

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

LAO PEOPLE'S DEMOCRATIC REPUBLIC

Report No. 2000
Issue Date: 13 December 2018

Report on the Audit of UNDP Lao People's Democratic Republic Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP in Lao People's Democratic Republic (the Office) from 22 October 2018 to 2 November 2018. 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation, knowledge management);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2017 to 30 September 2018. The Office recorded programme and management expenses of approximately \$24 million. The last audit of the Office was conducted by United Nations Board of Auditors in 2016.

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/some improvement needed**, which means "The assessed governance arrangements, risk management practices and controls were generally established and functioning but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to the improper use of grant agreements.

Key recommendations: Total = 6, high priority = 1

The six recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	3, 4	Medium
Effectiveness and efficiency of operations	5, 6	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	1	High
	2	Medium

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:

Improper use of grant
agreement
(Issue 1)

In December 2017, the Office signed a memorandum of understanding jointly with the government entities, resulting in the transfer of \$1.2 million in Global Environment Facility funding to the one government entity through project 94709. These funds were recorded as grants and expensed in Atlas instead of using the regular procedure of a cash advance through the Harmonized Approach to Cash Transfer modality. Funds that were directly expensed in 2017 had not been spent for implementation activities at the time of this audit, in November 2018. Also, at the time of disbursement, the Office had not conducted a micro-assessment on the beneficiary to determine its capacity. Lastly, a non-standard memorandum of understanding, which had not been cleared by the Legal Office, was used.

Recommendation: The Office should ensure the proper use of the grant agreement by: (a) following the procedure for a cash advance through the Harmonized Approach to Cash Transfer modality when transferring funds for project implementation; (b) obtaining clearance from the Legal Office when a non-standard memorandum of understanding is used; and (c) developing and implementing a clear plan for the utilization of the \$1.2 million transferred to the government entity through project 94709 within a specified timeframe, including recovering any unused funds.

Management comments and action plan

The Resident Representative accepted all recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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