

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

NEPAL

Report No. 1328
Issue Date: 11 July 2014

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Report on the audit of UNDP Nepal Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Nepal (the Office) from 15 to 29 April 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, 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, asset management and leave management).

The audit covered the activities of the Office from 1 January to 31 December 2013. The Office recorded programme and management expenditures totalling \$37 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*.

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 weaknesses in project monitoring, inadequate management of common services, a number of vehicles in excess of Office requirements, and inefficiencies in the Resident Coordinator Office structure.

Good Practice

The Office had initiated a monthly management meeting that reviewed all activities by each of the Office’s units, and identified bottlenecks and actions to be undertaken. These were then reported on during the subsequent meeting. Additionally, detailed minutes of the meetings were maintained, and periodically reviewed by management.

Key recommendation: Total = 13, 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:

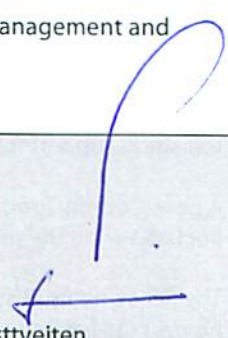
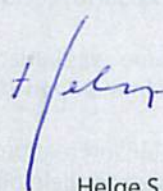
<p>Inadequate coordination for project monitoring (Issue 1)</p>	<p>The programme monitoring function was undertaken at three different levels: project, programme and field office. Monitoring undertaken by the field office staff was not well coordinated with the programme units; the style and presentation of the monitoring reports was inconsistent, and the tracking and follow-up of field visit recommendations was inadequate. The terms of reference of the staff involved in monitoring were not clear, and monitoring tools such as risk and issue logs were not updated. In addition, spot checks were not undertaken or documented, with poor results in reporting that did not link to the results chain.</p> <p><u>Recommendation:</u> Effectively monitor projects by coordinating among programme units, field offices, and projects.</p>
<p>Resident Coordinator Office function not fully implemented (Issue 2)</p>	<p>The Resident Coordinator Office function was not clearly reflected in staff terms of reference, with also overlaps in responsibilities between posts. Even though the three field offices had coordination functions, these were not clearly delineated in their terms of reference.</p> <p><u>Recommendation:</u> Implement the Resident Coordinator Office's '2014-2015 Strategic Framework' by: (a) streamlining the Resident Coordinator Office structure with the work plan and justifying the role of the field offices; (b) updating staff terms of reference to clarify roles and responsibilities; and (c) developing annual work plans for existing field offices.</p>
<p>Inadequate management of common premises (Issue 12)</p>	<p>There was a lack of clear and documented United Nations House management rules, resulting in misunderstandings between UNICEF and UNDP in regard to retrofitting expenses incurred for the building. Even though a Memorandum of Understanding signed in July 1998 stated the obligation of the agencies to pay rent based on space occupied, it did not stipulate the duration for which the rent would be payable or address the question of ownership of the United Nations House.</p> <p><u>Recommendation:</u> Clarify responsibilities with regard to rent and maintenance costs of the United Nations House by: (a) following up with UNDP Headquarters to resolve the retrofitting expenses with UNICEF Headquarters in a timely manner; and (b) formalizing the rent and maintenance arrangements through a signed memorandum between UNDP and the agencies located at the United Nations House.</p>
<p>Number of vehicles in excess of requirements (Issue 14)</p>	<p>There were 115 vehicles registered under the Office. Twenty four vehicles were located in Kathmandu, where distances to be covered were relatively minimal. Each project had its own fleet of vehicles, both at Kathmandu and in remote field offices without adequate consideration of pooling for more efficiency. The vehicles were also not fully utilized.</p> <p><u>Recommendation:</u> Improve the management of vehicles by: (a) establishing procedures that promote the prudent use of Office resources, such as pooling of vehicles to ensure efficiency and economies of scale. This should include an independent review of the vehicles required for the Office and the projects and the surplus vehicles should be transferred or disposed of in accordance with</p>

asset disposal policies and procedures; (b) establishing procedures that require approval of senior management for purchases of any future vehicles both for the Office and projects; and (c) ensuring that assets that are no longer useful are disposed of in a timely manner.

Management comments and action plan

The Resident Representative accepted all 13 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.



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