

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

THE UNITED NATIONS DEVELOPMENT OPERATIONS COORDINATION OFFICE

Report No. 1091

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Report on the audit of the Development Operations Coordination Office Executive Summary

From 12 November to 5 December 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the United Nations Development Operations Coordination Office (DOCO). The audit covered the activities of DOCO during the period from 1 January 2011 to 30 September 2012. During the period reviewed, DOCO recorded programme and management expenditures totalling \$20.5 million.

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 the conclusions and audit results.

Audit rating

OAI assessed DOCO as **partially satisfactory**, which means “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.” This rating was mainly due to an imbalance of funding, staffing and functions, impacting on the delivery of results. Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				
1.1 Financial sustainability	Unsatisfactory			
1.2 Organizational structure, staffing and delegations of authority	Unsatisfactory			
2. Support to interagency bodies and processes				
2.1 Support to the undg and Regional undg Teams	Satisfactory			
2.2 Support to undg Working Mechanisms	Partially Satisfactory			
3. Management and Accountability System				
4. Country and regional support				
5. Knowledge management				
6. Operations				
6.1 Fund arrangements and modalities	Partially Satisfactory			
6.2 Contribution management	Satisfactory			
6.3 Consultant management	Satisfactory			

Key issues and recommendations

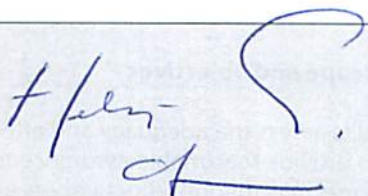
The audit raised 12 issues and resulted in 12 recommendations, of which two (17 percent) were ranked high (critical) priority, meaning “Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP and may affect the organization at the global level.”

Among the 12 issues raised, one was noted to be caused by factors beyond the control of DOCO (Issue 1), leading to other issues being partially beyond the control of DOCO (Issues 2, 5, 7, 8 and 9). There were also two issues requiring action by the Office of Financial Resources Management (Issues 11 and 12, referred to as “corporate issues”). The following issues are critical and prompt action is required to ensure that UNDP is not exposed to high risks.

Governance and strategic management (Issue 1)	<u>Inadequate funding arrangements.</u> In 2010, donors decided to cease funding UN coordination starting in 2014 with the expectation that UNDG would absorb these costs into their annual budgets. However, at the time of the audit a definitive funding mechanism had not been agreed upon by UNDG member organizations, putting the sustainability of the work of DOCO at risk. As the issue is beyond the control of DOCO and subject to agreement at the UNDG level and the agencies’ governing body, OAI has not issued a recommendation but will remain apprised of the matter which it considers critical to the success of UN coordination and to the effectiveness of DOCO.
Organizational structure, staffing and delegations of authority (Issue 2)	<u>Staffing resources not commensurate with DOCO functions and expected deliverables.</u> Due to funding constraints, DOCO staffing was scaled down. DOCO maintained the same responsibilities with 25 percent less staff. OAI recommends that DOCO: (a) includes in its work plan a presentation of the resources (especially human resources) necessary in order to deliver planned activities and outputs, as well as presentation of the actual resources available; (b) develops baselines and indicators to allow for monitoring of results achieved; and (c) obtains the endorsement of the UNDG Chair for the detailed work plan.
Country and regional support (Issue 7)	<u>Lack of clarity in the distribution of UN Country Team support functions and responsibilities.</u> The distribution of responsibilities or interaction between the regional UNDG team and DOCO is still not clear in practice, especially with insufficient resources at both levels. As the issue is beyond the control of DOCO, and closely linked to Issue 1 above, OAI has not raised a recommendation.
(Issue 8)	<u>Inadequate resources and capacities to support UN Country Teams.</u> Support to UN Country Teams in the development of UN Development Assistance Frameworks and for Delivering as One countries has been insufficient. OAI recommends that DOCO convey to UNDG the need to prioritize the support provided to Delivering as One countries by: (a) ensuring key guidance for monitoring and evaluation of Delivering as One is provided to the Delivering as One pilot and self-starter countries; (b) strengthening its support beyond policy directives into operational support for implementing these policies/guidelines, especially on the UN Development Assistance Plan and monitoring and evaluation; and (c) sharing of experiences at the country level and at higher-level forum to influence appropriate policy decisions.

Management comments and action plan

The Directors of the United Nations Development Operations Coordination Office and the UNDP Office of Financial Resources Management of the Bureau of Management accepted all the recommendations and are in the process of implementing them.

A handwritten signature in blue ink, which appears to read 'Helge S. Osttveiten', is positioned above the printed name. The signature is enclosed within a rectangular box.

Helge S. Osttveiten
Director
Office of Audit and Investigations