

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

MALAYSIA

Report No. 1462
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Report on the Audit of UNDP Malaysia Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Malaysia (the Office) from 1 to 16 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 and Resident Coordinator Office);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, and general administration).

The audit covered the activities of the Office from 1 January 2014 to 31 March 2015. The Office recorded programme and management expenditures totalling \$7.5 million. The last audit of the Office was conducted by OAI in 2007.

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 **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."

Key recommendations: Total = 4, high priority = 1

The four recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendations 2 and 3); (c) effectiveness and efficiency of operations (Recommendations 1 and 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. The high (critical) priority recommendation is presented below:

Accountability over NIM reimbursement of funds not adequate (Issue 2)

Under project management arrangements for Atlas Project No. 82252, the accountability over the reimbursement of funds to the responsible parties and the corresponding accounting treatment were not adequately defined. Reimbursements were recorded in grant accounts instead of expense accounts. In addition, the supporting documentation to justify the reimbursements was not sufficient.

Recommendation: In future project documents, the Office should clearly define the accounting procedures to be used for advances and reimbursements of funds to responsible parties. In the case of reimbursements, the Office should include verification procedures to ensure correct use of the funds, and propriety of the expenses reported.

In addition, reimbursement claims should only be based on verified supporting documents and recorded in the appropriate expenditure accounts. This will enable the proper accounting, tracking, and auditing of expenditures.

Management comments and action plan

The Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided has 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
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