UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

UZBEKISTAN

Report No. 1453

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(REDACTED)

Report on the Audit of UNDP Uzbekistan
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Uzbekistan (the Office) from 25 May to 5 June 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, and safety and security).

The audit covered the activities of the Office from 1 January 2014 to 28 February 2015. The Office recorded programme and management expenditures totalling $21 million. The last audit of the Office was conducted by OAI in 2010.

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 **unsatisfactory**, which means, "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." This rating was mainly due to the improper use of the service contract modality, weaknesses with vendor approval, ██████████████████████████ ████████████████ and weaknesses in submissions to procurement review committees.

Even though good practices and satisfactory performance were identified, the issues identified with vendor approval, ████████████████████████████████ and procurement are critical, and could put the achievement of overall objectives at risk.

Good practice

Programme management

The Office developed and implemented several tools to facilitate monitoring of programme and project activities, such as the (a) Internal Project Monitoring Calendar introduced on the Office's intranet; (b) internal projects dashboard on key indicators on project performance, (c) peer-to-peer review group on quality of programming; (d) guidance note on integrated results-based programme and (e) checklists for budget revision.

Key recommendations: Total = **5**, high priority = **4**

The five recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendations 1); (b) reliability and integrity of financial and operational information (Recommendation 3, 4, and 5); and (c) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 2).

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:

Improper use of service contract modality (Issue 2)	The Office engaged 18 individuals under the service contract modality and all of them were performing core functions in various units of the Office, covering both programme and operations functions.
	Recommendation 2: The Office should avoid using the service contract modality as a cost-saving measure when filling vacant positions that require performing core functions.
Weaknesses in vendor approval (Issue 3)	The review of the vendors' database disclosed that 12 vendors had the same address with other vendors in the system. The Office issued purchase orders totalling $0.8 million for these vendors during the period 2010-2014. Furthermore, the performance evaluation of one vendor was unsatisfactory; however, it continued to receive orders during the audit period.
	Recommendation 3: The Office should strengthen controls in approving vendors in Atlas by conducting comprehensive research to identify established companies that will be contacted to bid on relevant procurements; requiring bidders to provide information to ensure that the vendor is authentic, including a declaration of owners' interest in other companies and the experience of vendors and capacity to provide goods and services; and conducting regular reviews of existing vendors and deactivating all vendors with duplicate profiles.

Procurement cases not submitted to procurement review committees (Issue 5)	The Office had eight vendors with cumulative contract values totalling $0.5 million in 2013 and 2014. Each vendor had exceeded the threshold of $50,000, but their contracts were not submitted to the Contracts, Assets and Procurement Committee for review. During the audit, OAI identified three additional vendors that exceeded the thresholds and were not submitted to the Contracts, Assets and Procurement Committee for review.

Recommendation 5: The Office should strengthen controls in procurement management and monitoring by submitting all procurement cases (including the 11 vendor contracts) that meet the procurement threshold to the procurement review committee for review.

Management comments and action plan

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

Helge S. Osttveiten
Director
Office of Audit and Investigations