UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

TIMOR – LESTE

Report No. 1076

Issue Date: 4 March 2013

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Report on the audit of UNDP Timor-Leste
Executive Summary

From 3 to 14 September 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Timor-Leste (the Office). The audit covered the activities of the Office during the period from 1 January 2011 to 30 June 2012. During the period reviewed, the Office recorded programme and management expenditures totalling $27 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*. These Standards require that OAI plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

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." Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				Satisfactory
2. United Nations system coordination				Satisfactory
2.1 Development activities	Satisfactory			
2.2 Resident Coordinator Office	Satisfactory			
2.3 Role of UNDP – "One UN"	Not Applicable			
2.4 Harmonized Approach to Cash Transfers	Not Applicable			
3. Programme activities				Satisfactory
3.1 Programme management	Satisfactory			
3.2 Partnerships and resource mobilization	Satisfactory			
3.3 Project management	Partially Satisfactory			
4. Operations				Satisfactory
4.1 Human resources	Partially Satisfactory			
4.2 Finance	Partially Satisfactory			
4.3 Procurement	Satisfactory			
4.4 Information and communication technology	Satisfactory			
4.5 General administration	Satisfactory			
4.6 Safety and security	Satisfactory			
4.7 Asset management	Satisfactory			

Key issues and recommendations

The audit raised five issues and resulted in five recommendations, of which two (40 percent) were ranked high (critical) priority, meaning "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 and may affect the organization at the global level."

Project management (Issue 3)	Weak project management. There were difficulties in measuring project results due to the lack of baseline data in project documents, lack of systematic project monitoring and project implementation delays. OAI recommends that the Office ensures that project documents contain baselines, indicators and targets. Also, the Office should establish a systematic monitoring plan that includes procedures to identify and address implementation bottlenecks.
Human resources (Issue 4)	Limited pool of qualified and experienced personnel in Timor-Leste (the Country). The Office continues to face a major challenge, as there was a limited pool of qualified and experienced local personnel in the Country. The Office had taken a number of initiatives to raise the capacity of local staff members including allowing staff members to participate in assignments at other country offices. OAI recommends that the Office: (a) ensures that the Results and Competency Assessment objectives include a mentoring and transfer of skills component for supervisors and national staff members; and (b) explores with the Office of Human Resources whether job recruitment profiles can be adapted to be more flexible in terms of minimum experience and qualification criteria.

Management's comments and action plan

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

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. Introduction

From 3 to 14 September 2012, OAI conducted an audit of UNDP Timor-Leste. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit scope and objectives

OAI audits assess the adequacy and effectiveness of the governance, risk management and control processes in order to provide reasonable assurance to the Administrator regarding the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with legislative mandates, regulations and rules, policies and procedures. They also aim to assist the management of the Office and other relevant business units in continuously improving governance, risk management and control processes.

Specifically, this audit reviewed the following areas of the Office: governance and strategic management, United Nations system coordination, programme activities, and operations. The audit covered relevant activities during the period from 1 January 2011 to 30 June 2012. During the period reviewed, the Office recorded programme and management expenditures totalling $27 million. The last audit of the Office was conducted by OAI in 2009.

The implementation status of previous OAI audit recommendations (Report No. 613, June 2009) was also validated. Based on OAI desk reviews of the Office's reported corrective actions and supporting documents uploaded in the Comprehensive Audit and Recommendation Database System (CARDS), all 12 recommendations were noted to be fully implemented. However, in the current audit OAI noted the reoccurrence of two issues relating to the management of Letters of Agreement (see Issue 1) and tagging of assets.

II. About the Office

The Office, located in Dili, Timor-Leste has 62 staff members and implements all projects through the direct implementation modality. The largest programme portfolio is in the area of governance, followed by crisis prevention/recovery and poverty reduction. The Ministry of Economy and Development is the main government coordinating partner.

The United Nations Integrated Mission in Timor-Leste (UNMIT) was established in 2006 to help the Country with nation building and maintaining peace. With continued political and social stability, the Government and the United Nations agreed that the Country was ready for the withdrawal of UNMIT by December 2012.

III. Detailed assessment

1. Governance and strategic management — Satisfactory

OAI reviewed the governance structure in place, management strategy, delegation of authority, internal control framework, extrabudgetary resources and the 2010 Global Staff Survey results.

A Joint Transition Plan has been established to help implement and monitor the completion and handover of UNMIT activities to the United Nations Country Team. It showed an additional $77 million was required to implement UNMIT activities after being handed over to the said Country Team. As of September 2012, the Office needed a total of $17 million to implement activities in the areas of Police and Security ($11 million) and Rule of Law ($6 million). The Office stated that discussions were being held with the Government to mobilize additional funds through government cost-sharing.

The Office had been using UNMIT facilities (i.e., use of helicopters to visit project sites) without or at a limited cost. The withdrawal could increase the Office's operations and project implementation costs, thus contributing to the funding gaps of the projects.

Additionally, the Office may assume responsibility for providing certain services to the United Nations Country Team that are currently performed by UNMIT. The Office informed OAI that the Bureau of Management team planned to visit the Country to assess the impact of the changes. In view of this, no further recommendation is being made.

Considering that only one medium-priority issue was noted, as shown below, this area was assessed as "satisfactory."

Issue 1 Weak management of Letters of Agreement

UNDP issues a standard Letter of Agreement that offices must use when cooperating with government counterparts to carry out activities as a responsible party. Clearance by the Legal Support Office is required for any deviation from the standard template.

OAI reviewed 27 of over 100 Letters of Agreement issued during the audit period. The Letters of Agreement were signed mainly to support government ministries hiring international and national advisors. Instead of creating one Letter of Agreement for all staff members in the same ministry, the Office created Letters of Agreement for each individual position. Although this was not a deviation from UNDP requirements, in the view of OAI, this process was not only inefficient but also made it difficult to monitor the Letters of Agreement. The Office explained that this practice had been going on for several years.

Furthermore, the roles and responsibilities of the Office and government counterparts stipulated in the Letters of Agreement were not harmonized with Office procedures, which created confusion for both parties. For example, the Office stated that approval of successful candidates was the responsibility of the government counterpart; however, the signed Letter of Agreement with the relevant government unit stipulated that this was the responsibility of both parties.

Staff members recruited through the signed Letters of Agreement were required to submit monthly time sheets. The time sheets must contain, at minimum, records of attendance and leave taken. However, OAI noted that three government institutions used different forms, which, compounded with missing information, made it difficult for the Office to review for accuracy. Supporting documentation for recruitment was also improperly maintained.

Some clauses in the UNDP standard Letter of Agreement were revised, but the Office was unable to provide evidence of clearance from the Legal Support Office. For example, Clause 3 of the signed Letter of Agreement for a parliament project stated, "The National Parliament shall use its best effort to ensure that personnel recruited for the project are of the highest standards of efficiency, competence and integrity." However, Clause 3 of the standard Letter of Agreement states that "The Government ministry/institution/IGO shall be fully responsible for carrying out, with due diligence and efficiency, all activities in accordance with its Financial Regulations and Rules." The same issue was raised in the prior audit.

Lastly, the OAI 2011 audit exercise for nationally implemented projects required offices to include in their audit plans directly implemented projects with national implementation modality components, using the established risk-based audit planning approach. However, the Office did not follow this requirement, which was due to a misunderstanding regarding the audit requirement on direct implementation modality projects with national implementation modality components.

OAI acknowledged the Office's awareness of some of the issues above and that the Office has been proactive in addressing them. Specifically, the Office informed OAI that there has been an attempt to streamline the Letter of Agreement and recruitment process but the government's line ministries have yet to agree. Nonetheless, the monitoring of multiple Letters of Agreement is inefficient, cumbersome and increases the risk of incorrect payments. Also, deviations from the standard Letter of Agreement without obtaining proper clearance, and projects not having the required audit coverage, might expose UNDP to future liabilities or financial losses.

Priority	Medium (Important)
Recommendation 1: The Office should continue its efforts to strengthen the management of Letters of Agreement by: (a) having a dialogue with the government counterparts to get their buy-in to establish only one Letter of Agreement per government ministry, harmonize these with clear roles and responsibilities between the Office and government ministries, including the use of standard time sheets; (b) seeking clearance from the Legal Support Office on deviations from the UNDP standard Letter of Agreement, and; (c) ensuring that audit requirements for directly implemented projects with national implementation modality components are complied with.	
Management comments and action plan: __√__Agreed ____Disagreed The Office management stated that appropriate action has been or will be taken, including seeking clearance from the Legal Support Office in case of any deviations from the standard Letter of Agreement. Also, the Office will submit a complete audit plan in 2013, which will take into account projects with national implementation modality.	

2. United Nations system coordination — Satisfactory

The United Nations Country Team included 13 United Nations agencies (FAO, IOM, OHCHR, UN Women, UNCDF, UNDP, UNDSS, UNESCO, UNFPA, UNHCR, UNICEF, UNIDO and WHO) and representatives from international financial institutions (the Asian Development Bank and the World Bank). During the audit period, the Resident Coordinator Office had five ongoing joint programmes.

There was one medium-priority issue identified in this area (see Issue 2).

2.1 Development activities — Satisfactory

The United Nations Resident Coordinator had obtained approval for a one-year extension of the current United Nations Development Assistance Framework (2009-2013) due to the national elections held in 2012. The new Government required some time to prepare its Country Programme for the next five years.

Issue 2 <u>Inadequate preparation for transitioning to national implementation modality</u>

In the previous audit of the Office (Audit Report # 613, June 2009), OAI recommended developing a strategy for the gradual transition to national implementation modality, which included identifying capacity gaps for programme/project implementation and establishing indicators to assess the progress.

The Office established a strategic plan for this transition in November 2009 and had taken several actions to implement the recommendations, such as approaching the Government to prepare for such a transition and releasing advances of funds to two government ministries with whom the Office had signed a Letter of Agreement.

However, OAI had identified areas for improvement. Specifically, the Office did not develop a comprehensive transition plan covering in detail the timing and steps required to ensure a smooth transition to national implementation modality. The comprehensive transition plan must document the steps taken and planned in building the capacity of government counterparts. Also, a micro-assessment must be included in the plan to determine whether government counterparts had developed the capacity to deliver within the programmatic thresholds set by UNDP. The assessment could also include determining the level of the Office's support required when responsibility is shifted to the Government.

The one-year extension of the programme cycle provides an opportunity to conduct an assessment on the progress of the transition and to determine how this extra time could best be used to ensure the readiness of the Office and government counterparts.

Priority	Medium (Important)
Recommendation 2: The Office should develop and implement a comprehensive transition plan taking into consideration the one-year extension of the programme cycle. The plan should include steps taken and planned in building the capacity of the government counterparts, as well as a micro-assessment to determine the readiness of the government counterparts.	
Management comments and action plan: __√__Agreed ____Disagreed The Office will develop and implement a comprehensive transition plan to ensure capacity building of government counterparts and this process will include a micro-assessment of these government institutions.	

2.2 Resident Coordinator Office — Satisfactory

The Resident Coordinator Office is managed by an international staff member (P4 level) and assisted by an Administrative Assistant (national staff member). The Resident Coordinator's 2011 Annual Report indicated its efforts to align with the national development processes and to support the National Government in achieving its Millennium Development Goals. The United Nations Country Team meetings were held monthly. There were no reportable issues noted.

2.3 Role of UNDP - "One UN" — Not Applicable

The Country is not a "One UN" pilot country or a self-starter.

2.4 Harmonized Approach to Cash Transfers — Not Applicable

The Office had obtained approval for a continued deferral in implementing the Harmonized Approach to Cash Transfers.

3. Programme activities — Satisfactory

3.1 Programme management — Satisfactory

The prior OAI audit reviewed the United Nations Development Assistance Framework, Country Programme Document and Country Programme Action Plan for the period from 2009 to 2013. The audit raised two issues, namely: (a) outputs in the Country Programme Action Plan did not mirror the outputs of the Country Programme Document; and (b) data in the Evaluation Resource Center was not updated on a timely basis. The Office had adequately addressed both issues. There were no reportable issues identified this time.

3.2 Partnerships and resource mobilization — Satisfactory

The Office informed OAI of declining donor interest in the Country because of the Government's increasing oil revenue and its preference for bilateral agreements. As of September 2012, the Office had mobilized resources totalling $22 million, mostly from the Global Environment Facility ($16 million) and the rest from the Government of Japan and UNMIT ($6 million). The funds would cover the Office's programme and operations activities for 2012-2013.

A Joint Transition Plan had been established to help implement and monitor the completion and handover of UNMIT activities to the United Nations Country Team. It showed that an additional $77 million would be required to implement UNMIT activities after being handed over to the United Nations Country Team. As of September 2012, the Office needed a total of $17 million to implement activities in the areas of Police and Security ($11 million) and Rule of Law ($6 million). The Office informed OAI that discussions were being held with the Government to mobilize additional funds through government cost-sharing. Additionally, the Office will confer with the Regional Bureau for Asia and the Pacific on the funding gaps. Thus, OAI is not making a recommendation.

No other reportable issues were identified.

3.3 Project management — Partially Satisfactory

The Office had 25 ongoing directly implemented projects with total programme expenditures of $15 million in 2011 and $7 million in the first half of 2012. OAI reviewed 7 of the 25 projects with a total expenditure of $9 million, or 65 percent of programme expenditure in 2011.

The Office had 16 projects that had not been financially closed despite being operationally closed for more than 12 months. The underlying reason was due to a lack of adequate monitoring and follow-up of completed projects. During the audit fieldwork, the Deputy Country Director stated that the financial closure of 16 projects will be monitored and included in the monthly agenda meeting to track corrective actions being taken. As such, OAI is not making a recommendation.

Due to the high priority issue noted below, this area was assessed as "partially satisfactory."

Issue 3 Weak project management

According to the Programme and Operations Policies and Procedures, effective monitoring requires the development of clear indicators, baselines and targets. Regular monitoring must be scheduled to ensure project progress can be assessed and that issues highlighted can be addressed in a timely manner. OAI noted control weaknesses as described below.

(a) Difficulties in measuring project results

- Two projects (00014955 and 00073810) contained indicators that were not specific or targets that could not be measured. Specifically, both projects had many targets to strengthen capacity of the respective government line ministries without clear baseline or target data. Also, project 00073810 contained an exceptionally high number of indicators, 29 for Output 1 and 16 for Output 2. Furthermore, baseline indicators had not been established for certain outcomes for project 00053311.

- Two of the largest projects (00014955 and 00073810) employed a total of 39 international advisors. In both projects, the advisors' responsibilities included judicial and parliamentary line functions. The Office indicated that it may take a number of years for national capacity to be adequately developed. However, the project document did not include specific targets or milestones for the skills transfer (e.g., project 00014955 targets only stated ''continued assessment of training needs'' and ''continued deployment of international court actors").

OAI noted the lack of capacity in the Office for developing specific indicators and targets as the underlying reason. The Office acknowledged this and was in the process of addressing this weakness by providing trainings or workshops for staff.

(b) Lack of systematic monitoring

- While there was evidence of monitoring activities being undertaken by the Office, OAI noted that the projects reviewed did not have a monitoring plan identifying the type and frequency of monitoring to be undertaken. Furthermore, there was lack of standardized monitoring templates and, in certain instances, meetings and field visits were not documented.

- The programme documents for projects 00078949 and 00073199 included a "Quality management for project activity deliverable", which described how different activities and intended outputs would be monitored and assessed. This tool had not been used and there was limited documentation of monitoring activities.

- Regarding the assurance level, the Project Board members only convened once in 18 months, and for projects 0014955, 00053311, 00073810 and 00078949 required the Annual Work Plans to have only a virtual signature by each board member.

According to the Office, the lack of systematic monitoring was an oversight caused by the lack of staff knowledge pertaining to the monitoring requirements. The unavailability of the Project Board members and the difficulty in getting them all together contributed as well.

(c) Project implementation delays

The Programme and Operations Policies and Procedures require offices to ensure that projects are completed in a timely manner and achieve intended outputs. OAI noted that the activities of seven projects were significantly delayed in 2011.

Project delays were mainly due to challenges in government coordination, particularly in relation to the recruitment of staff members under Letters of Agreement.

Failure to develop and monitor targets could hamper the Office in effectively monitoring progress toward the achievement of programmatic results. Without a clear plan for project monitoring, issues may not be identified and addressed in a timely manner.

Priority	High (Critical)

Recommendation 3:
The Office should ensure that:
(a) at the project formulation stage, each project includes baselines, indicators and targets and the indicators should be relevant and easy to measure as part of regular monitoring;
(b) a systematic monitoring plan is prepared, in conjunction with the Annual Work Plan, indicating types and frequency of monitoring;
(c) standard monitoring templates are prepared to facilitate documentation of meetings and field visits, including noting any issues and corresponding actions required; field visit monitoring templates need to include the collection of progress data; and
(d) potential implementation bottlenecks are identified during initial risk assessment when developing the programme document, and measures are taken to minimize delays resulting from government coordination, particularly relating to recruitment.

Management comments and action plan: __√__Agreed ____Disagreed

The Office will ensure compliance with the relevant provisions on project management guidelines.

4. Operations — Satisfactory

4.1 Human resources — Partially Satisfactory

As of September 2012, the Office had 62 personnel (22 international and 40 national) holding Fixed-Term Appointments and 91 service contract holders. OAI reviewed 10 UNDP service contracts, 4 staff member separations, 5 recruitments and 4 re-assignments.

Based on a review of the personnel records, the Office was in compliance with relevant procedures except that some staff members had not completed mandatory training due to other competing tasks. The Office agreed with OAI to take action to ensure that the staff members complete the training. Thus, OAI is not making a recommendation.

Due to the high-risk priority issue noted below, this area was assessed as "partially satisfactory."

Issue 4 Limited pool of qualified and experienced personnel in the Country

A major challenge for the Office continues to be the limited pool of qualified and experienced personnel in the Country. There was a lack of national candidates with university or higher-level education. Hence, the Office had been depending on internationally-recruited staff members to supplement local capacity. The availability of international scholarships led to a high turnover of experienced local staff members, with five due to depart in the coming months. In a few cases, the recruitment was not successful, as candidates did not meet the required years of experience and/or the educational qualifications.

The Office had undertaken a number of initiatives to raise the capacity of local staff members including allowing staff members to participate in assignments at other country offices. However, the Results and Competency Assessment did not include a skill transfer component as part of the annual objectives of international and national staff members. The Office was also limited by corporate requirements regarding the minimum number of years of work experience and educational qualifications for positions. OAI discussed with the Office the need to consult with the Office of Human Resources to address this issue, e.g. consider recruiting national staff members at a level below the advertised level, provided the candidate has the relevant competencies.

Despite positive steps being taken by the Office, it continues to face challenges in attracting and retaining qualified national staff members.

Priority	High (Critical)
Recommendation 4: The Office should: (a) ensure that the Results and Competency Assessment objectives include a mentoring and transfer of skills component for supervisor and national staff members; and (b) consult with the Office of Human Resources to address the limited pool of qualified national candidates by providing some flexibility within the recruitment process, e.g. by modifying the minimum years' experience and qualification requirements or recruiting national staff members at a level below the advertised level.	
Management comments and action plan: __√__Agreed ____Disagreed The Office has taken actions to address the issue and implement the recommendation, such as mentoring and transferring of skills among staff members, as well as consulting the Regional Bureau for Asia and the Pacific and the Office of Human Resources in preparing a strategy to address recruitment challenges.	

4.2 Finance — Partially Satisfactory

For the period under review, the Office processed 7,740 vouchers totalling $16.2 million. OAI reviewed 50 payment vouchers totalling $2.1 million or 13 percent of the total paid vouchers. The review covered verification of cash advance payments relating to directly implemented project activities, bank account reconciliations, staff member salaries, and project cash advances, delegation of authority and petty cash management. Issues were noted in payment voucher verification, petty cash management and project cash advances.

The Office had entered into an agreement with a vendor for the supply of fuel for its use and for use by other United Nations agencies. The contract stipulated that the Office is invoiced every month based on the average monthly price as per the Platts index[1] (Asia and Pacific). Approximately $216,000 was paid to the vendor for the supply of fuel during the audit period. However, the supporting documents did not include the vendor's computation of the average Platts index for the month and the Office did not conduct an independent verification on the accuracy of the fuel costs charged in the invoices. Subsequent to the audit fieldwork, the Office contacted the vendor, who agreed to comply with the contract requirements and indicated that proper verification will be undertaken. Accordingly, OAI is not making a recommendation.

The Office had been authorized to maintain a petty cash amount of $500. However, the Office did not conduct a monthly petty cash count and reconciliation with vouchers, as required. During the audit fieldwork, OAI noted that the last petty cash count was done in March 2012. At the exit meeting, the Operations Manager informed OAI that the Office will follow the requirements. Thus, OAI did not issue a recommendation.

Due to the significance of the audit issue noted below, this area was assessed as "partially satisfactory."

Issue 5 Weak controls in management of project advances

(a) Cash advances exceeded the $500 threshold and were charged to the wrong account

The UNDP 2011 year-end guidance stipulates that cash advances to directly implemented projects must not exceed $500 and must be charged to account 16007. If a larger advance is required, prior approval must be obtained from the Office of Finance and Administration. During the audit period, there were 112 cash advances to personnel to cover project-related expenditures. The Office did not comply with the guidelines, as all of these advances were charged to account 16005, and 86 advances exceeded the $500 limit due to the demand of higher advances to cover project activities in remote areas. Additionally, about 45 personnel received cash advances for project activities during the audit period. This was not efficient and was difficult to monitor.

(b) Delays in liquidating cash advances

The Office did not establish controls to ensure timely liquidation of advances. Specifically, the personnel did not liquidate the advances soon after the completion of the project activities. OAI noted advances being liquidated over periods ranging from three to nine months.

(c) High petty cash float

The government counterpart maintained a high petty cash float ranging from $5,000 to $10,000. According to the Office, the petty cash was kept in a safe. Nonetheless, maintaining a high petty cash float increases the risk of theft or misuse. OAI also noted that expenditures were charged to the wrong accounts, including $29,000 mischarged to hospitality and $20,000 mischarged to sundry.

Priority	Medium (Important)
Recommendation 5: The Office should: (a) confer with the Office of Finance and Resources Management regarding arrangements to increase the project cash advance limit; (b) establish controls to ensure that advances are liquidated in a timely manner; and (c) maintain the cash float at a minimum level and ensure charging of expenditure to the correct account	

[1] Platts is a provider of benchmark price assessments and indices of the global oil industry.

code.
Management comments and action plan: __√__Agreed ____Disagreed The Office management consulted with the Office of Finance and Resources Management and Treasury Division regarding cash management guidelines, and advised that they are in the process of following the instructions received and complying with the requirements.

4.3 Procurement — Satisfactory

During the period under review, the Office processed 1,240 purchase orders with a total value of $15.7 million. The audit reviewed a sample of 50 purchase orders valued at $1.9 million (12 percent) and the recruitment of 11 out of 100 independent contractors hired during the audit period. OAI noted that three of four staff members with buyer profiles did not have the mandatory certification. Further, the Contracts, Asset and Procurement Committee members, including the Chair, had not completed procurement training, as required. The contracts of two independent contractors were signed on ex post facto basis.

OAI noted that the Office had initiated corrective action for the above-mentioned findings and, hence, no recommendation is being made.

4.4 Information and communication technology — Satisfactory

OAI reviewed the Office's Business Continuity Plan, including the Disaster Recovery Plan and back-up of critical files and management of hardware and software. The Office properly maintained a list of information technology equipment and software licenses procured and used by staff members. Furthermore, the Office had been conducting a regular back up of critical files in the file servers. However, the back-up media were only stored inside the Programme Unit and County Director's offices, which were still within the vicinity of the Office premises. At the end of the audit fieldwork, the Office informed OAI that an off-site location had been identified and that security control procedures will be established. Therefore, OAI did not make a recommendation.

4.5 General administration — Satisfactory

The General Administration Unit included travel, transport and registry functions. OAI reviewed travel records relating to 20 of 176 international trips taken during the audit period. No exceptions were noted in this area.

There were no reportable issues identified.

4.6 Safety and Security — Satisfactory

The OAI desk review covered the security plan, minutes of the Security Management Team meetings and the Security Risk Management Report. The Country remained under Security Phase II during the audit period. OAI assessed this area as low risk during the audit planning stage and, hence, no further detailed verification was done during the audit fieldwork.

4.7 Asset management — Satisfactory

The asset management function had been delegated to a focal point in the Procurement Unit. The 2012 mid-year physical verification and reconciliation exercise for property, plant and equipment indicated that that Office had 150 assets valued at about $0.77 million. OAI reviewed asset records, asset disposal processes and the Office's 2012 mid-year certification. A physical verification of 20 assets valued at about $0.3 million was also conducted.

OAI noted that the Office only used a marker pen when tagging 15 of 20 assets, which easily faded and weakened the ability to identify and track assets. The remaining five assets were not tagged. OAI raised a similar issue in the prior audit. The Operations Manager indicated that corrective actions will be taken to ensure proper and complete tagging of assets. Accordingly, OAI is not making a recommendation.

ANNEX Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

In providing the auditors' assessment, the Internal Audit Services of UNDP, UNFPA, UNICEF and WFP use the following harmonized audit rating definitions. UNDP/OAI assesses the country office or audited HQ unit as a whole as well as the specific audit areas within the country office/HQ unit.

- **Satisfactory** — 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. *(While all UNDP offices strive at continuously enhancing their controls, governance and risk management, it is expected that this top rating will only be achieved by a limited number of business units.)*

- **Partially Satisfactory** — 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. *(A partially satisfactory rating describes an overall acceptable situation with a need for improvement in specific areas. It is expected that the majority of business units will fall into this rating category.)*

- **Unsatisfactory** — 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. *(Given the environment UNDP operates in, it is unavoidable that a small number of business units with serious challenges will fall into this category.)*

B. PRIORITIES OF AUDIT RECOMMENDATIONS

The audit recommendations are categorized according to priority, as a further guide to UNDP management in addressing the issues. The following categories are used:

- **High (Critical)** — 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 and may affect the organization at the global level.

- **Medium (Important)** — Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.

- **Low** — Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are <u>not included in this report</u>.