

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



AUDIT

OF

OFFICE OF THE OMBUDSMAN FOR UNITED NATIONS FUNDS AND PROGRAMMES

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Report on the Audit of Office of the Ombudsman for United Nations Funds and Programmes Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the Office of the Ombudsman for United Nations Funds and Programmes (the Office) from 17 May to 2 June 2023. 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 and organizational structure
- (b) Operations – procurement, finance, human resources and administrative services

Due to the nature and mandate of the Office, OAI limited its review to the structure and operations, and did not request or access the data pertaining to the identity of those who contacted the Office.

The audit covered the activities of the Office from 1 January 2022 to 31 March 2023. The Office recorded total expenditures of approximately \$1.5 million. This was the first audit of the Office.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors (The IIA).

Overall audit rating

OAI issued an audit rating for the Office of **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.”

The rating was primarily due to adequate controls in the area of financial management. However, there were issues regarding the Office’s existing structure, the lack of a charter, delays in recruitment, delays in annual contributions, and non-adherence to corporate planning and risk management.

Key recommendations: Total = **4**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There are four medium (important) priority recommendations, which means “Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.”

The four recommendations aim to ensure the following:

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

Management comments and action plan

The Officer-in-Charge of the Office of the Ombudsman for United Nations Funds and Programmes accepted all four 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.

Moncef Ghrib

Moncef Ghrib
Officer-in-Charge
Office of Audit and Investigations

I. About the Office of the Ombudsman for United Nations Funds and Programmes

The Office of the Ombudsman for United Nations Funds and Programmes (the Office) was established as the informal component of the system of administration of justice to make available confidential services of impartial and independent persons to address work-related issues of staff members. The Office offers dedicated informal dispute resolution services to all contract holders from UNDP, UNFPA, UNICEF, UNOPS and UN Women. It provides a confidential forum to discuss workplace issues and explore options relating to workplace conflict. The services provided include mediation, arbitration, training, and the Respectful Workplace Facilitators programme, an initiative dedicated to building capacity in conflict prevention and resolution at the local level in country and regional offices.

The Office operates independently from the system of administration of justice. The Office supports staff in identifying alternatives to disputes, resolving complicated situations, providing information or clarification on policies and procedures, facilitating discussions, researching pertinent facts, mediating a dispute or referring staff to another focal point within the organization that may be able to provide assistance. The Office also supports UNDP, UNFPA, UNICEF, UNOPS, and UN Women in examining the root causes of conflict in the workplace and makes recommendations on how to address systemic causes of conflict constructively in the organization.

II. Audit results

Effective controls were established and functioning in the following area:

Financial management. Adequate controls over financial management, including payment processing, were established, and working well.

OAI made 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.

Medium priority recommendations, arranged according to significance:

- (a) Undertake a review of the current structure to ensure it effectively supports and optimizes service delivery (Recommendation 1).
- (b) Calculate annual agency headcount and preliminary cost apportionment, and invoice agencies by 31 December of the current year for the following year's budget (Recommendation 2).
- (c) Ensure that the position of the Ombudsman is filled urgently and that the annual budget includes a contingency for temporary staffing support (Recommendation 3).
- (d) Ensure adherence to UNDP corporate processes (Recommendation 4).

The detailed assessment is presented below, per audit area:

A. Governance and Organizational Structure

Issue 1 Office restructuring not optimal

In July 2019, the Office requested support from the UNDP Executive Office and participating UN agencies (UNICEF, UNFPA, UNOPS and UN Women) regarding restructuring the Office. Specifically, the communication indicated the increase in the Office's workload due to a reduction in personnel during the previous year, and stated that the Office was relatively smaller than those of WFP, WHO and the UN Secretariat. The Office stated that despite additional resources allocated, there was still a shortage of human and financial resources at present.



The audit team noted that several of the changes requested, such as the reclassification and creation of additional positions, were carried out without a documented review and assessment of the existing structure, identification of gaps, or appropriate justifications. Further, there was no process to assess, design, optimize and manage the entire restructuring exercise.

In 2020 and 2021, the Office opened offices in Dakar, Istanbul, Copenhagen, Panama City and Bangkok. The Office stated that this was part of the restructuring strategy; however, no documented strategy had been developed to justify these additional offices. In its 2023 Integrated Work Plan, the Office stated that “the Office structure needed to be assessed to ensure it effectively supports the delivery of service.” However, this activity was not carried out during the audit.

The Office risks not being fit for purpose in the absence of a restructuring plan that optimizes the change strategy, including funding allocations and agreements for office spaces occupied.

Priority	Medium (Important)
Recommendation 1:	
In coordination with the participating agencies, the Office should undertake a review of the current structure to ensure it effectively supports and optimizes service delivery.	
Management action plan:	
The Office will undertake a review of the current structure and finalize the Memorandum of Understanding for providing office space.	
Estimated completion date: August 2024	

Issue 2 Delayed annual contributions from participating UN agencies

According to the Memorandum of Understanding signed by the participating UN agencies, the pro rata methodology of cost-sharing services is based on the annual headcount of each agency. Further, the agencies agreed that the provision of services by UNDP is contingent upon the availability of funds for those services and the timely receipt of payments from the agencies. The billing arrangements are that by 30 September of each year, the Office will propose a draft annual budget for the forthcoming year (agreed to by the agencies) by 30 November of that year. UNDP will then prepare the estimated cost-apportionment per agency and issue an invoice to each agency for payment before 31 December of that year, and each agency shall provide its share of the following calendar year’s costs of the services before the end of the calendar year concerned.

With regard to cost-sharing and the remittance of the agencies’ share of the costs, the audit team noted delays on the part of UNDP’s Bureau for Management Services when requesting headcount information from participating UN agencies through the Office. For 2022, the request was sent in May 2022, indicating a delay of over five months from the stipulated date in the Memorandum of Understanding. In 2021, the request was sent out six months after the stipulated date in the Memorandum of Understanding.

Delays in the remittance of contributions may result in the Office’s inability to provide services.

Priority	Medium (Important)
Recommendation 2:	
The Office, in collaboration with the Bureau for Management Services, should ensure that the annual agency headcount and preliminary cost apportionment are calculated and that agencies are invoiced by 31 December of each year for the following year's budget.	
Management action plan:	
The Office will engage with the Bureau for Management Services on this issue with a view to establishing key deadlines and responsibilities.	
Estimated completion date: November 2023	

Issue 3 Recruitment delays

The Ombudsman position is at the D1 level and is based in New York. The former Ombudsman separated from the Office in February 2022, and the post was still vacant at the time of the audit. The Deputy Ombudsman (P5) has been the Officer-in-Charge since February 2022, which necessitated a move from Istanbul (where the Deputy Ombudsman position was located) to New York. The Office was informed that a participating UN agency was undertaking the recruitment to fill the Ombudsman position.

The absence of an Ombudsman posed the following challenges for the Office:

- The workload of the Office increased by 29 percent from 2020 to 2022 (from 331 cases in 2020 to 426 cases in 2022). Further, as a result of the restructuring in 2020/2021, the new team was going through a learning curve; this presented challenges for the Officer-in-Charge in the absence of a fully dedicated Deputy Ombudsman.
- There was an impact on the timely and effective delivery of programme services, especially given that the Office's case management system and the Respectful Workplace Facilitators programme were being upgraded at the time.
- There was an increase in administrative duties for the Officer-in-Charge, such as travel/payment authorization, as well as performance management tasks with the dual role of Officer-in-Charge and Deputy Ombudsman. Further, the introduction of Quantum¹ resulted in limited personnel having access to the system as the Office was partly staffed by personnel holding other participating agencies contracts, who faced challenges in accessing Quantum.
- The issuance of the 2022 annual report was delayed because of competing priorities for the Officer-in-Charge and the delays (of over one year) in recruiting some of the outposted staff. Therefore, the required inputs for the annual report could not be submitted on time.

Delays in the recruitment of the Ombudsman may impact the Office's ability to successfully meet its mandate and objectives.

¹ Quantum is new UNDP's cloud-based enterprise resource planning system, which was launched in January 2023 and replaced Atlas.

Priority	Medium (Important)
Recommendation 3:	
The Office should:	
<ul style="list-style-type: none"> (a) ensure that the position of the Ombudsman is filled; and (b) in coordination with the participating UN agencies, ensure that the annual budget includes a contingency for temporary staffing support where prolonged recruitment processes are anticipated. 	
Management action plan:	
The Office accepted the recommendation and will request the agencies in the next budget cycle to increase the budget line for temporary staffing where necessary.	
Estimated completion date: December 2023	

Issue 4 Corporate planning and governance processes not instituted

According to UNDP’s Programme and Operations Policies and Procedures, the Integrated Work Plan is the first and most relevant mechanism for the corporate planning and budgeting process, and it is an opportunity for the business unit to make the business case for the resources it needs. It outlines the programming and organizational priorities for the year and defines the delivery targets and resources available. The business units’ risks and their risk management processes are part of the Integrated Work Plan, and support risk-informed decision-making. The risk register records risks, and the impact and mitigation efforts undertaken by the respective units/offices.

Further, the control environment is one of the key components of the internal control system. The Internal Control Framework covers key control factors such as planning, monitoring, communications, policies, procedures, segregation of duties, individual authorities and accountabilities. It dictates the control environment and risk management strategy based on the office’s operating context. According to Article II of the Memorandum of Understanding between UNDP, UNFPA, UNICEF, UNOPS and UN Women, all support services provided to the Office shall be provided in accordance with UNDP’s regulations, rules and policies and procedures.

The audit team noted the following issues:

- **Lack of Integrated Work Plan:** An Integrated Work Plan was not developed in 2022; the Office stated that this was because of the various changes resulting from the departure of the Ombudsman. The audit team was unable to assess whether the Office met its priorities and whether the requisite planned resources had been utilized for these priorities.
- **Absence of Internal Control Framework:** The Office did not maintain a documented Internal Control Framework to outline roles and responsibilities and the respective delegated authorities and accountabilities. While the Office had set up Argus profiles in Atlas (UNDP former Enterprise Resource Planning system), there was no documented individual delegation of authority outlining specific roles and responsibilities assigned to each staff member. While no issues were noted linked to the segregation of duties, Internal Control Framework roles should be clearly documented.
- **Incomplete Risk Register:** Risks from 2019 to 2022 were not entered into the risk register; the register reflected risks entered up to 2018 only. The audit team was unable to determine whether



risks affecting the operations of the Office were adequately identified, reviewed, analysed and mitigated. The Office developed its 2023 Integrated Work Plan, and while the risks were identified therein, they were not reflected in the Quantum risk register.

The Office indicated that support staff holding other participating agencies' contracts may be unfamiliar with UNDP's regulations, rules and policies and procedures; however, a communication dated 19 May 2020 from the Bureau for Management Services addressed to the Office highlighted the Operational Guide to the Internal Control Framework, which outlines the requirements related to the implementation of the Internal Control Framework.

Risks that are not entered into Quantum may not be assigned mitigating actions or may not be adequately monitored, jeopardizing the optimal functioning of the Office. Lack of segregation of duties and lack of clear delegations of authority may lead to control overrides.

Priority	Medium (Important)
Recommendation 5:	
The Office should adhere to UNDP corporate processes by:	
<ul style="list-style-type: none"> (a) recording and regularly monitoring all identified unit risks into the "Quantum+ Risk register" and indicating associated mitigation measures; (b) developing and implementing an Internal Control Framework, aligned to UNDP's Internal Control Framework policy; and (c) ensuring that staff members with delegated authority sign an acceptance letter. 	
Management action plan:	
The Office will do the following:	
<ul style="list-style-type: none"> (a) record and monitor identified risks in addition to indicating mitigation measures; (b) draft an Internal Control Framework; and (c) ensure that all staff members with delegated authority sign an acceptance letter. 	
Estimated completion date: August 2024	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Fully 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.
- **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.