



AUDIT

OF

UNDP

REGIONAL BUREAU FOR LATIN AMERICA AND THE CARIBBEAN

Report No. 979

Issue Date: 20 December 2012

LIST OF ACRONYMS

DIM	Direct Implementation Modality
GLOC	Government Contributions to Local Office Costs
GSS	Global Staff Survey
IDB	Inter-American Development Bank
IWP	Integrated Work Plan
MCT	Management Consulting Team
NIM	National Implementation Modality
POPP	Programme and Operations Policies and Procedures
RCA	Results and Competency Assessment
ROAR	Results oriented annual reports
SIGOB	Sistema de Gestión para la Gobernabilidad

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Report on the audit of the UNDP Regional Bureau for Latin America and the Caribbean Executive Summary

From 30 April to 25 May 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Regional Bureau for Latin America and the Caribbean (the Bureau). The audit covered the activities of the Bureau during the period from 1 January 2010 to 31 December 2011. During the period reviewed, the Bureau recorded programme and management expenditures totaling \$20 million. This was the first audit of the Bureau. An audit of the Regional Centre in Panama was conducted by OAI in 2011 (report No. 820).

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for our conclusions.

Audit rating

OAI assessed the Bureau as **satisfactory**, which means “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”. This rating was given as no high priority (critical) issues have been identified.

Ratings per audit area and sub-areas are summarized below.


Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance				
1.1 Organizational structure	Partially Satisfactory			
1.2 Delegation of authority/ Internal Control Framework	Satisfactory			
1.3 Approving duties for country offices	Satisfactory			
1.4 Risk management	Satisfactory			
2. Strategic management				
2.1 Strategic management	Satisfactory			
2.2 Financial sustainability	Satisfactory			
2.3 Succession planning	Partially Satisfactory			
3. Regional programmes				
4. United Nations system coordination				
5. Country office support and monitoring				
6. Operations				
6.1 Human resources management	Satisfactory			
6.2 Procurement	Partially Satisfactory			
6.3 Travel	Partially Satisfactory			
6.4 Business Continuity	Partially Satisfactory			

Key issue/s and recommendation/s

The audit raised four issues. There are four recommendations, all of which were ranked medium (important) priority, meaning "Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP."

Management's comments

The Director of the Regional Bureau and the Director of the Operations Support Group accepted the recommendations addressed to them and are in the process of implementing them.

A handwritten signature in black ink, reading "Egbert C. Kaltenbach", is enclosed in a rectangular box. Below the signature, the name and title are printed in a standard font.

Egbert C. Kaltenbach
Director
Office of Audit and Investigations

I. Introduction

From 30 April to 25 May 2012, OAI conducted an audit of the UNDP Regional Bureau for Latin America and the Caribbean (the Bureau). The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for our conclusions.

Audit scope and objectives

OAI's audits assess the adequacy and effectiveness of the governance, risk management, and control processes in order to provide reasonable assurance to the Administrator regarding the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with legislative mandates, regulations and rules, policies and procedures. They also aim to assist the management of the office and other relevant business units in continuously improving governance, risk management, and control processes.

Specifically, this audit reviewed the following areas of the Bureau – governance; strategic management; regional programmes; United Nations system coordination, country office support and monitoring; and operations. The audit covered relevant activities during the period from 1 January 2010 to 31 December 2011. For the purpose of analysing a broad picture of the Bureau's performance, the audit also included a survey, which was sent to the senior managers of the country offices under the direction of the Bureau. The survey was conducted between 10 and 26 April 2012 and 32 out of 46 recipients responded (70 percent). In order to validate the results of the survey, OAI followed up with interviews of six selected senior managers of country offices in the region.

During the period reviewed, the Bureau recorded programme and management expenditures totaling \$20 million. This was the first audit of the Bureau. An audit of the Regional Centre in Panama was conducted by OAI in 2011 (report No. 820).

II. About the Bureau

The Bureau is responsible for the management and oversight of UNDP's activities in the Latin America and the Caribbean region.

The Bureau has around 30 staff members; its annual management expenditure amounted to approximately \$6 million. The Bureau is composed of the Directorate; the Policy Advising Unit; the Democratic Governance and the Regional Human Development and Millennium Development Goals practices; two Strategic Monitoring and Support Units, one for Latin America and one for the Caribbean; as well as the Regional Finance and Information Management Unit and the Human Resource Unit which is out-posted from the Office of Human Resources. The Spanish Trust Fund, which was originally outside of the Bureau's regular organizational structure, was being integrated in 2011/2012. The Regional Centre in Panama reports to the Bureau's Deputy Director.

The region of Latin America and the Caribbean has 25 country offices with an annual delivery of approximately \$0.9 billion (2011). The World Bank classifies 22 out of the 25 countries with a UNDP country office presence as middle income countries, two countries (Barbados and Trinidad & Tobago) are high income countries and one country (Haiti) is a low income country. Mexico and Trinidad & Tobago are net contributing countries to UNDP. While the region is relatively developed in terms of the average income, income distribution remains very unequal. Among the 20 most unequal countries in the world, ten belong to the Latin America and the Caribbean region. In addition, *inter alia*, citizen security as well as environmental problems continue to form substantial developmental challenges.



Historically, Latin America and the Caribbean has been among the most important regions for UNDP from a delivery point of view. This, however, has been affected in recent years due to some strategic changes that have taken place within UNDP as well as in many programme countries (see Section 2.2 on financial sustainability). Latin America and the Caribbean is currently the third largest region in terms of the size of the budget, after Asia Pacific and Africa.

III. Detailed assessment

1. Governance

Satisfactory

1.1 Organizational structure

Partially Satisfactory

OAI reviewed the organizational structure of the Bureau, which at the time of the audit was being modified. The main changes made were the establishment of a Policy Advising Unit and the full integration of the Spanish Trust Fund into the organizational structure of the Bureau.

Upon request by the Bureau, OAI reviewed the integration of the Spanish Trust Fund (the Fund) into the Bureau structure and noted that it was supported by the donor to the Fund. OAI took note of the fact that the original rather autonomous organizational placement had been requested by the donor and agreed in light of the significant Spanish contribution to UNDP (overall more than \$1 billion over the last five years). OAI also noted that all the staff contracts administered by the United Nations Office for Project Services (UNOPS) for Fund staff were either terminated or changed to UNDP contracts upon the integration of the Fund into the Bureau's organizational structure. OAI acknowledges this, particularly from a value for money viewpoint.

OAI further reviewed the distribution of tasks between the Bureau in New York and its Regional Centre in Panama. The regionalization of corporate functions has evolved over time. A milestone in this regard was the "Functional alignment of and implementation arrangements for Regional Service Centres", issued by the Organizational Performance Group in 2007.

The result of the OAI survey showed that on a question concerning the distribution of key functions and responsibilities in the regional management team between New York and Panama (country office support, country office monitoring and oversight, policy advice, and management of regional programmes and projects), on average, 82 percent of the respondents considered them as either very clear or somewhat clear.

OAI noted in its audits of Regional Centres and Regional Bureaux that the approach to regionalization differs from region to region. In the Regional Bureau for Latin America and the Caribbean, unlike in all other Regional Bureaux, the clusters are not completely located in the Regional Centre. Instead, two clusters (Democratic Governance as well as Regional Human Development and Millennium Development Goals) have a presence in both New York and in Panama. OAI also noted that the two cluster heads located in New York spend between 30 percent and 40 percent of their time on backstopping functions for the Regional Director. In addition, several of the regional projects implemented by the two clusters are managed from New York.

The Regional Director and the Deputy Regional Director explained that the backstopping functions for the Director were important as his travel schedule made the existence of a senior management team in New York mandatory. In this regard, the two cluster heads not only serve as speech writers, but also answer many requests from the Executive Office and represent the Bureau in important Headquarters functions. While the Bureau also has a staff function, the new Policy Advising Unit, the Unit performs less of a backstopping function for the Director than the two cluster heads. Instead, the Policy Advising Unit has taken on several other tasks, such as representing the Bureau in the Executive Board and managing the Bureau's Human Development Reports. OAI is not convinced that the allocation of backstopping tasks between "the two clusters" and "the Policy Advising Unit" is clear and optimal.

OAI reviewed the distribution of work between the Strategic Monitoring and Support (SMS) units for the Latin America region and the Caribbean region. Both units are headed by a manager at the D-1 level. While the Chief of the Latin America SMS Unit supports 20 country offices with a total delivery of \$900 million, the Chief of Caribbean SMS Unit supports five country offices with around \$25 million delivery. OAI noted that Monitoring and Support Units with similar responsibilities in other Bureaux are headed by a manager at P-5 level.

Management explained that the two positions were similar, but not equal, and pointed, *inter alia*, to the fact that several of the country offices in the Caribbean were Multi-Country Offices and that the Chief of the Caribbean SMS Unit was also responsible for the sub-regional programme and for UNDP's relations with CARICOM. OAI takes note of the explanations provided, but is not convinced that the scope of responsibilities of both Units justifies the same level of post.

At the time of the audit fieldwork, the Bureau had just entered into a realignment exercise, which was designed to review the Bureau's organizational structure in light of the Agenda for Organizational Change. OAI reviewed the Letter of Understanding between the Management Consulting Team (MCT) and the Bureau and interviewed the MCT team. OAI was able to follow the justification and rationale for the general review process in light of the implementation of the Agenda for Organizational Change.

During the planning phase of the audit, OAI noted that the Bureau's last Global Staff Survey (GSS), which was conducted in 2010, resulted in comparably low ratings in a number of dimensions. OAI reviewed the Bureau's response to these ratings and noted that the issues were discussed extensively during a staff retreat in October 2011. After the retreat, working groups were formed and the results of their findings were discussed in April 2012; however, at the time of the audit fieldwork, the implementation of concrete measures was still pending. Meanwhile, the results of the 2012 GSS have been released. While they show improvements in many key areas, the Bureau's results are generally still below average. The Bureau should use the 2012 GSS results to define the precise course of follow-up action.

As a realignment exercise was ongoing at the time of the audit fieldwork and in recognition of the large degree of discretion Regional Directors have in organizing their Bureau, OAI refrains from raising any specific recommendations as to the Bureau's future organizational structure. However, in view of the less than optimal organizational structure and of the fact that concrete measures to address the GSS results are yet to be implemented, this area was rated partially satisfactory.

1.2 Delegation of authority/ Internal Control Framework

Satisfactory

OAI reviewed the Bureau's internal control framework and the delegations of authority. Both were aligned with the current organizational structure and comply with corporate requirements. This audit area was therefore rated satisfactory.

1.3 Approving duties for country offices

Satisfactory

OAI reviewed the implementation of the approving duties that Regional Bureaux are tasked with for country office programmes/projects. In addition to the approval of civil works projects, Regional Bureaux are required to authorize all directly implemented (DIM) projects initiated by country offices. OAI noted that the Bureau had invested resources into tracking DIM projects at the country office level in order to carry out appropriate monitoring. In addition, the Bureau had developed a checklist for the preparation for the approval of DIM projects.

OAI appreciates the development of the DIM checklist and considers the Bureau's approach to include the request for DIM authorizations in the country programme action plans, as suitable.

Issue 1 "Corporate issue:" Lack of clarity regarding reporting on directly implemented projects

UNDP generally follows two project implementation methods, national implementation (implementation by a national counterpart or a non-governmental organization) and direct implementation (implementation by UNDP itself). For reasons of, *inter alia*, capacity development, national implementation is considered the favored

implementation method. UNDP has therefore established criteria for scenarios, under which direct implementation is appropriate. As a result of the described strategic direction, directly implemented projects require approval by the corresponding Regional Bureau. In addition, corporate guidelines require each Regional Bureau to submit an “annual consolidated report on UNDP directly implemented projects” to the Operations Support Group.

OAI noted that the Bureau did not prepare annual consolidated reports on directly implemented projects. The Bureau pointed to a lack of clarity regarding the reporting requirements, which had not been strictly enforced. OAI followed up with the Operations Support Group (OSG) and noted that the content, structure and submission deadline of the annual consolidated report were not clearly established and/ or communicated. As a result, the value of the reports as monitoring tool was in doubt.

Priority	Medium (Important)
Recommendation 1 (Corporate):	
The Operations Support Group should reconsider the need for annual consolidated reports on UNDP directly implemented projects; if the requirement is maintained, the Operations Support Group should clarify the required content, format and submission deadline.	
Management Comments and Action Plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
OSG informed that they would consult with the Regional Bureaux before the end of 2012 to identify any additional details that may be useful for full corporate oversight of directly implemented projects.	

With regards to civil works projects, OAI noted that the Bureau had approved four projects with significant civil works components between 2009 and 2011. Evidence of the approvals was presented to OAI. While there is no mechanism to track civil works projects on the side of the Bureau, OAI sees the duty to obtain civil works approvals, as per the Programme and Operations Policies and Procedures (POPP), is on the country office side. OAI reviews civil works approvals, as appropriate, in its country office audits.

As the issue identified is a corporate one, this audit area was rated satisfactory.

1.4 Risk management

Satisfactory

OAI reviewed the Bureau’s management and monitoring of country office risks. Risks related to country offices are tracked in the Integrated Work Plan (IWP) and are reviewed, managed and, if applicable, escalated by the country offices in coordination with the respective Programme Advisors/ Specialist in the Bureau. The IWP is reviewed multiple times during the year. According to the Bureau’s senior management, the IWPs for all country offices in the region were reviewed four times in 2011.

OAI was provided evidence of these IWP reviews for a sample of country offices. Upon review of the risks, as recorded in the IWPs, OAI noted that the risk descriptions provided by some country offices were weak as they were more a description of the overall country situation rather than an approach to manage risks. However, the Bureau presented additional evidence regarding the review and management of the identified risks, as indicated by the country offices concerned in the IWP after the audit fieldwork. OAI considered the additional evidence as sufficient.

While not raising a recommendation, OAI highlights the continued need to pay close attention to the risks reported by country offices in the IWP in order to ensure adequate reporting and escalation of risks by country offices.

2. Strategic management	Satisfactory
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2.1 Strategic management	Satisfactory
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OAI interviewed the Regional Director and the Deputy Regional Director regarding their strategic vision for the region. They highlighted the drastic changes that UNDP has experienced in Latin America and the Caribbean in financial terms in recent years and the need for UNDP’s presence in the region to be more flexible in the future. While they envisaged maintaining the universal programmatic coverage of the countries of Latin America and the Caribbean, this may not require a physical presence of all operational staff in each country office in the future. They further pointed out that the country office typology, a project run as part of the Agenda for Organizational Change, was currently evaluating different options in this regard, which may also affect Latin America and the Caribbean.

At the time of the audit, OAI noted that a strategic vision for the future had been discussed, but such vision was not documented nor formally communicated. As such, OAI recommended formulating and communicating the vision to all senior managers in the region, because without such communication, the strategic vision may not serve as orientation to guide the senior managers in the region in their overall direction. OAI is pleased to note that the Bureau management has communicated the strategic vision to the senior managers in the region after the audit field work. OAI also observed that the Bureau made a number of efforts for other internal and external communication activities, including the Regional Director’s external media appearance, newsletters, and video conferences among others.

With regards to the programmatic vision, UNDP has defined its focus areas well. In addition, Regional Bureaux use the Regional Human Development Reports in order to further define strategic priorities for the corresponding region; in Latin America and the Caribbean, topics of particular interest in this regard are inequality and citizen security.

As only one medium priority issue was identified, this area was rated satisfactory.

Issue 2 Communication issues

Effective communication is key for cooperation within a department. OAI reviewed the communication between the Bureau and its country office managers. OAI noted and appreciated efforts made by the Bureau for both internal and external communications using a variety of means. Nevertheless, the OAI survey revealed some communication issues that were also confirmed in the interviews with selected managers. The described communication issues ranged from a “perceived” lack of involvement of country office management in key regional and strategic decisions, to a lack of information about key corporate reports, and to communication channels being perceived to be one way, which may lead to demotivation and a lack of coordinated action. While the Bureau pointed to numerous examples of its communication efforts, OAI holds the view that communication is not effective unless clearly understood at the receiving end. In this regard, the perceived lack of two-way communication needs to be addressed.

Priority	Medium (Important)
Recommendation 2:	
The Regional Bureau for Latin America and the Caribbean should:	

- (a) address the perceived communication deficits between the Bureau and country office managers; and
- (b) arrange an independent follow-up review to assess the effectiveness and adequacy of communication.

Management Comments and Action Plan: Agreed Disagreed

2.2 Financial sustainability

Satisfactory

OAI reviewed the Bureau's financial sustainability. The Bureau's management expenditures amounted to about \$6 million a year, out of which \$3 million were funded from regular resources and the remainder from extra-budgetary resources. According to OAI's calculations, in 2011, about 30 percent of the Bureau's extra-budgetary income was generated from projects funded by Argentina, while projects funded by Brazil, Spain and the Global Fund accounted for some 25 percent.

The Bureau was aware of the risk involved in its exposure to a small number of donors; it stated that the measure it could take to protect itself against potential large variances in donor funding was an adequate extra-budgetary reserve. In that regard, OAI noted the size of the reserve to be very large (49 months as at the end of 2011). OAI also noted that the decision recently taken by the Executive Group to establish a Fund for Country-Level Emerging Priorities and Innovation to be funded from extra budgetary income, will lead to a reduction of extra-budgetary reserves. OAI recognizes that the Bureau tightly monitored the extra budgetary reserves of all of its country offices.

OAI further noted that approximately 20 percent of the regional programme in the Democratic Governance cluster was financed by the Spanish Trust Fund. While funding has recently been secured until 2014, OAI sees a risk of continued financial support. While not raising a recommendation, OAI advises the Bureau to continue monitoring the situation.

The financial situation of the region's country offices has a direct impact on the extra-budgetary income of the Bureau. OAI noted that total donor contributions in the Latin America and the Caribbean region dropped from \$1.5 billion in 2006 to less than \$0.8 billion in 2010; while from 2010 to 2011, contributions increased to \$0.9 billion. The drop in contributions can be largely attributed to a fundamental change in the Latin American and Caribbean business model, which over the last decades had been mainly based on providing administrative services to the programme country governments. Between 2006 and 2010, several programme governments withdrew from this model for various reasons, including changes in national budget laws in some cases. In addition, UNDP senior management advocated a change in the business model from the provision of administrative services towards genuine development projects.

The main decreases in contributions between 2006 and 2010 were attributable to Brazil (-\$154 million), Panama (-\$119 million), Argentina (-\$107 million), Colombia (-\$85 million) and Peru (-63 million). The renewed increase in contributions from 2010 to 2011 was mainly attributed to Argentina (+\$111 million) and Brazil (+\$61 million). As a result of these fluctuations in contributions, significant changes have occurred in the region. As such, 10 out of the 25 country offices in the region will have concluded realignment exercises by the end of 2012.

OAI further noted that the accumulated outstanding Government Contributions to Local Office Costs (GLOC) were significant, amounting to an estimated \$25 million. OAI had raised this issue in its 2010/2011 review of GLOC; management action in that regard is in progress, but has not yet yielded results.

OAI also noted that contributions from a number of strategic partners had dropped in recent years. As such, contributions from the Inter-American Development Bank (IDB) and the World Bank had dropped from \$35 million and \$40 million, respectively in 2006, to none in 2011. This was mainly due to the described shift in the Bureau's strategy as well as administrative issues. Both, IDB and World Bank are considered key strategic partners in the Latin America region. The Bureau continues to cooperate with them on a more political and academic level. This includes *inter alia* a close relationship with IDB related to the topic of citizen security.

While OAI noted the challenges being faced by the Bureau, it was satisfied with the efforts made by the management in pursuing financial sustainability.

2.3 Succession planning

Partially Satisfactory

One of the questions that OAI raised in its survey related to the periods of vacancy at the country office top management level. Almost 50 percent of the respondents stated that such positions in their country offices had been vacant for a total of more than six months in the last five years. This is confirmed by country office audits that OAI has conducted in the period preceding the current audit. While UNDP's control over the recruitment of Resident Representatives is limited due to involvement of the United Nations Development Group and the need to seek the concurrence of the host country, UNDP has full control over the recruitment of Country Directors, Deputy Resident Representatives, and Deputy Country Directors. Extended vacancies in top management posts bear a reputational and a programmatic risk for UNDP.

While not raising an audit issue, OAI rated the area of succession planning partially satisfactory in view of the existing protracted vacancies.

3. Regional programmes

Satisfactory

OAI reviewed the regional programmes in the 2008-2011 cycle, which was extended until 2013; the regional programme extension was approved by the Executive Board during its First Regular Session for 2010. In addition, OAI reviewed a sample of projects under the regional programme. As the regional projects managed from Panama were covered by the audit of the Panama Regional Centre, OAI focused on the projects managed from New York. The sample of projects represented 80 percent out of the total programme delivery of \$11.2 million for the review period.

OAI noted that the projects were created and appraised in line with the POPP. Furthermore, project resources and results framework were aligned with the regional programme and all projects had been given the required authorization for direct implementation.

As only one medium priority issue was identified, this area was assessed satisfactory.

Issue 3 Inadequate revenue and expense management

According to the POPP, each unit should ensure that the revenue due to UNDP is properly identified, consistently and uniformly classified, as well as recorded timely and received with sufficient supporting documentation. In addition, the POPP states that expenditure management, including the expenditure life cycle, related processes and specific duties to be performed should be clearly identified and recorded.

OAI found the arrangements and accounting practices for one project implemented by the Democratic Governance Cluster (Proyecto de Fortalecimiento de Capacidades de Gestion para la Gobernabilidad Democratica – SIGOB, Atlas Award ID 00057020) to be inadequate. The project with contributions totaling more than \$0.5 million has two components, one at country level and one at regional level. The contributions were

generally received at the country office level through a national implementation modality (NIM) project; the income was subsequently transferred to the regional project through the use of general ledger journal entries, charging the NIM project expenditure accounts and crediting the regional project contributions account. As a result, the original contribution was accounted twice and once the regional project spends, the funds are accounted again creating double expenditures. Double accounting of revenue and expenditures may affect UNDP's donor reporting.

OAI also noted that the SIGOB project has been running for over 20 years. In this regard, it should be evaluated whether to internalize the SIGOB project capacity within the organizational structure of the Bureau for Development Policy or of the Regional Bureau.

Priority	Medium (Important)
Recommendation 3:	
The Regional Bureau for Latin America and the Caribbean should:	
<ul style="list-style-type: none"> (a) correct the accounting treatment of the SIGOB project in consultation with the Office of Financial Resources Management; and (b) build upon the technical knowledge that accumulated over the years within this project and consider creating more permanent support structures either within the Bureau for Development Policy or the Regional Bureau. 	
Management Comments and Action Plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
The Bureau agreed to correct the accounting treatment of the SIGOB project in consultation with the Office of Financial Resource Management and stated that SIGOB was a knowledge project that should be part of the transformation of UNDP into a knowledge-based organization.	

4. United Nations system coordination	Satisfactory
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OAI noted that Latin America is home to one Delivering as One pilot country, Uruguay, and one Delivering as One self-starter country, Suriname. In addition, OAI was informed that the country offices in Venezuela and El Salvador also had voiced interest in becoming Delivering as One self-starters.

OAI reviewed the annual work plans as well as the annual progress reports of the United Nations Development Group for Latin America (UNDG-LAC) and found them to be detailed and sufficient. OAI further reviewed the minutes of the UNDG-LAC meetings, which are held at least three times a year. The minutes are of high quality and sufficiently describe the efforts of the UN system to coordinate its field activities. OAI asked the Regional Director and Chair of UNDG-LAC as well as the UN Resident Coordinator in Uruguay regarding the benefits that have been achieved based on better coordination.

The Regional Director and Chair of UNDG-LAC stated that coordination was time-consuming and costly. However, the coordination efforts raise the profile of the United Nations with donors and other stakeholders. He further added that the benefits of UN coordination can also be seen in terms of reduced transaction cost for the programme country government. In this regard, the Delivering as One pilot country Uruguay was mentioned, where the government counterparts do not have to contact a number of different agencies anymore, but deal with one Resident Coordinator. The Resident Coordinator in Uruguay confirmed the increased efficiency in the UN system's dealings with the national government.

Overall, OAI was satisfied with the Bureau's engagement in UN coordination. OAI suggests that the Bureau consider rolling-out the Delivering as One model to more countries in the region.

5. Country office support and monitoring

Satisfactory

The Bureau's Strategic Monitoring & Support teams have a total of five Programme Officers, each of whom overseeing a country portfolio of five country offices on average.

Based on interviews with Bureau and country office staff as well as the review of the survey data, OAI noted that overall, strategic and operational monitoring of country offices has improved in recent years. This applies particularly to the quality of country programme documents (CPDs), the management of the integrated work plan; the results oriented annual reports (ROARs) as well as other corporate tools. OAI reviewed a sample of the Programme Officers' work in the preparation of CPDs and noted the Bureau's substantial involvement in the CPD preparation processes. OAI further noted that the CPDs have become much more concrete in recent years. Similar improvements were noted regarding the ROARs. OAI sampled the ROAR for a number of countries and noted that the reporting complies with corporate requirements.

Most of the country office managers interviewed confirmed the improvements noted by OAI. However, the perception that the support and monitoring was mainly focused on financial performance was voiced several times. OAI discussed this topic with the Bureau and was told that the focus on financials in 2011 was due to intense pressure arising from the concerns over financial sustainability. OAI further took note that 27 out of 31 country office managers (87 percent) rated their relationship with the respective Programme Officers in the Bureau as "good" or "very good".

OAI also took note of the portfolio management approach the Bureau has taken with regards to the management of the IWP and the ROAR. OAI further took note of the broad involvement of the Programme Officers in other management topics related to their country portfolio. This particularly applied to all office re-alignment processes, which required early involvement at the corporate level.

While OAI found the level of strategic and programmatic monitoring by the Bureau to be generally adequate, it noted that only one of the Programme Officers had visited all the countries assigned to their portfolio in recent years. OAI considers visits to country offices as a crucial element of efficient monitoring.

With regards to operational monitoring, OAI noted that the Bureau frequently reviewed the corporate balanced scorecard for its region and provided extensive day-to-day operational advice to country offices. In addition, OAI noted that the Bureau reviews the detailed financials of each country office normally three times a year. The Bureau also prepared monthly one-pagers, illustrating the main financial performance indicators for each country office.

According to the survey, 71 percent of the country office managers polled considered the quality of the Bureau's operational guidance as either "good" or "excellent". OAI largely concurs with this assessment.

Since no reportable issues were identified, this area was assessed satisfactory.

6. Operations

Partially Satisfactory

OAI reviewed the Bureau's operational management. While the finance functions are largely carried out by the Office of Financial Resources Management, the Bureau manages its human resources as well as a small number of procurement cases. Both were reviewed by OAI. OAI also assessed the Bureau's compliance with the UNDP corporate travel policies and reviewed the Bureau's performance regarding business continuity. At the time of the audit, the Bureau's Operations Unit had five staff members.

6.1 Human resources management

Satisfactory

OAI reviewed five out of eight recruitment processes carried out during the audit period. While recruitment was generally compliant with corporate guidelines, OAI noted a lack of sufficient documentation in some cases. OAI suggests that the Bureau document the reasons for not considering applicants in the online recruitment management system and ensure that the recommendations of the Compliance Review Board are filed together with the recruitment cases.

OAI noted that the Results and Competency Assessments (RCA) for 2011 had not been completed yet, despite of the 31 March deadline, and that the 2012 RCA process had not been started at the time of the audit. OAI recognizes that issues related to the new online RCA system contributed to these delays. At the time of the audit fieldwork, the Bureau of Management was still working on addressing those issues. Nevertheless, OAI urges the Bureau to strive to complete the 2011 RCA and the 2012 processes as quickly as possible.

OAI also reviewed the Bureau's approach to learning and training. A diverse Learning Committee was established at the Bureau and OAI recognized the enthusiastic approach the team was taking towards its task. While the budget for learning activities was limited, OAI acknowledged the activities of the Learning Committee, e.g. in managing the relationship with the Learning Resource Centre. OAI also noted the improved compliance with UNDP's mandatory training with an overall completion rate of about 85 percent.

Human resources management at the Bureau was therefore rated satisfactory.

6.2 Procurement

Partially Satisfactory

The Bureau's procurement volume in 2010 and 2011 totaled \$531,000. OAI reviewed a sample of 26 purchase orders in the amount of \$200,000, which represented approximately 40 percent of the procurement volume. Eleven out of these 26 purchase orders were related to the engagement of consultants.

Issue 4 Shortfalls in the engagement of consultants

Pursuant to the POPP, consultants are hired for a defined period of time to undertake a specific assignment. The overall authority for the issuance and administration of individual contract has been delegated to the Bureau Director for contracts valued up to \$100,000. This amount includes all other payments disbursed in addition to professional fees (e.g., living allowances, travel costs, incidentals,) over a cumulative period of 12 months counted from the anticipated start date of a new individual contract (IC) or an IC amendment.

Out of the seven cases of consultants tested (for which eleven purchase orders were issued), OAI found three direct contracts not properly justified. In one instance, the terms of reference for the consultancy were geared towards the individual engaged.

Poor selection of consultants may lead to a situation where the best qualified candidates are not selected, or where the service is not effectively and efficiently delivered.

Priority	Medium (Important)
Recommendation 4:	
The Regional Bureau for Latin America and the Caribbean should improve the selection of consultants towards a more competitive process.	

Management Comments and Action Plan: Agreed Disagreed

The Bureau informed that it would take steps to ensure compliance.

6.3 Travel

Partially Satisfactory

During the audit period, the Bureau spent approximately \$1 million for travel. OAI reviewed a judgmental sample of 24 trips. In two cases, no travel claims were submitted; in three other cases, travel claims were submitted late; in five cases, the calculation of Daily Subsistence Allowance was unclear or essential information was missing.

OAI urges the Bureau to comply with corporate travel policies, enforcing the submission of travel claims and improving documentation.

6.4 Business Continuity

Partially Satisfactory

OAI reviewed the Bureau's Business Continuity Plan and noted that it had not been updated since 2008 to reflect changes in staff. In addition, a remote location had not been included in the plan, four years after the issuance of the first version. OAI also noted that a recent test of the Business Continuity Plan had not been documented.

OAI advised the Bureau to finalize its Business Continuity Plan, test it periodically and adequately document the tests. OAI noted that the Bureau was working to address the issue and therefore rated this area partially satisfactory.

ANNEX I. Definitions of audit terms - Ratings and Priorities

A. AUDIT RATINGS

In providing the auditors' assessment, the Internal Audit Services of UNDP, UNFPA, UNICEF, and WFP use the following harmonized audit rating definitions. UNDP/OAI assesses the country office or audited HQ unit as a whole as well as the specific audit areas within the country office/HQ unit.

- **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. *(While all UNDP offices strive at continuously enhancing their controls, governance and risk management, it is expected that this top rating will only be achieved by a limited number of business units.)*
- **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. *(A partially satisfactory rating describes an overall acceptable situation with a need for improvement in specific areas. It is expected that the majority of business units will fall into this rating category.)*
- **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. *(Given the environment UNDP operates in, it is unavoidable that a small number of business units with serious challenges will fall into this category.)*

B. PRIORITIES OF AUDIT RECOMMENDATIONS

The audit recommendations are categorized according to priority, as a further guide to UNDP management in addressing the issues. The following categories are used:

- **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 and may affect the organization at the global level.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to significant 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.