



## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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### **Audit of OCHA's Regional Office for Latin America and the Caribbean (ROLAC)**

**Overall results relating to ROLAC's governance, risk management and control processes were initially assessed as partially satisfactory. Management has initiated necessary steps to address the identified issues.**

**FINAL OVERALL RATING: PARTIALLY SATISFACTORY**

**2 May 2012  
Assignment No. AN2011/590/03**

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# AUDIT REPORT

## Audit of OCHA's Regional Office for Latin America and the Caribbean (ROLAC)

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of OCHA's Regional Office for Latin America and the Caribbean (ROLAC).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations, and rules.
3. As one of OCHA's five regional offices, ROLAC is responsible for carrying out OCHA's five core functions: (a) information management; (b) policy development; (c) coordination; (d) advocacy; and (e) humanitarian financing within the following three priority areas:
  - (i) response preparedness, including early warning and contingency planning;
  - (ii) support to emergency response; and
  - (iii) the development of regional coordination networks.
4. Comments provided by OCHA and ROLAC are incorporated in *italics*. OIOS acknowledges the action initiated by each to implement the recommendations made in this report and looks forward to receiving further updates on the status of their implementation.

### II. OBJECTIVE AND SCOPE

5. The audit of ROLAC was conducted to assess the adequacy and effectiveness of ROLAC's governance, risk management and control processes in providing reasonable assurance regarding the **effective management of regional activities**.
6. The audit was selected based on an OIOS assessment of risks in OCHA which identified establishment of coordination mechanism and information network at the regional level as high risks in preparedness and emergency response to disasters. The audit was also requested by OCHA Headquarters.
7. The key controls tested for the audit were: (a) risk management and strategic planning; (b) coordinated management mechanisms; (c) fund-raising capability; and (d) delegation of authority system. For the purpose of this audit, OIOS defined these key controls as follows:
  - (a) **Risk management and strategic planning** - controls that provide reasonable assurance that risks relating to ROLAC operations are identified and assessed, and that action is taken to mitigate or anticipate risks.
  - (b) **Coordinated management mechanisms** - controls that provide reasonable assurance that a coordinated mechanism exists enabling the humanitarian partners to seek synergies of the funding and activities while ensuring that the beneficiaries are provided assistance in an effective and efficient manner, in accordance with OCHA policies and procedures.

(c) **Fund-raising capability** - controls that provide reasonable assurance that fund-raising activities are conducted in accordance with OCHA policies to finance established humanitarian assistance needs in ROLAC.

(d) **Delegation of authority system** - controls that provide reasonable assurance that authority for ROLAC operations and the management of its staff and other resources have been properly delegated and that the delegation of authority is exercised in accordance with relevant regulations and rules.

8. The key controls were assessed for the control objectives shown in Table 1 below. Certain control objectives (shown in Table 1 of the Assessment of key controls table as “Not assessed”) were not relevant to the scope defined for this audit.

9. OIOS conducted this audit from 20 to 30 November 2011. The audit covered the period from 1 January 2010 to 30 November 2011.

10. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

### III. AUDIT RESULTS

11. ROLAC’s governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of regional activities**. OIOS made four recommendations to address issues identified in this audit. Generally, UN Resident Coordinators in the Latin America and Caribbean region perceived that ROLAC was effective. However, OCHA’s use of National Disaster Response Advisors (NDRA) required a review to determine their sustainability. ROLAC needed to establish a fund-raising strategy to generate funds for its operations and support. It also needed to establish an offsite back up for its electronic databases. It was unclear whether ROLAC has the authority to grant performance bonus to its local service contract staff.

12. The initial overall rating of partially satisfactory was based on the assessment of key controls presented in Table 1 below. The final overall rating is partially satisfactory as implementation of four important recommendations remains in progress.

**Table 1: Assessment of key controls**

	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
<b>Effective management of regional activities</b>	(a) Risk management and strategic planning	Partially satisfactory	Partially satisfactory	Not assessed	Not assessed
	(b) Coordinated management mechanisms	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(c) Fund-raising capability	Partially satisfactory	Not assessed	Not assessed	Not assessed
	(d) Delegation of authority system	Satisfactory	Not assessed	Not assessed	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

## **A. Risk management and strategic planning**

Risk management framework needs strengthening

13. As shown in Table 2 below, ROLAC identified the key risks and planned actions in its 2011 work plan.

**Table 2: ROLAC's key risks and planned action**

<b>Anticipated Risks</b>	<b>Planned Mitigation Action</b>
Donor contributions are low and/or no confidence to governance change	-Increase advocacy towards countries of concern, including systematic outreach to new governments on international tools and structures at their disposal. -Continue the work with sub-regional disaster management organizations.
Financial constraints	-Embark on a systematic resource mobilization campaign towards donors, both traditional and new. -Identify core activities and ensure their adequate financing/fire-walling.
Lack of efficient management impacting regional operations	-Have a clear understanding of the mandate of Regional Offices and identify core activities in discussion with concerned HQ branches. -Strengthen the role of CRD in facilitation linkages between the Regional Office and different branches and units at HQ level, and ensure coordination of all OCHA activities undertaken in Latin America and the Caribbean.
Occurrence of a major disaster overstressing OCHA ROLAC's resources	-Maintain adequate minimum staffing in all ROLAC units during a major disaster to ensure operational capacity to respond to other emergencies in the region through staff training and readiness.
Lack of partner's engagement	-Development of user-friendly high-quality advocacy material on OCHA's mandate, tools and services. -Identify key actions' expectations of OCHA and use results as a baseline to identify ROLAC core activities.

14. These risks were, however, not systematically tracked at OCHA Headquarters to determine the effectiveness of ROLAC's actions taken to mitigate these risks. There was also no process to update the work plan or the risk register to include emerging risks that might be critical to ROLAC.

15. Furthermore, the Department of Management has piloted enterprise risk management (ERM) in the Secretariat, and OCHA was a part of this pilot. The ERM exercise identified inter-agency cooperation, trust fund management, leadership and accountability among OCHA's risks. The ERM report was communicated to ROLAC in September 2011; however, it was not clear how the risks identified at the OCHA level would link with the ROLAC work plan.

16. *OCHA stated that once its forthcoming ERM policy is in place, ROLAC will be expected – as all other Regional Offices – to ensure its risk management approach is aligned with OCHA's overarching framework.* OIOS will follow up on this issue in its future audits of OCHA.

## **B. Coordinated management mechanisms**

### ST/SGB for OCHA was outdated as it did not reflect regional responsibilities

17. The Secretary-General's bulletin on OCHA (ST/SGB/1999/8) does not specify the coordination roles and responsibilities of OCHA regional offices. Coordination is OCHA's core function and it is a priority area of OCHA regional offices, as detailed in OCHA policy instruction. Under these arrangements, the regional offices have reporting lines only to OCHA's Coordination and Response Division (CRD) in New York. However, OCHA supported its regional and country offices from Geneva and this relationship between ROLAC and OCHA Geneva was not specified in the OCHA organizational structure.

18. *OCHA advised OIOS that the roles and responsibilities of its regional offices were clarified through a consultative process led by its Assistant Secretary-General starting in September 2011. This resulted in a detailed note to the Senior Management Team that was discussed on 11 January 2012 and was generally supported. This note would form the basis of a Policy Instruction on OCHA's field presences to further clarify respective roles and responsibilities. Furthermore, the Inspection and Evaluation Division, OIOS, was in the process of conducting a full evaluation of OCHA, including all of its functions and office structure, and OCHA would revise the ST/SGB/1999/8 following this process.*

### Use of NDRAs required a review to determine sustainability

19. OCHA had been using NDRAs in Latin America and the Caribbean region since 2006. Their purpose was to stay in a country for a definite period to build capacity of the national authorities on disaster-preparedness and emergency response. In that capacity, they also assisted and advised the country Humanitarian Coordinators on disaster response and emergency preparedness.

20. However, national authorities' personnel responsible for disaster preparedness and emergency response were often replaced following change in government after election. This created a need for the NDRA to stay and train new national authorities' personnel. Therefore, a review of the NDRA model to build capacity of the national authorities on disaster-preparedness and emergency response was necessary to assess its effectiveness and sustainability.

<p><b>(1) OCHA should undertake a study of the use of National Disaster Response Advisors to determine their sustainability as a regional model in building the capacity of the national authorities on disaster-preparedness and emergency response.</b></p>
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*OCHA accepted recommendation 1 and stated that in 2012, it would conduct an independent evaluation of its role and activities in emergency preparedness. It would focus on OCHA regional offices, given that preparedness activities account for a large part of their work. The evaluation might also examine the particular emergency response preparedness mechanisms employed by ROLAC. In addition, ROLAC has included a review of the NDRA in its 2012-2013 performance framework. The NDRA model would be clarified as part of the effort to define roles and responsibilities of regional offices. Recommendation 1 remains open pending receipt of an evaluation report determining the sustainability of NDRA as a regional model.*

ROLAC needed guidelines to monitor performance of NDRAs and National Information Assistants (NIA)

21. ROLAC's authorized staffing table included seven NDRAs and nine NIAs. While NDRAs are national professional officers, NIAs are general service national staff. NDRAs worked from the Office of the UN Resident Coordinators and NIAs were attached to the offices of the national authorities responsible for disaster-preparedness and emergency response in each country. The UN Resident Coordinators served as first reporting officers for NDRAs while the Head of ROLAC served as their second reporting officer. For the NIAs, ROLAC was exploring the possibility of an official from the Office of the UN Resident Coordinator to serve as the first reporting officer, while OCHA ROLAC would serve as the second reporting officer.

22. The NDRAs and NIAs served in 12 countries. Establishing procedures for monitoring their performance requires consultation with 12 UN Resident Coordinators and nine national authorities responsible for disaster-preparedness and emergency response in the country. Performance monitoring guidelines and periodic reporting mechanisms were also necessary between UN Resident Coordinators and ROLAC, and between ROLAC and the national authorities concerned.

23. *OCHA advised that managing staff performance outside of Panama is a component of the 2012-2013 regional office performance framework. Starting in April 2012, INSPIRA would be the standard performance evaluation system for NDRAs (barring any further technical setbacks). Humanitarian information officers within the Humanitarian Information Network for Latin America and the Caribbean (Redhum.org) would continue with service contract evaluations, using the standard UNDP format, until OCHA's strategy on national staff is fully developed.*

2010-2011 e-PAS reports were pending for most ROLAC staff

24. ROLAC did not have an overall completion status of the 2010/2011 e-PAS exercise. Of the 33 staff, 16 are located outside Panama. For the remaining Panama-based staff, the e-PAS reports for at least nine staff were incomplete due to INSPIRA-related technical problems.

25. The seven NDRAs based outside of Panama had no access to INSPIRA to initiate their e-PAS, and as a result their 2010-2011 e-PAS were not complete. Although ROLAC had made numerous efforts to resolve the matter, problems continued to persist.

26. *ROLAC advised that in the event that INSPIRA problems persist beyond the first quarter of 2012, the evaluation process would be completed outside the electronic platform in accordance with the Administrative instruction on Performance Management and Development System (ST/AI/2010/5).*

#### Lack of offsite back up for electronic databases

27. ROLAC maintained three servers on its premises for Shared Folders, Microsoft Sharepoint and Lotus Notes. The other two servers for Redhum databases were located in a partner's premises. However, backup tapes and backup memory sticks were kept within the ROLAC premises instead of retaining them in an off-site location.

**(2) ROLAC should make arrangements for offsite backup of its databases without delay to ensure that its databases could be retrieved when necessary.**

*ROLAC accepted recommendation 3 stating that the recommendation would be implemented by 31 July 2012. Recommendation 2 remains open pending receipt of evidence that ROLAC's database backup is maintained at an offsite location.*

### **C. Fund-raising capability**

#### Lack of a fund-raising strategy

28. ROLAC's annual budget of about \$4 million was paid entirely through extrabudgetary funds. While ROLAC identified financial constraints as a risk in its 2011 work plan, it had not developed a fund-raising strategy and did not use the four donor meetings in Argentina, Guatemala, Ecuador and Panama for this purpose.

**(3) ROLAC should develop a fund-raising strategy to generate funds for its operations and support.**

*ROLAC accepted recommendation 3 and stated that there was a need for improvement of its fund-raising efforts. Accordingly, a donor meeting was to be held in Panama in February 2012, and discussions were undertaken jointly with the Coordination and Response Division and the Donor Relations Section to agree on fund-raising priorities and responsibilities within OCHA. Recommendation 3 remains open pending receipt of a copy of ROLAC's fund-raising strategy.*

### **D. Delegation of authority**

#### The authority and eligibility of performance bonus required clarification

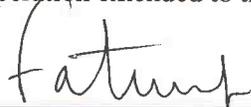
29. In accordance with the United Nations Development Programme (UNDP) human resources management policy, staff under service contracts meeting the performance criteria are paid a performance bonus ranging between 1 per cent and 3 per cent of base annual salary. ROLAC had authorized payment of approximately \$2,000 as performance bonuses to five of its local service contracts staff. It was unclear whether ROLAC had the authority to grant performance bonus to its local service contract staff.

**(4) OCHA should obtain clarification on the policy regarding the eligibility of a performance bonus for its staff under service contracts.**

*OCHA accepted recommendation 4 and stated that it would seek clarification from UNDP during the first quarter of 2012 regarding the eligibility of locally-recruited OCHA field staff holding UNDP-administered service contracts to receive performance bonuses. OCHA would work with UNDP to ensure uniform implementation of the outcome of these consultations across OCHA's field offices. Recommendation 4 remains open pending receipt of the policy clarifying the eligibility of a performance bonus for OCHA staff under service contracts.*

#### **IV. ACKNOWLEDGEMENT**

30. OIOS wishes to express its appreciation to the Management and staff of OCHA ROLAC for the assistance and cooperation extended to the auditors during this assignment.



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## STATUS OF AUDIT RECOMMENDATIONS

## Audit of OCHA's Regional Office for Latin America and the Caribbean (ROLAC)

Recom. no.	Recommendation	Critical / important <sup>2</sup>	C/O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	OCHA should undertake a study of the use of National Disaster Response Advisors to determine their sustainability as a regional model in building the capacity of the national authorities on disaster-preparedness and emergency response.	Important	O	Receipt of an evaluation report determining the sustainability of NDRA as a regional model.	30 April 2013
2	ROLAC should make arrangements for offsite backup of its databases without delay to ensure that its databases could be retrieved when necessary.	Important	O	Receipt of evidence that ROLAC's database backup is maintained in an offsite location.	31 July 2012
3	ROLAC should develop a fund-raising strategy to generate funds for its operations and support.	Important	O	Receipt of a copy of ROLAC's fund-raising strategy.	31 December 2012
4	OCHA should obtain clarification on the policy regarding the eligibility of a performance bonus for its staff under service contracts.	Important	O	Receipt of the policy clarifying the eligibility of a performance bonus for OCHA staff under service contracts.	2 <sup>nd</sup> Qtr., 2012

1 Critical recommendations address significant and/or pervasive deficiency or weakness in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

2 Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

3 C = closed, O = open

4 Date provided by OCHA in response to recommendations.