

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**  
  
**OF**  
  
**UNDP COUNTRY OFFICE**  
  
**IN**  
  
**PHILIPPINES**

**Report No. 2087**  
**Issue Date: 1 November 2019**

## Report on the Audit of UNDP Philippines Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Philippines (the Office) from 2 to 13 September 2019. 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 2018 to 31 August 2019. The Office recorded programme and management expenses of approximately \$75 million. The last audit of the Office was conducted by OAI 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 weaknesses in the management of projects and sub-optimal programme delivery.

### Key recommendations: Total = 4, high priority = 2

The four recommendations aim to ensure the following: (a) achievement of the organization’s strategic objectives (Recommendations 1 and 2, high priority), and (b) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 3 and 4, medium priority).

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 recommendations are presented below:

Inadequacies in management of National Acceleration Modality projects (Issue 1)	Deficiencies were noted in management of the National Acceleration Modality projects, such as lack of clarity in roles to be undertaken by the government counterpart and the Office. Some of these issues included extensions of projects beyond their originally intended timelines, inadequate risk management practices, and inadequate due diligence in the management of responsible parties.
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Recommendation: The Office should enhance the management of National Acceleration Modality projects by: (a) ensuring projects are well designed, taking into account the capacities and readiness of each of the related partners, and undertaking risk assessments and due diligence of the partners implementing the activities; (b) defining in the project document clear roles and responsibilities of UNDP and the government counterparts in project implementation; and (c) undertaking a lessons learned exercise, and documenting these lessons to inform any future engagement on government cost-sharing projects.

Sub-optimal  
programme delivery  
(Issue 2)

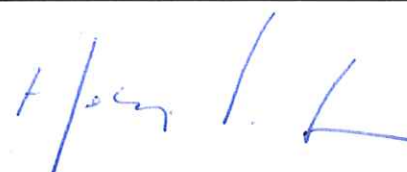
The Office had been recording a trend of sub-optimal programme delivery rates against available programme resources over a period of three years (ranging from 59 percent in 2017 to 29 percent in 2019). Furthermore, a procurement transaction amounting to \$14 million was completed even though the goods and services were yet to be delivered.

Recommendation: The Office should improve programme delivery against available resources by ensuring close monitoring of projects and outlining a prompt response plan to implementation challenges, especially with concerning government counterparts, to boost programme delivery.

#### Management comments and action plan

The Resident Representative accepted all four 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.



Helge S. Osttveiten  
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