UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNITED NATIONS OFFICE FOR SOUTH-SOUTH COOPERATION

Report No. 2214

Issue Date: 11 December 2020
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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 (UNOSSC or the Office) from 13 July to 3 September 2020. 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
(b) Development activities
(c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

The audit covered the activities of the Office from 1 January 2018 to 30 March 2020. The Office recorded programme and management expenses of approximately $26.9 million. The last audit of the Office was conducted by OAI in 2016.

The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

(a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
(b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team’s understanding of the Office’s working environment.
(c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
(d) A physical verification of assets was not performed.
(e) Safe and petty cash contents were not verified.
(f) The information communication and technology area was not reviewed on-site.

Overall audit rating

OAI assessed the Office’s performance as partially satisfactory/some improvement needed, which means “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 the working environment not being conducive for performance and staff development and weaknesses in the procurement for individual contractors.

Key recommendations: Total = 6, high priority = 2

The six recommendations aim to ensure the following:

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Recommendation No.</th>
<th>Priority Rating</th>
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<tbody>
<tr>
<td>Achievement of the organization’s strategic objectives</td>
<td>1</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Medium</td>
</tr>
<tr>
<td>Effectiveness and efficiency of operations</td>
<td>5 and 6</td>
<td>Medium</td>
</tr>
<tr>
<td>Safeguarding of assets</td>
<td>4</td>
<td>High</td>
</tr>
<tr>
<td>Compliance with legislative mandates, regulations and rules, policies and procedures</td>
<td>3</td>
<td>Medium</td>
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For the high (critical) priority recommendation, 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 recommendations are presented below:

**Working environment not conducive for performance and staff development (Issue 1)**

The following weaknesses regarding the working environment were noted: (i) internal communication gaps; (ii) breaches of confidentiality; (iii) staff intimidation.

**Recommendation:** The Office should undertake a comprehensive review of its organizational structure and working environment. This review should be inclusive and lead to a timebound work plan to implement the resulting recommendations.

**Weaknesses in the procurement of individual contractors (Issue 4)**

The following issues were identified in the procurement of individual contractors (i) deliverables could not be linked to project annual work plan; (ii) direct contracting without adequate justification (iii) lack of financial offer in bidding documents (iv) individual contractors performing core functions.

**Recommendation:** The Office should link individual contractor deliverables to project annual work plans, justify direct contracting, and ensure procurement of individual contractors are for non-core positions and include financial offers.

**Implementation status of previous OAI audit recommendations:** Report No. 1580, 2 May 2016.

- Total recommendations: 16
- Implemented: 16

**Management comments and action plan**

The Director a.i. of the UNOSSC accepted all six 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.
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 unit, 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.

The Office has its main premises in New York with three Regional Chiefs, one covering Africa, one Asia and the Pacific, and the third covering Arab States and Europe/Commonwealth of Independent States. At the time of the audit, the Office had a workforce of 23 people and a portfolio of four ongoing projects directly implemented by the Office.

During the period from 1 January 2018 to 31 March 2020, the Office spent $26.9 million on development activities and on development effectiveness activities.

II. Audit results

Satisfactory performance was noted in the following areas:

(a) **Operations – Finance.** The Office adequately monitored the level and use of financial resources, managed risks of financial loss, and maintained accurate accounting records.

(b) **Operations – Information, Communication and Technology (ICT).** The governance, risk management and control systems in ICT were adequate, operating and effective.

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) Review the organizational structure and working environment (Recommendation 1).

(b) Improve controls over the procurement of individual contractors (Recommendation 4).

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

(a) Collaborate with UNDP to develop a cooperation framework and joint work plan (Recommendation 2).

(b) Strengthen project design and management (Recommendation 3).

(c) Strengthen the staff recruitment and management process (Recommendation 5).

(d) Ensure guidelines concerning travel management are adhered to (Recommendation 6).

The detailed assessment is presented below, per audit area:
A. Governance

1. Internal Control Framework & Delegation of Authorities

Issue 1  Working environment not conducive for performance and staff development

Office results depend on staff wellbeing, which are supported by quality of leadership, open communication, trust and working relations that are free from intimidation.

Every two years, UNDP staff are invited to complete the Global Staff survey (GSS). The results provide information to improve the working environment and staff engagement. The results of the 2018 UNOSSC GSS were not reported, as the number of participants was less than six, which is below the number of responses required.

In the absence of 2018 GSS results, the audit team carried out interviews with seven staff members, and sent a survey to all staff and reviewed various documents, including the findings of the Management Consulting Team's Rapid Functional Review. The analysis of the feedback from the survey highlighted the following:

- Internal communication gaps
  - A lack of clarity in the division of labour.
  - Weaknesses in sharing information.
  - A lack of clarity in roles and responsibilities.
  - Absence of senior management meeting minutes.
  - The results of the Office's Rapid Functional Review were shared with the staff members four months after the submission of the final report.

- Breach of confidentiality – Within the audit period there were five instances where internal/confidential information as well as recorded audio of internal meetings were leaked to the press.

- Intimidation - A manager intimidating female staff, prevented them from sharing ideas.

The issues identified will negatively impact the performance of the Office's staff and impact the achievement of its objectives.

<table>
<thead>
<tr>
<th>Priority</th>
<th>High (Critical)</th>
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<tr>
<td>Recommendation 1:</td>
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<tr>
<td>The Office should undertake a review of its organizational structure and working environment. This review should be inclusive and lead to a timebound work plan to implement the resulting recommendations.</td>
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Management action plan:

(a) The Office will commission a structural and working environment review, building on the Rapid Functional Review and the Mid-term Review of the Strategic Framework, in coordination with the Executive Office, with support from the Management Consulting Team, Office of Human Resources, Staff Council, etc.
(b) The Office will continue to enhance gender awareness among all colleagues and address gender parity gap at senior level posts (P5 and above) to align with UNDP corporate gender parity standard.

**Estimated completion date:** September 2021

### Issue 2  
**Absence of UNDP/UNOSSC cooperation framework**

To coordinate the cooperation between UNDP and UNOSSC, clear objectives need to be defined and targets need to be established against which progress can be measured.

The UNDP South-South Cooperation Corporate Strategy is aimed at providing a new approach to South-South and triangular cooperation as development accelerators and multipliers.

A Rapid Functional Review of UNOSSC was commissioned by the Executive Office of UNDP in 2019 and a report was issued in March 2020. The report included proposals for strengthening the strategic collaboration between UNDP and UNOSSC. It initiated a discussion on developing a cooperation framework between UNDP and UNOSSC in coordination with the Bureau for Policy and Programme Support. This discussion was ongoing at the time of the audit.

During the audit period, the collaboration between UNDP and UNOSSC consisted of the following:

- UNDP projects funded by trust funds managed by UNOSSC;
- collaboration in the South-South Global Thinkers programme;\(^1\)
- the South-South Galaxy platform;\(^2\) and
- the regional cooperation between UNDP and UNOSSC.

Despite the close relationship between UNDP and UNOSSC, there was no joint work plan that defined the programmes, projects and activities where the two entities were expected to collaborate. Further, there were no indicators to measure the achievements of the joint objectives.

Without a cooperation framework, it is difficult to identify opportunities to cooperate, the lack of targets makes it difficult to measure progress and improve the results.

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<th>Priority</th>
<th>Medium (Important)</th>
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**Recommendation 2:**

The Office should collaborate with UNDP to develop a cooperation framework and joint work plan that defines the areas of collaboration and delineates respective roles and responsibilities.

**Management action plan:**

The Office will initiate discussions with UNDP, in coordination with Executive Office, to develop the cooperation framework and joint work plan.

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\(^1\) South-South Global Thinkers is a global coalition of think tank networks that facilitates the sharing of knowledge from the Global South to inform policy dialogues. Its research agenda focuses on the opportunities and challenges of scaling up South-South and triangular cooperation for the achievement of the Sustainable Development Goals.

\(^2\) Global knowledge sharing and partnership-brokering platform.
Estimated completion date: June 2021

B. Development Activities

1. Project Administration

Issue 3    Weaknesses in project management

a) Inadequate project monitoring and reporting

The Programme and Project Management (PPM) section of the UNDP Programme and Operations Policies and Procedures (POPP) requires projects to include project risk logs and to provide sufficient monitoring and reporting.

The audit team reviewed 7 out of 33 projects. While improvement was noted in project management following the 2016 audit, the following weaknesses were observed:

- Absence of a comprehensive project risk log.
- Monitoring and reporting not in line with project document requirements.
- All project documents included detailed monitoring and reporting requirements; however, these were not aligned with the documentation provided by the Office. For example, project documents included the requirement for quarterly reporting however, reporting was completed biannually. Project documents included the requirement to establish both a project board and a steering committee; however, only the steering committee had been established to monitor a project.

Incomplete project monitoring could cause delays in project implementation.

b) Weaknesses in result-based budgeting

Results-based budgeting for programmes and projects requires (a) establishing expected results, (b) determining resource requirements to achieve the project outputs, and (c) measuring both financial and programmatic performance against established targets.

The audit team reviewed a total of 72 payments amounting to $1.06 million (out of 1,366 transactions totalling $13.71 million) and noted that the expenditures incurred by the various projects could not be tracked to specific activities in the annual work plan. For example, one project included “policy and partnership” as the sole activity with a budgetary amount of $1.5 million. This amount was allocated to General Ledger account 75100, Facilities and Administration ($95,525) and GL account 74100, Professional Services ($1.4 million). The project annual work plan did not indicate the specific activities to be funded by these allocations, making it difficult to reconcile the procurement activities against the allocated budgets.

Weak budgetary controls and monitoring practices may lead to the inefficient utilization of resources.
C. Operations

1. Procurement - Individual Contractors

Issue 4  Weaknesses in the procurement for individual contractors

According to the programme and project management guidelines, the individual contract modality is used for the procurement of services of an individual to perform time-bound and non-staff tasks. The deliverables should be measurable and linked to activities within the annual workplan. Direct contracting of individual contractors should be adequately justified, and payments linked to the financial offer made.

The audit team reviewed a sample 28 individual contracts, that included 50 payments totalling $0.56 million (out of 120 individual contracts with payments totalling $3.7 million) and noted the following exceptions within this sample:

a) For 17 individual contracts (31 payments amounting to $0.3 million) it was not possible to link the consultant deliverables to the activities within project annual work plan. The audit team also noted that for 15 individual contracts (24 payments amounting to $0.26 million) deliverables were not clearly defined within the terms of reference or the contract. As a result, it was not possible to align the deliverables with the respective project activities and results.

b) The audit team observed that for eight individual contracts (12 payments amounting to $0.1 million), the positions had been directly contracted without adequate justification. Subsequent to the audit fieldwork, the Office confirmed that this practice had been discontinued.

c) The Office did not maintain documentation to justify the fees that were paid to three individual contractors who had received payments totalling $59,300. While an amount was included in the contract, there was no financial offer included in the bidding documents to support this.
d) The audit team reviewed the Individual Contracts Terms of Reference and noted that 13 individual contractors were performing core functions.

Failure to comply with the UNDP Financial Regulations and Rules on procurement of individual contractors may impact the Office’s reputation and may lead to financial losses.

**Priority**  High (Critical)

**Recommendation 4:**

The Office should improve controls over the management of individual contractors by:

(a) documenting the deliverables and milestones within the contracts and linking them to the project annual work plans;

(b) ensuring that direct contracting is adequately justified with supporting documentation; and

(c) ensuring that procurement cases of individual contractors are for non-core positions and include financial offers.

**Management action plan:**

The Office will:

(a) prepare the annual work plan in 2021 with greater detail and have it closely linked to procurement plans;

(b) continue its policy of exercising extreme prudence regarding the direct contracting of individual contractors; and

(c) continue outsourcing all of its procurement, including individual consultants to the Central Procurement Unit in the Bureau for Management Services, and holding weekly calls to discuss plans, cases and questions.

**Estimated completion date:** June 2021

### 2. Human Resources Management - Recruitment of Staff

**Issue 5**  Weaknesses in the recruitment and management of staff

The programme and project management guidelines on human resources management require that secondments only be authorized when they are in the best interest of the organization, and temporary appointments should not exceed one year.

The review of a sample of 11 personnel (9 working under UNDP permanent or temporary contracts and 2 under service contracts) out of 26 (23 under permanent or temporary contracts and 3 under service contract) disclosed the following weaknesses:

a) Secondment of newly recruited staff

The Chief of the Programme Support Unit joined the Office on 1 December 2017. Six months after starting, the staff member requested Special Leave Without Pay for a one-year secondment to another UN agency. At the end of the secondment, the staff member submitted an immediate request for three months of annual leave for personal reasons. The request was approved by the UNOSSC Director and the Office of Human Resources.
The Chief of the Programme Support Unit spent six months on the post over a period of 21 months, which left the Office with a capacity gap that had to be filled by other staff members.

b) Inadequate contracting arrangements

The audit team identified two cases where temporary appointments were extended beyond one year.

Weaknesses in the management of secondments and temporary appointments may lead to capacity gaps and create unrealistic expectations.

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<th>Priority</th>
<th>Medium (Important)</th>
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**Recommendation 5:**

The Office should ensure that staff recruitment and management is strengthened by:

(a) ensuring requests for secondment are approved after due consideration has been given not only to the staff member's needs but also to the organization's interests and resource availability, and

(b) not extending temporary appointments beyond one year.

**Management action plan:**

The Office will align its HR strategy with the outcome of the structure review. The Office will seek further guidance and support from the Office of Human Resources in recruitment processes.

**Estimated completion date:** December 2021

### 3. Administrative Services - Travel

**Issue 6** Weaknesses in travel management

According to the UNDP Travel Policy, business travel should be approved before departure. Furthermore, it is encouraged that travel itineraries be confirmed as early as possible. Airline tickets should be purchased at least 21 days in advance of travel when travelling in business class and at least 14 days in advance when travelling in economy class, in order to secure the lowest fare. The travel claim is a post-travel report that the traveller is required to submit to the authorizing unit within two weeks from completion of travel when their travel is organized and paid for by UNDP.

The audit team reviewed 36 official trips totalling $245,348 (out of 580 trips totalling $1.6 million), which resulted in the following observations:

(a) There were 26 economy and business trips (72 percent) totalling $164,156 for which the travel requests had been entered and approved in Atlas less than 14 days before the traveller’s departure date.

(b) Within the sample there were no travel plans or work plans to support 27 of the trips completed, including the required manager approval. The documents authorizing the trips were later uploaded when preparing the related expense reports.
(c) There were 27 trips for which the travel claims were submitted beyond the required 14 days; 12 of these trips were delayed by more than three months.

Non-compliance with the policy on travel may lead to the misuse of resources and increased costs.

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<th>Priority</th>
<th>Medium (Important)</th>
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**Recommendation 6:**

The Office should ensure guidelines concerning travel management are adhered to by:

(a) planning mission travel in advance in order purchase tickets at least 14 days prior to departure;
(b) documenting the travel approval and uploading the travel request within Atlas; and
(c) ensuring that travel claims are prepared and submitted as soon as travels are completed and no later than 14 days after return.

**Management action plan:**

The Office will:

(a) ensure travel plans are made well in advance and for any trips purchased less than 14 days prior to departure these will include a justification; and
(b) submit and process travel expense reports within 14 days of travel.

**Estimated completion date:** September 2021
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**.