



INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of UNODC operations in Colombia

Overall results relating to the management of the UNODC operations in Colombia were initially assessed as partially satisfactory. Implementation of two important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY
SATISFACTORY

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AUDIT REPORT

Audit of UNODC operations in Colombia

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the operations of the United Nations Office on Drugs and Crime (UNODC) in Colombia.
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. Over the past ten years, Colombia's battle against drugs and crime has been intense and very costly in both human and financial terms, although it has had some success. In 2000, Colombia accounted for 75 per cent of world cocaine production (695 metric tons). Today, cocaine production is about half that size.
4. The UNODC Country Office in Colombia (COCOL), originally a regional office but designated country office in 2003, coordinates with the Government of Colombia and civil society in relation to:
 - The generation of knowledge on the nature, scope and trends of the problem of drugs and crime;
 - Provision of technical advice for the implementation of international conventions on the subject;
 - Orientation on national policies and strategies in the fight against drugs and crime; and
 - The development of specific national capacities to prevent production, trafficking and drug abuse, as well as other manifestations of organized transnational crime.
5. The programme portfolio of COCOL for the period 2009-2012 is around \$200 million. COCOL, located in Bogota, is composed of 374 staff members and is headed by a Country Representative at the D-1 level.
6. Comments provided by UNODC are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of UNODC's governance, risk management and control processes in providing reasonable assurance regarding the **effective management of the COCOL operations**.
8. The audit was included in the 2011 internal audit work plan for UNODC, as Colombia was identified as one of the highest profile operations of UNODC.
9. The key controls tested for the audit were: (a) strategic planning and risk management; (b) performance monitoring; (c) project management; (d) regulatory framework; and (e) staff safety and security. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Strategic planning and risk management** - controls that provide reasonable assurance that an effective strategy has been established, with related risk management mechanisms, to ensure UNODC effectively partners with other actors in the region and focuses on areas where it has comparative advantage.

(b) **Performance monitoring** - controls that provide reasonable assurance that metrics are: (i) established and appropriate to enable measurement of the efficiency and effectiveness of operations; (ii) prepared in compliance with rules and are properly reported on; and (iii) used to manage operations appropriately.

(c) **Project management** - controls that provide reasonable assurance that projects are adequately managed and project objectives are achieved in an efficient and effective manner, in accordance with relevant policies and guidelines.

(d) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the administrative operations covered by the audit, including financial management, property and inventory management, procurement, and human resources management; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

(e) **Staff safety and security** - controls that provide reasonable assurance that the operation can withstand crises and minimize the exposure of staff and assets to safety and security risks and threats.

10. The key controls were assessed for the control objectives shown in Table 1.

11. OIOS conducted this audit from May to August 2011. The audit covered the period from 1 January 2009 to 31 March 2011.

12. 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

13. UNODC's governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of the COCOL operations**. OIOS made two recommendations to address the issues identified in the audit.

14. The COCOL country programme was in accordance with the medium-term strategy of UNODC and represented an expression of the needs of the Government of Colombia. Project activities were monitored satisfactorily by COCOL and the project management arrangements were adequate in design and complied with. COCOL had centralized its operations support, finance, human resources management, procurement and information technology functions of projects, thereby increasing the effectiveness of the internal control systems and achieving cost-efficiencies. COCOL had also implemented adequate controls and mechanisms to minimize the exposures of staff and assets to safety and security risks and threats, ensured compliance with Minimum Operational Security Standards, and effectively coordinated on security matters with the designated official and the United Nations security management team. However, there was a need to prepare the strategic country programme for COCOL

within the context of the UNODC country/regional programme approach and as required by the UNODC Programme and Operations Manual. *COCOL* stated that the first draft country programme had been prepared and officially submitted to the Government of Colombia for comments and is expected to be signed in February 2013. In addition, there was a need for UNODC Headquarters to strengthen controls to ensure that staffing proposals in field offices are in line with UNDP rules. *UNODC* was finalizing instructions to field representatives to remind them of their responsibility to certify that project staffing proposals have been discussed with the local UNDP office and are in line with UNDP rules.

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

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of the operations	(a) Strategic planning and risk management	Partially satisfactory	Satisfactory	Satisfactory	Partially satisfactory
	(b) Performance monitoring	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(c) Project management	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(d) Regulatory framework	Partially satisfactory	Satisfactory	Satisfactory	Partially satisfactory
	(e) Staff safety and security	Satisfactory	Satisfactory	Satisfactory	Satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Strategic planning and risk management

COCOL's country programme had not been prepared within the context of the country/regional programme approach of UNODC

16. The COCOL programme of work was in accordance with the medium-term strategy of UNODC and represented an expression of the needs of the Government of Colombia as outlined in the "Cooperation Framework between Colombia and UNODC for 2009-2012". However, whereas the UNODC Programme and Operations Manual specifies that information requirements for a strategic programme framework be prepared in the context of the country/regional programme approach, a country programme had not been prepared for COCOL. A country programme reduces the risk of duplication of effort with counterparts and gaps in identified needs that could negatively impact achievement of COCOL's objectives.

(1) The UNODC country office in Colombia should prepare its future country programmes in accordance with the requirements of the UNODC Programme and Operations Manual for a strategic programme framework, within the context of the country/regional programme approach.

The UNODC country office in Colombia accepted recommendation 1 and stated that the first draft UNODC programme framework was prepared and officially submitted to the Government of Colombia (GOC) for comments in April 2012. The GOC (Ministry of Foreign Affairs) then informed UNODC that the draft country programme (CP) would be sent to all relevant ministries for inter-institutional consultations and follow-up meetings with UNODC that would lead to the finalization of the draft. The target date for such consultations was June/July 2012, with CP launch expected in August 2012. However, the process of consultation driven by GOC experienced delays and did not take place as scheduled. The delays were completely beyond the control of UNODC. In late September 2012, a meeting between GOC and the UNODC Representative, COCOL took place and both committed to finalizing the CP in the coming months. The CP is also intended as a UNODC/Colombia “Framework for Cooperation 2013-2014”. The GOC has specifically informed COCOL that they expect to sign the CP with UNODC in February 2013. Recommendation 1 remains open pending receipt of the approved Country Programme.

B. Performance monitoring

Project activities were monitored satisfactorily by COCOL

17. For all projects examined during the audit, COCOL had monitored and reported on each objective, indicator and activity in a comprehensive manner, both in financial and substantive terms.

C. Project management

Controls over project management were adequate

18. The organizational structure supported accountability in projects through segregation of duties. Implementing methodologies were developed in consultation with the Government of Colombia and, in the case of alternative development projects, in consultation with other stakeholders such as private enterprises and beneficiaries. The implementation of all projects was under the direct supervision of the Representative, reported on and monitored by the Government of Colombia on a monthly basis. Expenditures incurred by UNODC were regularly checked and verified by the COCOL Finance Section. COCOL also established satisfactory internal controls over legal requirements to establish Memorandums of Agreement with partners.

D. Regulatory framework

Project support functions had been centralized to achieve cost-efficiencies

19. COCOL had centralized its operations support, finance, human resources management, procurement and information technology functions of projects, thereby increasing the effectiveness of the internal control systems in protecting assets and resources and achieving cost-efficiencies and better planning and monitoring of project delivery.

Need to strengthen the controls to ensure that staffing proposals are in line with the United Nations Development Programme (UNDP) rules

20. There were 13 administrative positions in COCOL, which were all cost-shared by the projects. Only the Administrative/Finance Associate was on a fixed-term contract. The other twelve positions were held by Service Contract Holders (SCHs). These included Legal Adviser Unit with three staff

members, Human Talent Unit with three staff members, Procurement Unit with three staff members, and Information Technology Unit with three staff members. The service contract is a modality for using UNDP to hire individuals under a non-staff contract which is not covered by UN Staff Regulations and Rules. According to UNDP Service Contract User Guide, the service contract is intended for engaging individuals outside the Headquarters duty stations for non-core support services that would normally be outsourced to a company, i.e. custodial, security and IT service, or for supporting the execution or implementation of individual projects.

21. No documentation was available at COCOL to prove that these SCHs did not have executing powers in undertaking their duties but were serving only in non-core support capacity. In the absence of such documentation, it was not possible to determine whether the use of SCHs in such positions was a departure from UNDP guidance. UNODC clarified that the functional titles of these SCHs did not necessarily represent the actual functions performed by these personnel as the functions did not involve any certifying or approving authorities. Nevertheless, whilst arguing that it was the responsibility of UNDP to determine which type of contract to issue for each given position, UNODC agreed with OIOS that controls needed to be strengthened to ensure that both UNODC Headquarters and the local UNDP office are fully aware of the types of functions to be performed by any given position so that an informed decision can be made on what type of contract to issue in each case. UNODC also agreed that cost-shared administrative support positions should normally be held by personnel on fixed-term contracts.

(2) UNODC should request field office representatives to certify that project staffing proposals have been discussed with the local United Nations Development Programme (UNDP) office and are in line with UNDP rules.

UNODC accepted recommendation 2 and stated that the Division for Management is currently finalizing relevant instructions to UNODC Representatives to remind them of their responsibility to certify that project staffing proposals have been discussed with the local UNDP office and are in line with UNDP rules. A copy of this document will be shared with OIOS in due course. Recommendation 2 remains open pending issuance of the above-mentioned instructions to field office representatives.

E. Staff safety and security

Staff safety and security arrangements were adequate

22. COCOL had implemented adequate controls and mechanisms to minimize the exposures of staff and assets to safety and security risks and threats, ensured compliance with Minimum Operational Security Standards and effectively coordinated on security matters with the Designated Official and United Nations security management team.

IV. ACKNOWLEDGEMENT

23. OIOS wishes to express its appreciation to the Management and staff of UNODC country office in Colombia for the assistance and cooperation extended to the auditors during this assignment.



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STATUS OF AUDIT RECOMMENDATIONS

Audit of UNODC operations in Colombia

Recom. no.	Recommendation	Critical/ ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNODC country office in Colombia should prepare its future country programmes as per the requirements of the UNODC Programme and Operations Manual for a strategic programme framework, within the context of the country/regional programme approach.	Important	O	Submission to OIOS of the approved Country Programme for COCOL	28 February 2013
2	UNODC should request field office representatives to certify that project staffing proposals have been discussed with the local United Nations Development Programme (UNDP) office and are in line with UNDP rules	Important	O	Submission to OIOS of the instructions issued to field office representatives to certify that project staffing proposals have been discussed with the local UNDP office and are in line with UNDP rules	31 December 2012

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses 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 UNODC in response to recommendations