UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

UGANDA

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Report on the audit of UNDP Uganda
Executive Summary

From 6 to 20 March 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Uganda (the Office). The audit covered the activities of the Office during the period from 1 January to 31 December 2012. During the period reviewed, the Office recorded programme and management expenditures totalling $20.8 million. The last audit of the Office was conducted by OAI in 2006.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform 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 the Office 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 the decline in extrabudgetary reserves required to maintain the Office's cost structure, the use of an unapproved Country Programme Document and the delay in programme implementation. 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			X	
1.1 Organizational structure and delegations of authority	Partially Satisfactory			
1.2 Leadership, ethics, and values	Satisfactory			
1.3 Risk management, planning, monitoring, and reporting	Satisfactory			
1.4 Financial sustainability	Partially Satisfactory			
2. United Nations system coordination				X
2.1 Development activities	Satisfactory			
2.2 Resident Coordinator Office	Satisfactory			
2.3 Role of UNDP – "One UN"	Not Applicable			
2.4 Harmonized Approach to Cash Transfers	Satisfactory			
3. Programme activities			X	
3.1 Programme management	Partially Satisfactory			
3.2 Partnerships and resource mobilization	Satisfactory			
3.3 Project management	Partially Satisfactory			
4. Operations			X	

4.1	Human resources	Partially Satisfactory
4.2	Finance	Partially Satisfactory
4.3	Procurement	Satisfactory
4.4	Information and communication technology	Partially Satisfactory
4.5	General administration	Satisfactory
4.6	Safety and security	Not Assessed
4.7	Asset management*	Satisfactory
4.8	Leave management*	Satisfactory
4.9	Global Environment Facility*	Not Applicable

* Cross-cutting themes

Key issues and recommendations

The audit raised five issues and resulted in five recommendations, of which three (60 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."

The high priority recommendations are as follows:

Financial sustainability (Issue 1)	Decline in extrabudgetary reserves. The transformation process resulted in a 113 percent increase in staff costs and 73 percent increase in general operating costs. This was in contrast to an increase in the extrabudgetary income generated of only 37 percent. As a result, the Office's extrabudgetary reserves dropped from 28 months in 2011 to 11 months in 2012. OAI recommends that the Office: (a) establish a strategy to generate additional extrabudgetary income in order to meet all financial obligations; and/or (b) adjust its cost structure with the view of restoring an office structure that is compatible with its resource base and funding environment.
Programme management (Issue 2)	Unapproved Country Programme Documents used for programming. For the first two years of the existing programme cycle, the Office failed to use the Country Programme Document as approved by the Executive Board in January 2010. Instead, the initial version of the Country Programme Document which had been submitted but rejected was mistakenly used for programme implementation and as a basis for formulating the Country Programme Action Plan. OAI recommends that the Office: (a) revise the existing Country Programme Action Plan to align it to the 10 required outcomes; (b) provide adequate supervisory control reviews on key programme documents at the start of the programme cycle in order to ensure that programmes are implemented based on approved Country Programme Documents; and (c) ensure that the Country Programme Action Plan is formulated and aligned to the approved Country Programme Document.
(Issue 3)	Delay in programme implementation and low delivery. The implementation of projects for the 2010-2014 programme cycle was not initiated until late in 2012. Delivery against regular resources in 2010 and 2011 was low at 33 percent and 38 percent, respectively. It was not clear how or if the Office could compensate for the implementation delays before the end of the programme cycle. OAI recommends that the Office seek guidance from the Regional Bureau for Africa to review the Country Programme Document and set targets that can be realistically achieved within the remaining time left in the programme cycle.

Cross-cutting themes

As part of the OAI 2013 Annual Work Plan, all Country Office audits will include specific areas to be reviewed in more depth. Results from all audits will be compiled and analysed at corporate level, and thereafter, a consolidated report will be issued separately. For this particular audit, the following were noted:

- **Asset management**. Satisfactory. No reportable issues noted.
- **Leave management**. Satisfactory. No reportable issues noted.
- **Global Environment Facility.** No reportable issues noted.

Management comments and action plan

The Resident Representative accepted all the five recommendations and is in the process of implementing them.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. Introduction

From 6 to 20 March 2013, OAI conducted an audit of UNDP Uganda. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform 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 scope and objectives

OAI 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 Office: governance and strategic management, United Nations system coordination, programme activities, and operations. The audit covered relevant activities during the period from 1 January to 31 December 2012. During the period reviewed, the Office recorded programme and management expenditures totalling $20.8 million. The last audit of the Office was conducted by OAI in 2006.

II. About the Office

The Office is located in Kampala, Uganda (the Country). With a total staff complement of 43, the Office had a total of 31 active projects with a total programme delivery of $18.2 million in 2012. The Office initiated a reorganization process in 2009 which was only completed in 2012. The delay in the completion of this plan had a negative impact on the Office’s operational capacity and programme delivery. Major donors included Austria, Denmark, European Union, Norway, Sweden and United Kingdom. The Country’s economy is driven by agriculture, which employs 80 percent of the workforce in the Country.

III. Detailed assessment

1. Governance and strategic management — Partially Satisfactory

The Office's senior management consists of the Resident Representative, who is also the Resident Coordinator, the Country Director and the Deputy Country Director for Operations. The Office initiated a transformation process in 2009 in order to align work processes with staff capacity and improve performance. This transformation was approved by the Office of Human Resources. The implementation of this reorganization plan was prolonged and only completed in April 2012.

1.1 Organizational structure and delegations of authority — Partially Satisfactory

OAI reviewed the organization structure, staffing tables, delegation of authority and allocation of Atlas user profiles. The Office had granted Atlas access to United Nations agencies that do not use the Atlas system to enable agency personnel to perform human resource management functions. Access was also granted to independent contractors to enable them to raise requisitions in the Atlas system. This is not in line with organizational policy on granting Atlas user access, which requires the restriction of Atlas access to UNDP staff and designated project personnel for the performance of duties. Granting access to other United Nations agencies and independent contractors may expose confidential organizational data and lead to incorrect or fraudulent transactions.

OAI also noted there were staff members who had both the human resource administrator and global payroll administrator user profiles within Atlas, thus resulting in conflicting duties, insufficient segregation of duties, and contravening the Internal Control Framework.

Management agreed to review the policy of granting access to non-Atlas agencies and contractors by the end of April 2013 and to ensure that staff members are not granted conflicting roles simultaneously. Subsequent to the audit field work, the Office took action by ensuring there were no staff members with both the human resource administrator and global payroll administrator user profiles. While no issue has been raised for this area considering the action taken by management, the rating of partially satisfactory remains due to the risks identified during the period under review.

1.2 Leadership, ethics, and values — Satisfactory

OAI reviewed the results of the Global Staff Survey, minutes of staff meetings, declaration of interest forms signed by staff and completion of the Ethics and Legal Framework Course which is part of mandatory training. The results of the Global Staff Survey exceeded the regional average and all staff involved in procurement activities had signed the required declaration of interest forms. Management informed OAI that the UNDP Ethics Office had conducted an in-house Course on Ethics for all staff in 2012.

1.3 Risk management, planning, monitoring, and reporting — Satisfactory

The Office completed the Integrated Work Plan, Resource Plan and results oriented Annual Report for 2012. At the time of the audit, the Integrated Work Plan for 2013 had been submitted and the Office was awaiting approval. Operational and programmatic risks had been identified and recorded and were being monitored by the respective heads of units. No reportable issues were noted.

1.4 Financial sustainability	Partially Satisfactory

Issue 1 Decline in extrabudgetary reserves

Offices are expected to plan for and generate extrabudgetary income and to ensure that costs incurred do not exceed available resources.

The reorganization process resulted in a 113 percent increase in staff costs and a 73 percent increase in general operating costs. In contrast, total extrabudgetary income generated between 2011 and 2012 had only increased by 37 percent. This resulted in the extrabudgetary deficit surging from $9,000 to $232,000 between 2011 and 2012 and the reserves dropping from 28 months to 11 months for the same period. Extrabudgetary reserves were forecasted at 10 months for 2013 and 2014, which is below the organizational minimum requirement of 12 months.

There is a risk that the Office will not be able to meet its operational expenses in the foreseeable future under the existing cost/income structure.

In response to the draft report, management commented that the decline in financial sustainability was due to the prolonged period for completion of the transformation plan which led to low programme delivery. Further, to generate additional extra budgetary income, the Office, under the revised Country Programme Action Plan, had incorporated a 3 percent support service charge on all project budgets for operational support requested by implementing partners and had streamlined and improved the charging of general management service fees and agency service fees.

Priority	High (Critical)

Recommendation 1:

The Office should:
(a) establish a strategy to generate additional extrabudgetary income in order to meet all financial obligations and/or;
(b) adjust its cost structure with the view of restoring an office structure that is compatible with its resource base and funding environment.

Management Comments: __√__ Agreed ____ Disagreed

The additional information provided by management has been reflected in the observation.

The Office plans to reduce costs by reviewing general operating expenses and determining areas where there is the potential for cost cutting and also implementing a greening policy to save costs on power and fuel.

2. United Nations system coordination — Satisfactory

A more consolidated approach to programme delivery was officially launched in the Country in October 2012 and at the time of the audit efforts were underway to define a United Nations Development Assistance Framework Action Plan. It is expected that the 2015-2019 United Nations Development Assistance Framework Action Plan will be aligned to the Country's national development plan following adjustments to the Government's National Development Plan cycle. There are a total of 15 agencies and programmes that make up the United Nations Country Team. In addition to UNDP, these include IFAD, IMF, OCHA, OHCHR, UNAIDS, UNCDF, UNFPA, UN-HABITAT, UNICEF, UNIDO, UN WOMEN, WFP, WHO and World Bank. At the time of the audit, there were a total of six joint programmes being implemented in the Country.

2.1 Development activities — Satisfactory

The United Nations Development Assistance Framework that covers the period from 2010 to 2014 consists of three outcomes: (a) governance; (b) defence and security; and (c) sustainable livelihoods and social services for the vulnerable. OAI reviewed the quality of the United Nations Development Assistance Framework, the functioning of the United Nations Country Team, including the thematic working groups and the alignment and coherence of joint programmes with the United Nations Development Assistance Framework. No reportable issues were noted.

2.2 Resident Coordinator Office — Satisfactory

The Resident Coordinator's Office had three staff members who were responsible for administrative support. This unit was led by the Coordination Specialist. OAI reviewed the Resident Coordinator's Annual Report for 2012, work plans, budgets and expenditure reports for 2012 and 2013. Budgets for 2012 and 2013 did not adhere to the guidelines set up by the United Nations Development Operations Coordination Office, as all costs were budgeted and expensed from one project and outcomes were recorded as activities. The Office agreed to correct the 2013 budget in line with the United Nations Development Operations Coordination Office guidelines by the end of April 2013.Considering the action taken by management, this area was rated as satisfactory.

2.3 Role of UNDP - "One UN" — Not Applicable

The Country was not part of a "One UN" initiative and therefore this section was not applicable to this audit.

2.4 Harmonized Approach to Cash Transfers — Satisfactory

Four Ex-Com agencies (UNDP, UNICEF, UNFPA and WFP) were participating in the implementation of the Harmonized Approach to Cash Transfers. The macro-assessment was last completed in 2006. However, there were plans to use publications of recently completed economic assessments as the basis for the macro-assessment for the existing programme cycle. Although there were no established assurance plans, the United Nations Country Team was still following the monitoring guidelines that were prescribed for nationally implemented projects. No reportable issues were noted.

3. Programme activities — Partially Satisfactory

3.1 Programme management — Partially Satisfactory

The Country Programme Document which the Office was using focused on six outcomes across two theme areas (Governance and Poverty reduction and growth). In 2011, the Office's delivery totalled $13.6 million and in 2012 it was $18.2 million.

OAI reviewed the Country Programme Document for consistency with United Nations Development Assistance Framework and results based management principles and its alignment with the Country Programme Action Plan. OAI also assessed the Office's portfolio of projects, functioning of the country programme board and outcome boards as well as the monitoring and evaluation plan. The Office indicated that an independent annual review of the country programme was undertaken in December 2012 and subsequently an action plan was prepared to guide the way forward in addressing the issues noted in the review. The Office further indicated that it has in collaboration with the national counterpart initiated steps to establish a country programme board to oversee the implementation of the Country Programme Document.

Issue 2 Unapproved Country Programme Documents used for programming

The Programme and Operations Policies and Procedures state that Country Programme Action Plan must be based on, and aligned to, the Country Programme Document which is approved by the Executive Board.

For the 2010-2014 programme cycle, the Office failed to use the 10-outcome Country Programme Document as approved by the Executive Board in January 2010. Instead, the 6-outcome Country Programme Document (initially submitted but rejected) was mistakenly used for programme implementation and as a basis for formulating the Country Programme Action Plan. In 2010, the Regional Bureau for Africa alerted the Office to the fact that the project tree in Atlas was not aligned to the approved Country Programme Document with 10 outcomes. The Office promptly revised the project tree to align it to the Country Programme Document but did not revise the initial Country Programme Action Plan to be aligned to the approved Country Programme Document. This was management's oversight and in an attempt to address the discrepancy, a revised Country Programme Action Plan was signed with the Government on 1 March, 2013.However the Results and Resources Framework of the revised Country Programme Action Plan erroneously reflected only 8 out of the 10 required outcomes.

Without mechanisms to ensure adequate review and oversight by management, the Office had not used the approved programme documents, resulting in increased risk that the Office's outputs and outcomes would not be congruent with those of the organization. Without a properly aligned Country Programme Action Plan, the Office's activities may not contribute effectively to the achievement of the Country Programme Document outcomes.

In response to the draft report, management advised that the Country Programme Action Plan that incorporates the three outstanding outcomes had already been updated and approved by the Government in March 2013. All on-going projects had been aligned to the approved Country Programme Document and Country Programme Action Plan with 10 outcomes.

Priority	High (Critical)
Recommendation 2: The Office should: (a) revise the existing Country Programme Action Plan to align it to the 10 required outcomes; (b) provide adequate supervisory control reviews on key programme documents at the start of the programme cycle in order to ensure that programmes are implemented based on the approved Country Programme Documents; and (c) ensure that the Country Programme Action Plan is formulated and aligned to the approved Country Programme Document.	
Management comments and action plan: __√__ Agreed ____ Disagreed The additional information provided by management has been reflected in the observation.	

Issue 3 Delay in programme implementation and low delivery

Sound programme management includes the timely development and implementation of projects in order to ensure achievement of the planned outcomes by the end of a programme cycle.

There were considerable delays in initiating the projects included in the programme cycle. The delays were mainly due to the prolonged implementation of the transformation process and the time required for training of newly recruited staff. Implementation of projects for the 2010-2014 programme cycle did not commence until late 2012, with only seven projects being implemented. Delivery against regular resources in 2010 and 2011 was at 33 percent and 38 percent, respectively, while for 2012 it was 61 percent. It is unclear if or how the Office will compensate for the implementation delays by the end of this programme cycle.

With the significant delays in project implementation there is a risk that the Office will not achieve the programme results planned for the programme cycle.

In response to the draft report, management advised that the United Nations Country Team had requested an extension of the United Nations Development Assistance Framework for an additional year and in line with that, the Office had initiated steps to request for the extension of the Country Programme to 2015 with the view of attaining the 10 outcomes within the extended Country Programme period.

Priority	High (Critical)
Recommendation 3: The Office should seek guidance from the Regional Bureau for Africa to review the Country Programme Document and set targets that can be realistically achieved within the remaining time left in the programme cycle.	

Management comments and action plan: __√__ Agreed ____ Disagreed
The additional information provided by management has been reflected in the observation.

3.2 Partnerships and resource mobilization — Satisfactory

The purpose of resource mobilization is to ensure adequate funding for the implementation of programme outputs and activities and not to support Office operations. The resource mobilization target for the existing programme cycle is $89.4 million ($57.1 million from regular resources and $32.3 million from other resources). At the end of December 2012, the Office had mobilized a total of $15 million with an additional $16.8 million for which the Office was in the process of finalizing donor agreements (identified as hard pipeline initiatives) and $21 million for which the Office had targeted interested donors (identified as soft pipeline initiatives).While the Office did not have a resource mobilization strategy, a draft strategy had been completed at the time of the audit. Given the amount of resources (approximately 50 percent) already mobilized for the existing cycle, no reportable audit issue was raised and this area was rated as satisfactory.

3.3 Project management — Partially Satisfactory

The Office had 31 projects in its portfolio (30 nationally implemented and one directly implemented) with total programme expenditures of $18.2 million during the audit period. OAI sampled 10 projects to assess project management controls, four of which were funded by the Global Environment Facilitiy(see section 4.9 below). The projects selected were: Conservation of Biodiversity in Albertine Rift Forest (award ID 43885), Mainstreaming Sustainable Land Management activities in six corridor districts (60784), Support for Development of Markets in Agriculture and Trade Sectors (62245), Improving Policies and Regulations to Support the Development of Markets in Tourism (64228), Joint HIV/AIDS Programme (58025) and Promoting Chemical Safety for Children at Work in Rural Agricultural Communities (62527). In total, these projects spent $13.4 million during the review period, which represented 73 percent of the total programme expenditures. The review focused on project management activities, the management of funds advanced to implementing partners, and the monitoring of progress reports submitted by the implementing partners.

Review of the selected projects indicated that the project cooperation agreements signed with the implementing patners had been customised to suit the Country's context. However, these customized project cooperation agreements had not been submitted to the Legal Support Office for review and approval. Management made the commitment to submit the project cooperation agreements to the Legal Support Office for review and approval. Considering the actions taken and agreed to by management, no issue has been raised. Nonetheless, the rating of partially satisfactory remains due to the risks identified during the period under review.

4. Operations — Partially Satisfactory

4.1 Human resources — Partially Satisfactory

OAI reviewed the recruitment and separation processes, staff advances and the management of overtime. There were no notable issues for the recruitment and separation processes. However, weaknesses were noted in the management of salary advances granted to staff. These were discussed with management who agreed to closely monitor salary advances in future. No other reportable issues were identified.

Issue 4 Weak management of overtime

The Programme and Operations Policies and Procedures stipulate that supervisors are expected to arrange the work of their organizational units so that overtime is an exceptional occurrence. The Programme and Operations Policies and Procedures further require that requests for overtime be approved by the respective head of unit prior to the commencement of overtime.

Between January 2012 and January 2013, 28 out of 30 General Service staff members had claimed, and were paid overtime totalling $50,000. OAI selected a sample of five cases of overtime claims and noted the following weaknesses:

(a) For all selected claims included in the sample, authorization for overtime had not been obtained prior to the overtime having been worked. The overtime record sheets were completed together with overtime request forms and both were simultaneously signed by the respective supervisors.
(b) Claims included in the sample that pertained to clinic staff had not been verified prior to payment. None of these claims had been reconciled with the patients' daily visitation register as an independent verification of the hours claimed. Further, the overtime hours claimed by clinic staff included claims for hours worked on Friday and Saturday which are normal working days for the clinic and therefore did not qualify as overtime.

Weak procedures on overtime and lax controls over overtime claims and payment may result in inaccurate application of overtime rates and the inappropriate use of financial resources.

In response to the draft report, management advised that an internal memo that defines the Office's policy regarding the request, approval and execution of overtime had been circulated to staff. The issue of the UN Clinic opening on Saturdays had been submitted to the UN Clinic Management Committee, which started the process of making a recommendation to the UN Country Team.

Priority	Medium (Important)

Recommendation 4:

The Office should analyse and reorganize concerned units' business processes in order to reduce the need for overtime, including, if necessary, redefining regular work schedules. If overtime is deemed necessary, the Office should implement controls to ensure adequate monitoring oversight and verification, including:
(a) ensuring that overtime request forms are completed showing the reason for overtime;
(b) approving work to be completed and availability of funds certified prior to actual overtime being performed; and
(c) ensuring that overtime claims are verified and reconciled to supporting documents and actual work

performed (patients' records in the case of the clinic and level of completion of tasks for other units).
Management Comments: __√__ Agreed ____ Disagreed The additional information provided by management has been reflected in the observation.

4.2 Finance — Partially Satisfactory

The Finance Unit consisted of five staff members. During the period under review, 6,380 payment vouchers were processed for a total of $23.1 million. OAI reviewed controls over cash management, bank reconciliations, and the payment and disbursement processes. OAI reviewed 48 payment vouchers, valued at $726,000 (3 percent of the total value of payment vouchers processed between January 2012 and 31 December 2012), and no reportable issues were identified. There were also no reportable issues noted in the review of bank reconciliations. Weaknesses were noted, however, in the administration of the common services budget, as there was no dedicated focal point to monitor budgets, expenditures or reporting. This was acknowledged by management who were in the process of establishing an additional post in the Finance Unit, to be responsible for common services. As management was addressing this deficiency, no issue has been raised.

Issue 5 Inadequate controls over the approval of payments made through the electronic funds transfer system

The Programme and Operations Policies and Procedures stipulate that bank signatories must ensure that disbursements made from UNDP bank accounts are valid and appropriately authorized for payment. Such responsibility is carried out when signatories sign checks or approve bank transfers.

The following weaknesses were noted:

(a) Disbursements made using the electronic funds transfer system were finalized and sent to the bank to effect payment. These disbursements were made without prior independent review by the designated bank signatories.

(b) There was no segregation of duties between staff responsible for the administration of the pay cycle in Atlas and staff who are responsible for the authorization to instruct the bank to effect payments. The same staff member was responsible for: (i) processing of payments for approved vouchers in Atlas; (ii) uploading of payment schedule to the bank's interface system; and (iii) instructing the bank to effect payment. This assignment of tasks to the same staff member does not provide adequate segregation of duties as prescribed in the Internal Control Framework.

Inadequate oversight and segregation of duties in this process may result in incorrect or fraudulent payments being made and not detected.

Priority	Medium (Important)
Recommendation 5: The Office should: (a) strengthen controls relating to the processing of disbursements through the electronic funds transfer system by ensuring that designated bank signatories review and approve disbursements prior to instructing the bank to effect payments; and (b) ensure that there are appropriate segregation of duties between staff responsible for the administration of the pay cycle in Atlas and staff who are authorized to instruct the bank to effect payments through the electronic fund transfer system.	
Management Comments: __√__ Agreed _____ Disagreed The additional information provided by management has been reflected in the observation.	

4.3 Procurement — Satisfactory

The Procurement Unit consisted of three positions (one Procurement Specialist and two Procurement Associates). At the time of the audit the specialist position was vacant and one of the associate positions was vacated. The Office had secured one staff member on a six month assignment from the Procurement Support Office in Copenhagen to assist while recruiting for the two vacant posts. OAI reviewed the Office's compliance with procurement and contract management policies. OAI selected a sample of 40 purchase orders selected with a total value of $643,000, which represents 8 percent of the value of total purchase orders processed between 1 January 2012 and 31 December 2012. Although no reportable issues were noted, the process of filing of documents that support decisions and actions taken in the procurement of goods and services could be improved. This issue was discussed and agreed to with management.

4.4 Information and communication technology — Partially Satisfactory

OAI reviewed the management of information and communication within the Office. This included the network and hardware, website management, staffing of the Information and Communications Technology Unit, disaster recovery, data backup and recovery, access control, network security, data confidentiality, systems security and software licenses. The Office had developed a Disaster Recovery Plan in January 2013 but the plan had yet to be tested. A review of the server room showed that the fire detection and prevention systems were inadequate. The only fire detection was a small portable smoke detector fixed to the wall, which had not been tested by the Information and Communications Technology staff for functionality. Management acknowledged the issues raised and committed to test the Disaster Recovery Plan in the course of 2013 and also to work on addressing the security deficiencies relating to the server room by installing the necessary security equipment. Considering the actions taken and agreed to by management, no issue has been raised. Nonetheless, the rating of partially satisfactory remains due to the risks identified during the period under review.

4.5 General administration — Satisfactory

OAI reviewed vehicle and fuel management and the administration of travel under this section. The review of vehicle and fuel management focused on the systematic completion and filing of log sheets and the reconciliation of vehicle usage to fuel consumption. OAI also reviewed the maintenance of office vehicles. No reportable issues were noted in this area. OAI selected 18 purchase orders for the assessment of travel procedures and no reportable issues were identified. All travel had been authorized before travel was undertaken and the cheapest most direct route had been selected.

4.6 Safety and security — Not Assessed

Security levels in the Country were rated as minimal. This area was considered low risk during the preliminary audit risk assessment and no further work was considered necessary.

4.7 Asset management — Satisfactory

OAI reviewed the Office's compliance to International Public Sector Accounting Standards requirements in relation to the reporting of assets and the physical verification of assets. OAI randomly selected 18 assets (representing 8 percent of the total value of $3.3 million in assets) for physical verification, and there were no anomalies noted. However, the Office had yet to investigate the case of a missing printer valued at $1,000. This case had been correctly recorded in the asset certification reports and submitted as part of the 2012 year end procedures. No reportable issues were noted with regard to the management of assets.

4.8 Leave management — Satisfactory

Weaknesses were noted in the administration of leave, namely that the initial update that was required for the migration to electronic leave management in Atlas was not fully implemented. This issue was brought to management's attention and management agreed to ensure that all staff leave records are updated in Atlas as a matter of priority. No issue has been raised.

4.9 Global Environment Facility — Not Applicable

At the time of the audit, the Office had four ongoing Global Environment Facility projects with a total value of $6.2 million. OAI found that the management of these projects was satisfactory and no reportable issues were identified.

ANNEX. 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 <u>not included in this report</u>.