

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



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**AUDIT OF UNDP COUNTRY OFFICE IN UKRAINE**  
**Report No. 1493/Corr. 1**  
**Issue Date: 26 April 2016**

**Corrigendum**

**Page 11, paragraph 2 (and Executive Summary page ii, paragraph 3)**

*Existing text*

At the time of the audit, the Office had 42 staff members and none of them had completed all of the UNDP mandatory training courses. In addition, 17 out of 25 service contracts holders had not completed the required Basic Security in the Field Training course.

*Should read*

At the time of the audit, the Office had 42 staff members. Of the 42, 8 staff members had completed all of the UNDP mandatory training courses. Also, out of the 42 staff members, 7 had joined the Office less than six months prior to the audit fieldwork. In addition, 17 out of 25 service contract holders had not completed the required Basic Security in the Field Training course.

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**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**UKRAINE**

**Report No. 1493**

**Issue Date: 18 December 2015**

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## Report on the Audit of UNDP Ukraine Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Ukraine (the Office) from 7 to 18 September 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 and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – “One UN”, Harmonized Approach to Cash Transfers);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security).

The audit covered the activities of the Office from 1 January 2014 to 30 June 2015. The Office recorded programme and management expenditures of approximately \$24 million. The last audit of the Office was conducted by OAI in 2008.

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 **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 inadequate organizational structure, UNDP mandatory training courses not completed, as well as lack of evaluations and reviews of the Country Programme Document, lack of documentation of action plans to address Global Staff Survey results, an outdated Resource Mobilization Strategy, weaknesses in use of Atlas project module and project closure and vendor management.

### Key recommendations: Total = 7, high priority = 2

The seven recommendations aim to ensure the following: (a) achievement of the organization’s strategic objectives (Recommendations 1 [high priority], 2, 3, 4 and 5); (b) reliability and integrity of financial and operational information (Recommendations 6 [high priority] and 7).

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. The high (critical) priority recommendations are presented below:

Inadequate organizational structure and controls (Issue 1)

Although the Office already identified gaps and initiated efforts to improve its organizational structure and controls, the audit noted the following weaknesses: (a) organizational structure in the process of revision; (b) Internal Control Framework document not finalized; and (c) weaknesses in assigning Atlas user profiles.

Recommendation 1: The Office should improve its organizational structure and strengthen internal controls by: (a) finalizing the review of the organizational structure and realigning it to the new programmatic strategy; (b) updating the Internal Control Framework once the restructuring process is concluded; and (c) segregating first (project managers) and second authority roles (approving managers) as well as the roles of global payroll administrator and disbursement officer–payroll in Atlas.

UNDP mandatory courses not completed (Issue 7)

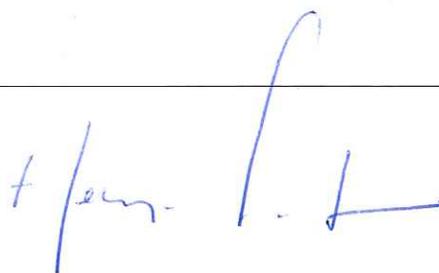
At the time of the audit, the Office had 42 staff members and none of them had completed all of the UNDP mandatory training courses. In addition, 17 out of 25 service contracts holders had not completed the required Basic Security in the Field Training course.

Recommendation 6: The Office should require all staff to complete UNDP mandatory training courses without delays.

### Management comments and action plan

The Resident Representative accepted all of the recommendations and is 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.



Helge S. Osttveiten  
Director  
Office of Audit and Investigations

## I. About the Office

The Office is located in Kiev, Ukraine (the Country). The eastern part of the Country had been facing an ongoing armed conflict since early 2014. At the time of the audit, the Office employed 42 staff members, 185 service contract holders and 2 United Nations Volunteers. The Office had Fast Track Procedures activated from March 2014 to March 2016 and 64 percent of projects in its portfolio were directly implemented. To respond to the crisis, the Office refocused its efforts in order to provide humanitarian assistance, early recovery and peacebuilding support, as well as support to governance reforms. As a result, the Office was in the process of initiating a restructuring process and realignment of its programme. The Office's initial programme was based on the United Nations Development Assistance Framework (UNDAF) 2012-2016 in the areas of: (a) sustained economic growth and poverty reduction; (b) social development; (c) governance; and (d) environment and climate change. The UNDAF had been extended until the end of 2017.

## II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Procurement. The review of the Office's procurement processes disclosed that controls were functioning adequately and no reportable issues were noted.
- (b) Information and communication technology. The information and communication technology systems managed by the Office, including hardware, software, systems security, and disaster recovery mechanisms were adequately operating.
- (c) General administration. General administration controls were generally well established and functioning adequately.
- (d) Safety and security. The Office was compliant with the Minimum Operating Security Standards and all mitigating measures were in place.

OAI made two recommendations ranked high (critical) and five recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

**High priority recommendations**, arranged according to significance:

- (a) Improve the organizational structure and strengthen internal controls (Recommendation 1).
- (b) Require all staff to complete UNDP mandatory training courses (Recommendation 6).

**Medium priority recommendations**, arranged according to significance:

- (a) Improve the Country Programme Document review and evaluation process (Recommendation 3).
- (a) In cooperation with the Staff Association, address the Global Staff Survey results (Recommendation 2).
- (b) Prepare a Resource Mobilization Action Plan in line with the Resource Mobilization Toolkit (Recommendation 4).
- (c) Improve the use of the Atlas project module (Recommendation 5).
- (d) Improve vendor management (Recommendation 7).

The detailed assessment is presented below, per audit area:

## A. Governance and strategic management

### 1. Organizational structure and delegation of authority

#### Issue 1 Inadequate organizational structure and controls

During 2014, the Office's operations were impacted by the crisis in the Country. The Office had to respond to sudden emerging needs and expanded its programme and operations to new thematic areas. At the same time, the Office was also facing internal changes. During the audit period, the Office had three different heads of office and faced a high turnover of middle management level staff. In addition, the position of Country Director was filled only in June 2015. The Office's management was engaged in streamlining its fast-growing and expanding portfolio. After missions from the respective Regional Bureau and the Istanbul Regional Hub to support programme realignment, a Change Management mission was also expected to take place after the audit.

Although the Office had already identified gaps and initiated efforts to improve its organizational structure and controls, the following weaknesses were noted:

#### (a) Organizational structure in process of revision

The 'UNDP Programme and Operations Policies and Procedures' define the control environment as one of the components of the internal control system that sets the tone for the organization and provides the foundation for an effective internal control system. The control environment encompasses ethical values, management's philosophy and operating style, organizational structure, assignment of authority and responsibility, human resource policies and practices, efficiency, competence, and integrity of personnel.

During the audit period, the organizational structure was revised at least six times due to frequent arrivals of international staff to support the Office during the evolving crisis in the Country. The last version provided was updated in July 2015. The audit noted the following weaknesses:

- There were different names assigned to the programme portfolios. The portfolio named 'Recovery Resilience and Sustainable Pathways' in the organization chart was internally named 'Poverty and Millennium Development Goals'. Likewise, the portfolio named 'Democratic Governance' in the organization chart was divided in two components, with no names assigned to each sub-portfolio. However, these were internally named 'Local Development' and 'Democratic Governance'.

The different names of the programme's portfolios may create overlaps and duplication in the thematic areas of implementation among the clusters. The Office indicated that its portfolio was in the process of realignment in three major programmes: Recovery and Peacebuilding, Support to Reforms, and Clean and Green Ukraine.

- There was no monitoring and evaluation function in place. The Office informed the audit team that this weakness was going to be addressed during the Change Management mission.
- Two international staff were recruited under the titles of Democratic Governance Advisor and Recovery and Stabilization Advisor to perform, among other functions, the management of the Democratic Governance programme portfolio and the Recovery and Stabilization programme portfolio respectively, along with supervision of their respective programme teams. At the time of the audit, neither of the two portfolios existed in the organization chart and the two recruited staff were performing functions other

than the ones described in their job descriptions. The Office indicated that once the programme portfolios and projects were reviewed and aligned, the above-mentioned staff would be performing the functions for which they were recruited.

- Project sections were not included in the organization chart, thus, their reporting lines were also not reflected. The Office indicated that this was due to the fact that it was managing 22 projects, 14 of which were directly implemented. Some of these projects were implemented nationwide.
- The post of an international staff member (P5) recruited as a Project Manager was not included in the organization chart. This staff member was managing a project under the Local Development cluster and reporting to the respective Programme Manager and the Deputy Resident Representative. The Programme Manager under this portfolio was a National Officer (NOB). Having double reporting lines may create conflicting responsibilities.

The audit team acknowledged that the Office was in the process of assessing the organizational structure and planning its realignment to respond to the new programmatic strategy. The Office explained that the Change Management process had been agreed upon with the Regional Bureau in March 2015, in order to adjust the Office's structure and capacities to the new programmatic priorities and a fast-growing portfolio. The Regional Bureau supported the Office with two specialized missions for streamlining a fast-growing and expanding portfolio. The Programme Realignment mission took place in June 2015 and the Change Management mission was completed during the last week of September.

An inadequate organizational structure can lead to a negative control environment and may jeopardize the effectiveness of the entire internal control system.

(b) Internal Control Framework document not finalized

Each head of office is responsible for establishing and maintaining adequate internal controls in their respective offices, and for ensuring documentation of the offices' internal control procedures. At the time of the audit, there was no finalized document of the Internal Control Framework, and the latest revision of the draft document had been in June 2015. Thus, the Framework was not aligned to the latest organization chart updates. The Office indicated that the Internal Control Framework was going to be finalized after the Change Management mission that was planned for after the conclusion of the audit.

(c) Weaknesses in assigning Atlas user profiles

The Internal Control Framework is an important management tool for implementing effective internal controls and segregating duties, thereby reducing the risk of fraud and other non-compliant behavior. The need for segregation between first authority (project manager) and second authority (approving manager) on any transaction is achieved by separately assigning either a project manager profile or an approving manager profile. However, certain staff members, such as the Resident Representatives, Deputy Resident Representatives, Country Directors, Deputy Country Directors, and Operations Managers, may need both profiles if they must act as project managers on some transactions and as approving managers on other transactions. Where this dual responsibility is necessary, staff members with both project manager and approving manager profiles must not approve requisitions and the associated purchase orders, as it violates the requirement to segregate the first authority from the second authority. Likewise, the disbursement officer–payroll (third authority) must be separated from the first and second authority. The third authority performs the final sign-off of monthly payrolls and authorizes the payments for disbursement.

- The review of the Argus profile in Atlas (enterprise resource planning system of UNDP) showed that the Office granted both first and second levels of authority to seven other staff members.
- There were 37 transactions amounting to \$333,042 in which the same staff members approved the requisitions and the purchase orders. The Office explained that the transactions represented travel authorizations and that the main reason for the lack of segregation of duties was that the Office did not have an alternate approver of the budget used for travel.
- The Office also granted conflicting roles in Atlas payroll management to two staff members, allowing them to perform both the roles of global payroll administrator as well as disbursement officer–payroll.

These conflicting and inconsistent roles in Atlas may lead to a weak control environment where errors and irregularities may not be detected in a timely manner.

<b>Priority</b>	High (Critical)
<b>Recommendation 1:</b>	
The Office should improve its organizational structure and strengthen internal controls by:	
<ul style="list-style-type: none"> <li>(a) finalizing the review of the organizational structure and realigning it to the new programmatic strategy;</li> <li>(b) updating the Internal Control Framework once the restructuring process is concluded; and</li> <li>(c) segregating first (project managers) and second authority roles (approving managers) as well as the roles of global payroll administrator and disbursement officer–payroll in Atlas.</li> </ul>	
<b>Management action plan:</b>	
<ul style="list-style-type: none"> <li>(a) The Office is realigning its portfolio in three major programmes: Recovery and Peacebuilding, Support to Reforms, and Clean and Green Ukraine.</li> <li>(b) The Office agrees that the approved Internal Control Framework is not fully aligned with the latest organization chart. This was intended to be corrected after the Change Management mission conducted from 28 September to 4 October, after which the Regional Bureau approved the recommendations on 31 October. The Office’s realignment process has started, as the Human Resources Advisor scheduled to arrive on 25 November will be followed by a Human Resources Consultant on 30 November 2015. The Office’s realignment process will be finished by mid–February 2016. This includes the implementation of a new organization chart, Internal Control Framework and business processes. It was a deliberate decision not to change the Office’s structure and the Internal Control Framework in an ad-hoc manner with every new staff member joining, but to do it in a systematic, professional, well-planned and participatory manner.</li> <li>(c) Only three staff members (Resident Representative/Resident Coordinator, Country Director, Deputy Resident Representative) have senior manager roles in Atlas. Atlas roles for two advisors are in their job descriptions and they are performing approval functions only in cases when the respective Programme Officer is on official travel and/or leave. For management projects, the role of project manager is carried out by the Operations Manager. Respective Atlas profiles have already been updated to segregate the functions of the global payroll administrator from the disbursement officer–payroll.</li> </ul>	
<b>Estimated completion date:</b> March 2016	
<b>OAI Response</b>	
OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

## 2. Leadership/ethics and values

**Issue 2**      Action plans addressing low results from Global Staff Survey not documented in Global Staff Survey portal

By taking part in the Global Staff Survey (GSS), staff provide valuable feedback on their working experience with UNDP, as well as important information that helps UNDP understand the level of staff engagement across the organization. The objective of the GSS is to improve UNDP's overall working environment.

OAI analysed the 2014 GSS results and noted a significant decrease in scores in all dimensions. In 2012 and 2013, the scores were above the average, while in 2014 all scores were far below the average. For instance, scores for dimensions such as the Office Management Team decreased from 73 percent in 2013 to 49 percent in 2014 (the average was 67 percent). The dimension for Accountability decreased from 73 percent in 2013 to 48 percent in 2014 (the average was 64 percent). The dimension for Work-life Balance decreased from 72 percent in 2013 to 42 percent in 2014 (the average was 58 percent).

The Office shared a presentation analysing 2014 GSS participation and results. The Office initiated several actions following the GSS results; however, no concrete plans were made or uploaded in the UNDP GSS portal.

The Office also indicated that the GSS reflected staff morale, which was affected by the turnover of all senior management in mid-2014 and significant changes in national staff, as well as political upheaval. The Office indicated that three retreats addressing the GSS results were organized and a new survey related to the GSS results was launched by the Staff Association to further refine the information gathered. After the audit, the Office also informed the audit team that senior management had created a platform for open and transparent communication with all office and project staff. An action plan was prepared in close cooperation with the Staff Association. The Staff Association launched a new survey related to the GSS results and the report was issued at the end of September.

Without adequate analysis and a concrete action plan concerning the GSS results, the Office may not achieve its strategic objectives and development goals.

<b>Priority</b>	Medium (Important)
<b>Recommendation 2:</b>	
The Office, in cooperation with the Staff Association, should address the Global Staff Survey results by:	
<ul style="list-style-type: none"> <li>(a) addressing the issues raised in a timely manner; and</li> <li>(b) uploading the action plans to the Global Staff Survey portal for progress monitoring.</li> </ul>	
<b>Management action plan:</b>	
Issues related to the Global Staff Survey results, such as workload distribution will be covered during the Change Management mission. The issues related to staff and service contract holders' remuneration have been resolved in September/October 2015 via salary surveys and new salary scales, which are pegged now to the dollar. The Change Management process is addressing issues of empowerment, internal communications, workload distribution, and reporting lines and other related issues.	
<b>Estimated completion date:</b> March 2016	

## B. United Nations system coordination

### 1. Development activities

#### Issue 3 Weaknesses in leading the formulation and oversight of the UNDAF

In accordance with the United Nations Development Group (UNDG) Management and Accountability System, the Resident Coordination system is managed by UNDP on behalf of the United Nations system. Under the leadership of the Resident Coordinator, the United Nations Country Team (UNCT) is accountable for developing the UNDAF. The UNDAF is the strategic programme framework that describes the collective response of the United Nations system to national development priorities. UNDAF monitoring helps the UNCT and implementing partners make mid-course corrections, and as an integral part of programme management and evaluation, determines whether the results made a worthwhile contribution to national development priorities, and whether there was country team support. The UNDAF guidance indicates that the UNCT and the Government must conduct an annual review of the UNDAF. To facilitate this process, the UNCT forms inter-agency groups around each national development priority reflected in the UNDAF. These inter-agency groups are responsible for using the results matrix and Monitoring and Evaluation Plan as the basis for joint monitoring of outcomes, along with programme partners. The findings of these groups are vital input for the UNDAF annual review process with the Government. In addition, the Resident Coordinator, supported by UNCT, should report to national authorities on progress made against results agreed in the UNDAF. At a minimum, a single UNDAF progress report must be produced per UNDAF cycle.

The existing UNDAF for the Country, called 'The United Nations Partnership Framework' was formulated in 2011 and covered the period 2012-2016 with four priority areas: (a) sustained economic growth and poverty reduction; (b) social development; (c) governance; and (d) environment and climate change. The audit noted the following weaknesses:

- UNDAF implementation was partially suspended, mainly due to the change in political context and programmatic priorities as a result of the crisis in the eastern part of the Country and to broad outcomes that made the implementation, and monitoring and evaluation difficult. Although the UNDAF was not fully implemented, the Government representatives with whom OAI met indicated that the United Nations and UNDP had been working towards the achievement of the Country's national priorities.
- The monitoring and evaluation working groups were deactivated as a result of the crisis.
- No annual reviews and progress reports were completed.

The Office initiated and led the Recovery and Peacebuilding Assessment with the United Nations, European Union and World Bank. This became the main framework endorsed by the Government, for recovery work in the eastern part of the Country. Under the existing context of crisis, the UNCT and the new Government decided not to revise the UNDAF, but to extend it instead, in order to properly plan for the next programmatic cycle. The Regional UNGD Team for Europe and Central Asia approved the extension of the existing UNDAF until the end of 2017. The Office further reported that a new UNDAF would be prepared in a consultative manner and aligned with national development priorities and strategies with expected implementation in January 2018.

The audit team acknowledged that the Office proactively adjusted UN/UNDP's position and portfolio to the changes in the programming environment as also recognized by national counterparts and donor partners.

Inadequate leadership for the implementation of UNDAF in the Country may hinder the capacity of the United Nations system to respond to national development priorities. The lack of monitoring and periodic reviews may limit the ability to adjust the UNDAF to the changing development context of the Country.

**Comment**

OAI is not issuing a recommendation given that the weaknesses noted were mostly beyond the control of the Office and taking into account the mitigating actions already undertaken by the Office.

**C. Programme activities**

**1. Programme management**

**Issue 4**      Lack of evaluations and reviews of the Country Programme Document

According to the 'UNDP Programme and Operations Policies and Procedures', the Country Programme Document (CPD) for UNDP assistance flows directly from the UNDAF and clearly states those results in the UNDAF for which UNDP has direct responsibility. The CPD identifies key goals and opportunities for UNDP's support to national programmes and priorities, as approved by the Executive Board. The Evaluation Plan is a component of the Monitoring and Evaluation Framework, and should include those evaluations which can be foreseen at the end of the programme planning stage. Offices are required to establish functioning oversight systems for the Country Programme implementation. These systems include the establishment of a Country Programme Board, Outcome Boards, and Outcome Evaluations for each thematic area covered by the CPD, as well as revisions to the CPD when deemed necessary.

The Office Evaluation Plan 2012-2016 included conducting a programme review annually in parallel with the annual UNDAF review, as well as outcome evaluations of each Country Programme focus area at least once during the programme cycle. As of the date of the audit, annual reviews and evaluations of two CPD outcomes, poverty reduction and environment, planned to be completed by March and July 2015, respectively, were not conducted.

The Office explained that planned evaluations and reviews were not conducted as there was an ongoing adjustment of the Office's programme to the Country's new needs and priorities as a result of the political crisis in 2014. The CPD was not revised due to constant changes and the emergency situation in the Country since 2014. Furthermore, the sudden changes in the Country Programme created a misalignment with existing strategic documents and priorities, making it difficult to monitor and assess the achievement of CPD outcomes and outputs. The audit review noted that outputs of new projects were somehow linked to the UNDAF and CPD outcomes; however, these linkages were unclear, as project outputs responded to new thematic areas and priorities.

The Office further indicated that following the UNDAF extension, the process of the CDP extension until 2017 was also initiated. Following the UNDAF extension up to 2017, the CPD extension was submitted to the Regional Bureau on 25 September 2015. The audit team acknowledged that the decision of the Office not to sacrifice efforts to evaluate outcomes was due to the crisis in the Country and to the challenging environment the Office operated in.

Country Programme outcomes may not be achieved if appropriate projects are not aligned with them. In the absence of a programmatic review and evaluation of progress against annual targets, implementation issues may not be identified and solved in a timely manner.

<b>Priority</b>	Medium (Important)
<b>Recommendation 3:</b>	
<p>The Office should improve the Country Programme Document review and evaluation process by:</p> <ul style="list-style-type: none"> <li>(a) revising and aligning the Country Office Document to the new Country Programme context and priorities;</li> <li>(b) conducting annual programme reviews with key government counterparts to review progress made in the implementation as well as evaluations of the outcomes as planned; and</li> <li>(c) aligning project outputs to respective programme outcomes.</li> </ul>	
<b>Management action plan:</b>	
<p>All new projects conceived since the start of the crisis are based upon the Government's requests and priorities and, as such, are signed by the respective government authorities. The Office recognizes the weakness of the monitoring and evaluation function and has been working with the Crisis Response Unit to develop a strong and sustainable monitoring and evaluation system. This issue will also be brought up with the Change Management mission; the position of Results-Based Management/Monitoring and Evaluation National Officer is envisaged in the Office's new organization chart.</p> <p>During 2016, under its new programmatic framework, the Office will be instituting Programme Boards that will convene regularly. Towards the end of every year (starting 2016), this will culminate in a full annual review with counterparts and international partners.</p> <p>The new CPD will be submitted to Executive Board by the June 2017 session.</p>	
<b>Estimated completion date:</b> June 2017	

## 2. Partnerships and resource mobilization

### Issue 5 Outdated Resource Mobilization Strategy

The 'UNDP Programme and Operations Policies and Procedures' require offices to establish effective partnerships and a resource mobilization strategies to ensure that they position themselves as trusted partners and are successful in securing and fully utilizing resources required for delivering results as planned. The UNDP Resource Mobilization Toolkit provides guidance and advice for developing Resource Mobilization Action Plans.

The last version of the Office's Resource Mobilization Framework (June 2013) became outdated as a result of the shift in the programmatic priorities of the Country. Due to the crisis that started in 2014, there was an increased interest from donors to fund projects with recovery and peacebuilding components. Although the Office was able to increase the influx of funds and engaged in new partnerships, there was a need to reassess the Office's internal capacity and external resources to effectively respond to changing needs and take advantage of

emerging opportunities for resource mobilization. The Office prepared a draft document of the Resource Mobilization Action Plan in April 2015; however, this was not finalized. The Office also had a system in place to track donor contributions and pipeline initiatives.

In response to the draft report, the Office informed the audit team that it developed a Resource Mobilization Strategy in preparation for the Donor Conference in April 2015, highlighting major short-term, mid-term, and long-term goals, and UNDP’s value proposition in the current development circumstances. The framework was a living document due to the ongoing transitional/development changes.

The Office further reported that it monitors the donor landscape closely and takes action accordingly by organizing meetings with donors on important areas or work, and taking the lead in some of the clusters. The donors increased support for UNDP in the Country and the Office had \$97 million in committed funds (2015 and onwards in budgets). In terms of contract negotiations, there was \$61 million, and a remaining \$63 million in potential funds.

The lack of a Resource Mobilization Strategy may jeopardize the Office’s ability to sustain long-term operations, thus compromising development results.

<b>Priority</b>	Medium (Important)
<b>Recommendation 4:</b>	
The Office should prepare a Resource Mobilization Action Plan in line with the Resource Mobilization Toolkit that:	
<ul style="list-style-type: none"> <li>(a) includes specific goals and a time frame, as well as a systematic evaluation of results; and</li> <li>(b) assesses the Office’s internal capacity and new development environment following changes in the national priorities.</li> </ul>	
<b>Management action plan:</b>	
The Office will produce a full update and review of its Resource Mobilization Action Plan in the early part of 2016.	
<b>Estimated completion date:</b> April 2016	

### 3. Project management

#### **Issue 6**      Weaknesses in the use of Atlas project module and project closure

The ‘UNDP Programme and Operations Policies and Procedures’ provide specific guidance on how to implement and monitor projects, including: (a) preparing an annual work plan upon which a procurement plan is established and approved; (b) regular reporting to the project board at a frequency defined in the project document; (c) using Atlas for substantive monitoring through the update of the issue log, risk log and monitoring log; (d) preparing an annual review report on the project and sharing it with the project board; and (e) financially closing projects within 12 months after their operational closure.

The audit disclosed the following weaknesses:

- The Atlas project module was not consistently used or updated. Out of seven projects reviewed, six had outdated information in Atlas. In particular, there was limited or no information on targets and results for 2014 and 2015. There was no information, or outdated information, on output activities, monitoring and risks. In two cases, the risk log information was not updated since 2012 and in one case, there was no information at all. In addition, names of former staff were still appearing on the project profiles. Since the project portfolio expanded, the Office had an increasing need to improve its monitoring and reporting to donors.
- There were 17 projects with 'ongoing' status in Atlas and expected end dates ranging from 2008 to 2014. Also, 11 of 17 were duplicate projects erroneously created in the system. The Office of Financial Resources Management reopened three closed projects in January 2015 without notifying the Office. The Office indicated that no alternate staff was assigned to monitor the status of the projects when the former Programme Finance Analyst left the organization.

The Office explained that the realignment of existing project activities was necessitated by the crisis in the Country and was conducted in full coordination with donors and Headquarters. A written agreement was obtained from donors for all additional outputs. As the Atlas project module could not be used for reporting to the Government due to language constraints, this did not take place due to competing priorities.

Failure to keep information complete and updated in UNDP's systems may affect the timely delivery of projects and may result in sharing inaccurate information with relevant stakeholders. In addition, projects not timely closed may face the risk of inappropriate or unapproved charges being made against them.

<b>Priority</b>	Medium (Important)
<b>Recommendation 5:</b>	
The Office should improve the use of the Atlas project module and project closure by:	
<ul style="list-style-type: none"> <li>(a) using Atlas functionalities more efficiently and capturing all information on the status of project implementation for proper and timely reporting to relevant stakeholders; and</li> <li>(b) expediting the closure of all completed projects in Atlas, including those reopened by the Office of Financial Resources Management.</li> </ul>	
<b>Management action plan:</b>	
With the new comprehensive programme and the Office's realignment, this issue will be fully addressed.	
<ul style="list-style-type: none"> <li>(a) The information in the Atlas project management module will be updated by 30 January 2016.</li> <li>(b) Pending projects are already closed financially, and balances are cleared as of early November 2015.</li> </ul>	
<b>Estimated completion date:</b> January 2016	
<b>OAI Response</b>	
OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

## D. Operations

### 1. Human resources

#### Issue 7 UNDP mandatory courses not completed

UNDP's learning and leadership programme requires all staff members to complete UNDP mandatory courses through the Learning Management System within six months after recruitment. The mandatory courses are important for ensuring that staff and managers understand the various policies, regulations as well as the goals and objectives of the organization.

At the time of the audit, the Office had 42 staff members and none of them had completed all of the UNDP mandatory training courses. In addition, 17 out of 25 service contracts holders had not completed the required Basic Security in the Field Training course.

Staff members may not be aware of the organization's mandate, accountability framework, corporate initiatives and requirements relevant to their roles and responsibilities if all mandatory training courses are not completed.

In response to the draft report, the Office indicated that 28 staff members had already completed all UNDP mandatory training courses while 6 staff members had one training course outstanding. All new staff members would be informed of the requirement to complete the mandatory training courses.

<b>Priority</b>	High (Critical)
<b>Recommendation 6:</b>	The Office should require all staff to complete UNDP mandatory training courses without delays.
<b>Management action plan:</b>	The Human Resources Unit and respective supervisors will follow up on the completion of all mandatory training courses.
<b>Estimated completion date:</b>	January 2016

### 2. Finance

#### Issue 8 Weaknesses in vendor management

As per the Internal Control Framework, to ensure adequate segregation of duties, the vendor approver should not be able to create vendors, purchase orders, payment vouchers, and perform bank reconciliations. In addition, for a new vendor, the steps include the following: the buyer (or other Atlas user) creates the vendor, and the finance staff (preferably the Finance Analyst) approves the vendor.

The review of vendor records noted the following:

- During the period under review, vendor approvers also processed eight vouchers amounting to \$12,400 and created 66 vendors in Atlas.
- The vendor database included five duplicate vendor profiles.

Inadequate vendor management may result in duplicate payments or payments to fictitious vendors.

<b>Priority</b>	Medium (Important)
<b>Recommendation 7:</b>	
<p>The Office should improve vendor management by:</p> <ul style="list-style-type: none"> <li>(a) ensuring that vendor approvers do not process vouchers or create vendors; and</li> <li>(b) clearing duplicate vendors from the vendor database.</li> </ul>	
<b>Management action plan:</b>	
<ul style="list-style-type: none"> <li>(a) The vendor creation and approval functions are closely monitored by management of the Procurement and Finance Units to ensure that vendor creators and approvers are not creating vouchers for the same request for payment (transaction).</li> <li>(b) Duplicate vendors are deactivated in Atlas.</li> </ul> <p>Following OAI's recommendations, the Office has strengthened the creation and approval process with regular vendor reports and analysis, thus minimizing the risk of creating a duplicate vendor.</p>	
<b>Estimated completion date:</b> November 2015	
<b>OAI Response</b>	
<p>OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.</p>	

## Definitions of audit terms - ratings and priorities

### A. AUDIT RATINGS

- **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.
- **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.
- **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.

### B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **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.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to 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 not included in this report.