

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

DOMINICAN REPUBLIC

Report No. 1290
Issue Date: 7 May 2014

Report on the audit of UNDP Dominican Republic Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Dominican Republic (the Office) from 10 to 25 February 2014. 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 2012 to 31 December 2013. The Office recorded programme and management expenditures totalling \$27 million in 2012, and \$20 million in 2013. The last audit of the Office was conducted by OAI in 2011.

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: the project delivery being not on target; the Harmonized Approach to Cash Transfers not being fully implemented; a project being implemented without authorization from the Director of the Regional Bureau for Latin America and the Caribbean; and various weaknesses in the management of service contracts.

Good practices

The project team organized quarterly project managers’ meetings for the environment projects portfolio. Also the Office implemented a simplified template to monitor and report project activities. (Refer to page 1 for details).

Key recommendations: Total = 14, high priority = 4

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

Project delivery not on target (Issue 3)

Due to the significantly lower delivery than planned during 2013, the Office was not able to expend a significant part of the revenue collected, which resulted in a balance of \$43 million at year-end. As a result, the Office agreed with the Treasury Department of the Bureau of Management to remit \$39 million to UNDP's bank account in New York.

Recommendation: Review existing delivery targets and project annual work plans to adjust delivery forecasts to more realistic/achievable targets, and explore opportunities to increase programme delivery.

Harmonized Approach to Cash Transfers not fully implemented (Issue 4)

At the time of the audit, the Harmonized Approach to Cash Transfers, which is intended to: (a) reduce transaction costs pertaining to the Country Programmes of the ExCom agencies by simplifying and harmonizing rules and procedures; (b) strengthen the capacity of implementing partners to effectively manage resources; and (c) help manage risks related to the management of funds and increase overall effectiveness, was not fully implemented. One micro-assessment of an implementing partner was still to be performed and the joint audit plan had not been implemented.

Recommendation: Implement the Harmonized Approach to Cash Transfers by: (a) completing the micro-assessments of implementing partners; and (b) coordinating with the ExCom agencies to develop a joint audit assurance plan.

Project implemented without proper authorization (Issue 5)

The Office had been implementing project 00073721 "Desarrollo Local Transfronterizo" with a total budget of \$3.9 million since August 2012, without authorization from the Regional Bureau for Latin America and the Caribbean. In addition, the project included activities that were to be carried out in Haiti even though UNDP Haiti had not been informed of the project. As a result, the Office committed to achieving results where it did not have jurisdiction.

Recommendation: Seek guidance from the Regional Bureau for Latin America and the Caribbean to address: (a) the lack of authorization to directly implement the project 00073721 "Desarrollo Local Transfronterizo" and; (b) the involvement of UNDP Haiti to support project implementation in a way that will ensure the achievement of planned results.

Weaknesses in managing service contracts (Issue 8)

The Office decided to create a higher category (SC-12) than allowed in the 'Service Contract User Guide', which had no remuneration limit, thus allowing for the payment of arbitrary salary amounts. In addition, the Office granted service contract holders 2.5 days of paid annual leave per month rather than the 1.5 days prescribed by the User Guide. Moreover, the Office did not adequately verify the work permit of international candidates. References and academic credentials had not been checked prior engaging service contract holders.

Recommendation: Comply with the 'Service Contract User Guide' by: (a) deleting level SC-12 from the salary scale; (b) granting 1.5 days of annual leave per month to service contractors; (c) giving priority to national rather than international candidates when recruiting on service contracts, and verifying work permits when contracting international candidates.

Implementation status of previous OAI audit recommendations: Report No. 742, 28 March 2011.

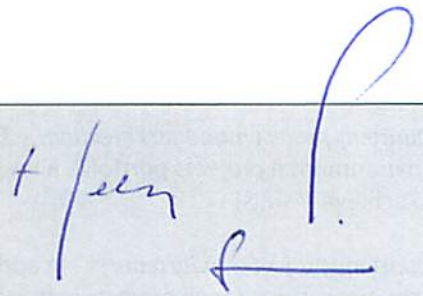
Total recommendations: 13

Implementation status: 100%

Management comments and action plan

The Resident Representative accepted 13 of the 14 recommendations in the areas of governance and strategic management, programme activities, and operations. OAI will assess the remaining recommendation as part of the follow-up. Comments and/or additional information provided have 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.

A handwritten signature in blue ink, which appears to read 'H. Osttveiten', is written over a light blue rectangular background. Below the signature, the name and title of the signatory are printed.

Helge S. Osttveiten
Director
Office of Audit and Investigations