country Office and Regional Bureaux support. The Office supported Regional Bureaux and Country Offices in the preparation of regional, national and sub-national HDRs. In 2017, the Office provided advisory services to 21 Country Offices (e.g., training on human development, advice on national process), 3 governmental partners, 7 academic institutions and NGOs, as well as other ad hoc requests. The results of the 2016 Products and Services Survey for the Office indicated a 61 percent favorable opinion related to advisory services provided. No reportable issues were noted.
- (b) Programme/project management. OAI reviewed one project the Office was implementing related to the design, production and dissemination of the HDR. The direct implementation modality authorization was timely obtained and the project was implemented in compliance with UNDP rules and regulations. No reportable issues were noted.
- (c) Financial resources management. OAI reviewed a sample of vouchers amounting to \$351,000 representing 38 percent of the total value of the vouchers processed by the Office during the audit period to determine the extent of the Office compliance with UNDP regulations, rules and policies. No reportable issues were noted.
- (d) Human resources management. The review of HR management included three out of five recruitments managed by the Office in 2017. No reportable issues were noted.
- (e) Procurement. OAI reviewed a sample of purchase orders valued at \$413,000 representing 43 percent of the value of the total purchase orders issued by the Office. This included procurement of printing of human development results and distribution services, individual contracts and other procurement. No reportable issues were noted.
- (f) General administrative management. The Office used the Travel Module, which enhances control of travel management. No reportable issues were noted.

OAI made one recommendation ranked high (critical) and two 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 recommendation:**

- (a) Establish a charter which should include the Office's purpose, structure, mission, and positioning within the organization (Recommendation 1).

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

- (a) Strengthen advocacy role (Recommendation 2).
- (b) Manage the risk of financial sustainability (Recommendation 3).

The detailed assessment is presented below, per audit area:

## A. Governance and strategic management

### Issue 1 Office's charter not established

The mission of the Office is to advance human development and to contribute towards the expansion of opportunities, choice and freedom. The Office works towards this goal by promoting innovative ideas, advocating practical policy changes, and constructively challenging policies and approaches that constrain human development. The Office is responsible for preparation and dissemination of the annual HDR that is an independent publication commissioned by UNDP. The editorial independence is guaranteed by General Assembly resolution A/RES/57/264.

- i. There was no approved charter that described the Office's mission, authority, responsibility, independence, and funding, as was the case with other independent offices within UNDP (e.g., OAI and Independent Evaluation Office). The Office's independence was only mentioned in several documents, like in the Corporate Accountability Framework, which listed the Office among the independent offices in UNDP, or in the UNDP-wide organigramme.
- ii. The Office was not a member of the Organizational Performance Group. As UNDP's second highest internal governing body, the Organizational Performance Group advises the Executive Group on key priorities for operational policy including budget allocation to support organizational performance, and takes on changes to operational policies and procedures where appropriate. OAI noted that the Office was not a member of the Organizational Performance Group meetings on an ad hoc basis like other independent offices did.
- iii. The Office shared with the audit team a draft document called the 'UNDP Organizational Guide' which according to Office management was prepared by the Bureau for Management Services (formerly Bureau of Management) in 2011 for all UNDP Bureaux and Offices, and described the Office's functions and responsibilities. The document was not finalized and had not been reviewed since March 2011. OAI's review showed that the National HDR Unit was still reflected in the document, though the unit no longer existed. Management explained that the function was performed by two staff and due to a decreased demand for support to Country Offices, there was no need for a separate unit. The functions of the National HDR Unit were currently performed by a Policy Specialist (Outreach and Operations Unit) and the Deputy Director.

Absence of a charter that defines the Office's position within the organization may lead to unclear responsibilities and could create unrealistic expectations.

|   |                 |
|---|-----------------|
| <b>Priority</b>   | High (Critical) |
| <b>Recommendation 1:</b>  |                 |
| The Office should, in collaboration with the Executive Office and Bureau for Management Services, establish a charter, which should include the Office's purpose, structure, mission, and positioning within the organization. This charter should also address the Office's participation in the Organizational Performance Group. |                 |
| <b>Management action plan:</b>  |                 |
| The Office's management concurs with the recommendation that the Office needs to design a charter including its purpose, structure, mission, and positioning within the organization.   |                 |
| <b>Estimated completion date:</b> July 2019   |                 |

**Issue 2**      Advocacy role of the Office not sufficiently pursued

The advocacy role and function of the Office is key for achieving its goal to contribute towards expansion of opportunities, choice and freedom. The terms of reference of the Office require it to publish the HDR annually as well as issue a refined Human Development Index and other complementary human development indices. The Office is also required to disseminate and promote the findings of regional and national HDRs within UNDP and with external audiences, provide inputs for UNDP strategic thinking on current human development trends, measurement, innovative policy responses by government, maintain close liaison links with academic institutions and other research organizations, and assist relevant UNDP units in preparing inputs into policy discussions on human development.

The audit team noted the following weaknesses:

- i. The Office issued the 2016 HDR back in March 2017. The Office faced challenges with completing the reports' production within a 12-month timeframe, as required by the Office's terms of reference. The release of the 2017 HDR was pending and the Office management indicated that a draft was provided to UNDP senior management back in October 2017 for review. Considering the comments received from UNDP senior management, a shorter version of the HDR was being considered for release in late 2018.

Further, the annual HDR includes, thematic research related to the human development database update as well as an update to the annual Human Development Index. The latter is a composite index of life expectancy, education, and per capita income indicators, which is used to rank countries into four tiers of human development. The thematic research in the HDR covers development issues and challenges, which usually requires extensive consultations with and input from a variety of parties and is therefore, more time consuming to prepare than the Human Development Index. As the HDR was being issued together with the Human Development Index, the audit team noted that delays in the HDR were negatively impacting the availability of the Human Development Index to governments and other research institutions.

- ii. The audit team noted that all reports and/or other Office publications were posted on the Office's website and used effectively for its outreach activities. However, it also noted that many of the reports

and publications were not posted on the UNDP main website and not available for use in outreach activities emerging from the human development angle. For example, the occasional papers (e.g., 'Rethinking Human Development in an Era of Planetary Transformation' and 'Recasting Human Development Measures') were only available on the Office's webpage but not on the corporate knowledge products page maintained by the Bureau for Policy and Programme Support.

Delays in issuing HDRs and the Human Development Index, as well as insufficient advocacy around the other knowledge products, may negatively affect the Office's engagement with the global think tanks as well as other research institutes in advocating for the human development agenda.

|  |                    |
|--|--------------------|
| <b>Priority</b>  | Medium (Important) |
| <b>Recommendation 2:</b>   |                    |
| The Office should strengthen its advocacy role by:   |                    |
| <ul style="list-style-type: none"> <li>(a) agreeing on the timeline for the issuance of HDRs and considering issuing them separately from the Human Development Index statistics; and</li> <li>(b) ensuring that human development concept HDR publications and knowledge products are effectively disseminated by using not only the Office website, but also the corporate website.</li> </ul>   |                    |
| <b>Management action plan:</b>   |                    |
| <ul style="list-style-type: none"> <li>(a) The Office's management takes note of the recommendation that there is a need to consider separating the issuance of the HDR from the Human Development Index statistics and agree on the frequency and timeliness of the HDR issuance and hence will discuss with UNDP senior management about this idea and do the needful.</li> <li>(b) The Office's management also takes note of the recommendation that apart from using its own website, the Office needs to work with the Bureau for External Relations and Advocacy Communication Team for leveraging the corporate website in disseminating Office reports and publications.</li> </ul> |                    |
| <b>Estimated completion date:</b> July 2019  |                    |

### **Issue 3**      Financial sustainability of Office at risk

The 'UNDP Programme and Operations Policies and Procedures' require offices to develop a mobilization strategy, as well as implement a corresponding resource mobilization action plan. All offices are also required to ensure financial sustainability by securing long-term committed resources.

The Office's activities were funded mostly from UNDP core resources. In the last five years, the core fund allocation to the Office decreased from \$6.2 million (2013) to \$5.1 million (2017). This was below the proposed annual allocation of \$5.7 million (2016-2017) to the Office as part of the UNDP integrated budget estimates for 2014-2017, which was presented by the Administrator to the Executive Board. The decrease in allocation prevented the Office from fully implementing its work plan. For example, the planned workshops that the Office was organizing to support the preparation of regional and national HDRs did not take place.



The Office management informed the audit team that they did not pursue a more active approach in mobilizing non-core resources as its editorial independence could be compromised. Nevertheless, the Office mobilized a limited amount (\$0.5 million) of non-core funds from a donor in 2017, in order to undertake activities beyond the core functions of preparing the HDR (e.g., organizing and/or attending global and regional Expert Group Meetings, human development forums and symposiums). The Office explained that these activities were necessary in order to be recognized as a thought leader on human development concepts, tools and policies. In 2017, the Office together with the Bureau for External Relations and Advocacy met several potential donors in the context of mobilizing additional resources.

Further, in line with its mandate, the Office was providing advisory services to UNDP Country Offices and Regional Bureaux when preparing national/regional HDRs. In line with the corporate cost recovery strategy, the Office recovered the travel costs. However, costs associated with the desk-review of national/regional HDRs and other advisory support services were not recovered.

Insufficient resource allocation and the lack of a resource mobilization strategy may increase the risk of the Office not being able to fulfill its mandate.

| Priority  | Medium (Important) |
|---|--------------------|
| <b>Recommendation 3:</b>  |                    |
| The Office should manage the risk of financial sustainability by:   |                    |
| <ul style="list-style-type: none"> <li>(a) formulating and implementing a resource mobilization strategy in consultation with the Executive Office and the Bureau for External Relations and Advocacy; and</li> <li>(b) recovering the full costs of support services provided to country and regional offices.</li> </ul>  |                    |
| <b>Management action plan:</b>  |                    |
| <ul style="list-style-type: none"> <li>(a) Management agrees with the recommendation that the Office needs to formulate a resource mobilization strategy.</li> <li>(b) Management is in a dilemma about the implications of the full cost recovery on the support to national HDR preparation because it might undermine its quality assurance mandate of national HDRs. Once the Office starts charging for its desk review support, Country Offices may not share their draft national HDRs due to the budget constraints. Therefore, the Office will discuss with the Executive Office, Bureau for Management Services, and Regional Bureaux about the implications and implementation of the corporate cost recovery strategy fully.</li> </ul> |                    |
| <b>Estimated completion date:</b> December 2019   |                    |

## 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.