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AUDIT

OF

UNDP COUNTRY OFFICE

IN

VIET NAM

Report No. 1167
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Report on the audit of UNDP Viet Nam Executive Summary

From 1 to 12 April 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Viet Nam (the Office). The audit covered the activities of the Office during the period from 1 January 2012 to 31 March 2013. During the period reviewed, the Office recorded programme and management expenditures totalling \$25.7 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 **satisfactory**, which means “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.” 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	Satisfactory			
1.2 Leadership, ethics and values	Satisfactory			
1.3 Risk management, planning, monitoring and reporting	Partially Satisfactory			
1.4 Financial sustainability	Partially 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 Assessed			
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	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*	

* Cross-cutting themes

Key issues and recommendations

The audit raised eight issues and resulted in eight recommendations, of which one (13 percent) was 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.” These recommendations include actions to address concerns regarding the Office’s financial sustainability.

Financial
sustainability
(Issue 2)

Concerns regarding the Office’s financial sustainability. UNDP Country Offices are required to maintain extrabudgetary reserves of at least 12 months to facilitate operations. However, the Office projected that extrabudgetary reserves would decline significantly during the next few years, reaching a low of two months in 2015. This was mainly due to increases in staff salaries and a greater need to rely on extrabudgetary resources as a result of a decrease in core funds received from Headquarters. The Office projected that 90 percent of its extrabudgetary resources would be allocated to staff-related costs. Further, the Office had been charging a flat rate of 3 percent for services provided to projects rather than the required actual costs or transaction fees. OAI recommends that the Office: (a) undertake a workload assessment and functional review to establish the most cost efficient staffing structure; and (b) when applicable, recover costs for the provision of support services on the basis of actual costs or fees in accordance with UNDP policies and procedures.

Cross-cutting themes

As part of the 2013 OAI 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. The OAI review of leave management indicated that the Office is using the electronic leave management system in Atlas. Apart from the issue on staff having to forfeit their annual leave as reported under the human resources section, there were no other issues.
- **Global Environment Facility.** No reportable issues noted.



Management comments and action plan

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



Helge S. Osttveiten
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