



AUDIT

OF

UNDP COUNTRY OFFICE

IN

COLOMBIA

Report No. 1147
Issue Date: 25 October 2013

Report on the audit of UNDP Colombia Executive Summary

From 28 January to 8 February 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme conducted an audit of the UNDP Country Office in Colombia (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 \$67 million. The last audit of the Office was conducted by OAI in 2009.

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 that “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 weaknesses in governance and strategic management, project management and finance. 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				
1.1 Organizational structure and delegations of authority	Unsatisfactory			
1.2 Leadership, ethics and values	Satisfactory			
1.3 Risk management, planning, monitoring, and reporting	Satisfactory			
1.4 Financial sustainability	Satisfactory			
2. United Nations system coordination				
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	Partially Satisfactory			
3. Programme activities				
3.1 Programme management	Satisfactory			
3.2 Partnerships and resource mobilization	Satisfactory			
3.3 Project management	Partially Satisfactory			
4. Operations				
4.1 Human resources	Satisfactory			
4.2 Finance	Satisfactory			
4.3 Procurement	Partially Satisfactory			
4.4 Information and communication technology	Satisfactory			
4.5 General administration	Satisfactory			
4.6 Safety and security	Satisfactory			
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 8 issues and resulted in 7 recommendations, of which 2 (29 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.”

There also was one issue requiring action by the Bureau of Management (Issue 5), referred to as a “corporate issue”).

The high priority recommendations are as follows:

Organizational structure and delegations of authority (Issue 1)	<u>Non-compliance in handling non-standard contracts with project personnel.</u> The Office issued and signed contracts with project personnel (under national implementation modality), however, the contracts were not consistent with UNDP standards for either service contracts or individual contracts and the Office had not obtained a prior authorisation to this effect. In addition, the payments made by the Office to these project personnel were processed outside of UNDP’s Enterprise Resource Planning System (Atlas). The payments totalled approximately \$15 million in 2012. OAI recommends that the Office review and revise its procedures for providing support services related to contracting and paying project personnel under national implementation modality by: (a) discontinuing the practice of signing non-standard UNDP contracts without having proper clearance from the Legal Support Office; (b) processing all of its payments through the Atlas system; and (c) complying with the provisions of the Internal Control Framework regarding payments made outside of Atlas.
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Procurement (Issue 7)	<u>Weaknesses in procurement business function.</u> The following weaknesses with regard to the procurement business function were noted:
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- The Office had prepared a consolidated procurement plan, but not all entities (projects and/or agencies) had provided input for the plan. OAI noted that for 2012, the Procurement Unit procured in excess of 125 percent over the 2012 procurement plan. The variance was most significant in the categories of services (\$13.2 million planned versus \$22.9 million procured) and individual contracts (\$1.4 million planned versus \$5 million procured).
- OAI noted that a significant volume of procurement was conducted as direct contracting for the period reviewed; 65 for services valued at \$5.3 million and 169 for individual contracts valued at \$1.2 million. For each of the direct contracts, the Office provided a written justification with extensive background information, yet not necessarily adequate reasoning for the direct contracting.

OAI recommends that the Office improve its procurement business functions by: (a) ensuring that all projects submit their procurement plans in a timely manner and by regularly evaluating its consolidated procurement plan, updating the plan when needed; and (b) ensuring that the use of direct contracting procurement is limited to exceptional circumstances, particularly in the case of contracts for services and individual contracts.

The implementation status of previous OAI audit recommendations (Report No. 655, 6 July 2010) was also validated. All 16 recommendations were noted to be fully implemented. Nevertheless, OAI noted that the issue regarding the timely closure of projects (refer to Issue 5 of Report No. 655) reappeared after having been implemented, since the Office had again a significant number of projects that were pending closure (refer to Issue 3 under section 3.3 - Project management).

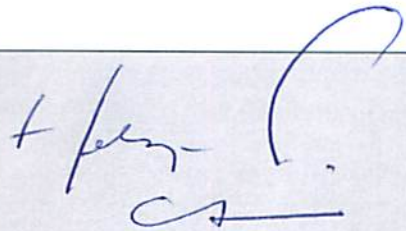
Cross-cutting themes

As part of OAI's 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 the 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.** OAI noted suboptimal reporting on results. The reporting was often found to be too broad and technical and was activity-oriented as opposed to results-oriented (output/outcome). Refer to Issue 8.

Management's comments and action plan

The Resident Representative and the Director of the Bureau of Management accepted all of the recommendations and are in the process of implementing them.



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Director
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