

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNITED NATIONS OFFICE FOR SOUTH-SOUTH COOPERATION

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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 (the Office) from 9 to 25 November 2015. 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 (mandate, organizational structure, delegation of authority, staff surveys, strategy and annual work plans, inter-agency activities, risk management, annual reports and results-based management);
- (b) Programme and Project Activities (programme thematic areas, vetting of donors and contributors, resource mobilization and strategy, management of contributions, project evaluation, project financial monitoring and project appraisal, approval and monitoring); and
- (c) Operations (human resources, procurement, travel, finance).

The audit covered the activities of the Office from 1 January 2013 to 31 October 2015. During this period the Office recorded programme and management expenses of approximately \$26.2 million. The last audit of the Office was conducted by OAI in 2010. OAI coordinated its work with the Internal Audit and Investigations Group of the United Nations Office of Project Services (UNOPS) and was given the opportunity to consult some of the documentation pertaining to the Office and held by UNOPS. The audit was performed following a request by the present Director of the Office.

At the beginning of the audit, OAI contacted by e-mail the former Director (currently retired), to seek his views and perspective about the Office and its activities, however there was no response.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **unsatisfactory**, which means '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'. This rating was mainly due to weaknesses identified in the areas of organizational structure and strategic management, partnerships and resource mobilization, programme and project activities, as well as operations, mainly in the administration of human resources and travel.

Key recommendations: Total = 16, high priority = 9

The 16 recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1 3, 4	High Medium
Reliability and integrity of financial and operational information	6 15, 16	High Medium
Effectiveness and efficiency of operations	2, 7, 11, 14 9, 10, 15	High Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	5, 8, 12 13	High Medium

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. All high (critical) priority recommendations are presented below:

Unclear accountability and reporting lines (Issue 1)

The Office is defined in its mandate as "a separate entity hosted by UNDP" which, in the absence of further details, raises questions about its overall accountability and reporting lines. The Office's activities are guided by decisions taken by the High Level Committee for South-South Cooperation and, to some extent, the Group of 77. Furthermore, the Office operates under UNDP regulations, rules and procedures and its activities are included in the UNDP annual financial statements. Consequently, UNDP is directly exposed to the risks entailed by poor decision making by the Office without however having a level of authority that would allow it to mitigate these risks.

Recommendation: The Office should work with UNDP and other partners on clarifying its accountability and reporting lines and on documenting the same for future reference. In this respect, the signature of a compact between the Office and UNDP would be worth considering while taking into account the legislative mandate.

Inadequate organizational structure and personnel arrangements (Issue 2)

The review of the Office staffing and organizational structure raised a number of shortcomings: (a) an unclear business rationale for the Office structure; (b) an inadequate personnel arrangement; and (c) a high share of personnel at senior level positions.

Recommendation: The Office should perform a comprehensive review of its organisational structure, staffing and the contractual arrangements of its personnel with a view to achieving a more streamlined and clearer distribution of functions and duties as well as enhancing effectiveness of operations.

Corporate Issue¹: Risk assessment tool not covering assessment of private non-profit organizations and 'UNDP Programme and

The Policy, the 'Risk Assessment Tool' template and the respective guidelines only relate to the private sector that includes corporate foundations. They do not cover non-profit organisations, individuals and other entities, which can also be private entities. The existing policies and tools do not clearly address these types of entities in a comprehensive manner.

¹ "Corporate issue" means action is required by a headquarters' bureau.

Operations Policies and Procedures' not updated (Issue 5)	<u>Recommendation:</u> The Bureau for Policy and Programme Support should enhance the assessment of private non-profit organizations by: (a) updating the 'Risk Assessment Tool' and related guidance documents and/or as warranted, developing a policy, tool and guidelines tailored to cover non-profit organizations, non-governmental organizations, civil societies, high net worth individuals etc.; and (b) clarifying the entities that are covered under the term private sector.
Concerns regarding contributions from a donor (Issue 6)	<p>In May 2015, the Office received a contribution of \$1.5 million. Shortly after, the Chairman of the donor was charged by the United States Federal authorities. The donor's risk assessment performed by the Office at the time of receiving the \$1.5 million contribution was ineffective. Further, the recording of the contribution and related costs was not adequate, as these were recorded under three different non-related projects. At the time of the audit fieldwork, there was an unspent balance of \$1.1 million and only part of the expenditure had been reversed to the correct account codes. Further, and in view of the charges raised by the United States authorities, the Office of Financial Resources Management put in place an administrative protocol which included instructing the Office to put on hold any transaction pertaining to this contribution pending the outcome of this audit.</p> <p><u>Recommendation:</u> The Office should address the identified weaknesses with respect to the donor contribution by: (a) reversing any outstanding amounts to the correct project and donor codes in line with the administrative protocol agreed with the Office of Financial Resources Management; and (b) agreeing with the Bureau for Management Services on an appropriate action with regards to the unspent balance of the donor's contribution.</p>
Absence of an overall programme and project management and supervision (Issue 7)	<p>At the time of the audit, there was no staff member with an overall understanding and knowledge of the Office's project portfolio. The audit was not successful in contacting the former Director and could not determine whether this overall picture was only held at his level.</p> <p><u>Recommendation:</u> The Office should assign at least one staff in the management team, other than the Director, to look after the overall management and supervision of its project portfolio.</p>
Corporate issue: Concerns regarding secondments of staff followed by upgrades of posts and levels (Issue 11)	<p>There were two cases of secondments of staff from UNDP to the United Nations Office for Project Services that were followed by an upgrade by one level of the posts and then of the level of the staff encumbering the posts. The two cases raised questions about the rationale behind the secondments, as well as concerns about ineffective scrutiny exercised by the UNDP Office of Human Resources.</p> <p><u>Recommendation:</u> The Office of Human Resources should review and strengthen its processes for handling the secondment of staff to other entities and should exercise greater scrutiny over such administrative arrangement for the purpose of maintaining a proper alignment with its intended objective.</p>

Weaknesses within
human resources
administration
(Issue 12)

The audit noted several weaknesses in the management of human resources, mainly: (a) As a result of marginalization, the Deputy Director was not performing the duties for which she was appointed for; (b) inconsistencies in the job titles between the organization chart, job descriptions and job classifications; (c) performance appraisals not completed; and (d) weaknesses in leave and attendance management.

Recommendation: The Office should improve its administration of human resources by: (a) adequately aligning the actual functions performed with job titles and job descriptions and maintaining an up-to-date organization chart; (b) performing effective recruitment that is in compliance with UNDP policies and procedures and properly documenting related processes in human resources files; (c) completing all performance appraisals within established timeframes; and (d) maintaining proper and complete attendance and leave records for all staff.

Weaknesses within
travel management
(Issue 14)

A number of shortcomings were noted by the audit in the management of travel, mainly: (a) travel undertaken without authorization; (b) issuance of tickets too close to the travel dates; and (c) charges for multi-purpose missions not apportioned to the appropriate accounts/projects.

Recommendation: The Office should improve its travel management by: (a) properly obtaining and documenting the approval of all travel; be it by staff members, consultants or the Director; (b) properly planning for mission travel so that tickets for air travel can be purchased at least 21 days before the travel is to be undertaken; (c) increasing the reliance on technology to reduce travel costs in general, specifically when it entails a long-haul trip for a visit of a couple of days; and (d) recording travel related expenses in the correct project(s), especially in the case of multi-purpose mission travel.

Management comments and action plan

The Office Director, the Office of Human Resources, and the Bureau for Policy and Programme Support accepted all of the recommendations and are in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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