

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP PROJECT MANAGEMENT OFFICE

IN

ROMANIA

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Report on the Audit of UNDP Project Management Office in Romania Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UNDP Project Management Office in Romania (the Project Office) from 4 to 29 May 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) programme activities (project management); and
- (c) operations (human resources, finance, procurement, information and communication technology, general administration, and safety and security).

Specifically, this audit covered the management of the Project Office and the oversight carried out at the level of the Istanbul Regional Hub. The audit covered the activities of the Project Office from 1 January 2014 to 31 March 2015. It recorded programme and management expenditures totalling \$1.3 million. The last audit of the Project Office was conducted by OAI in 2009.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Project 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."

The audit did not result in any recommendations.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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I. About the Office

The Project Office was located in Bucharest, Romania (the Country). Upon completion of the Country Programme Document for Romania (2010-2012) as approved by the Executive Board, the UNDP Country Office in Romania was closed on 31 December 2012. In this context, UNDP's international representation in the Country in the form of a resident representative function also ceased as of 31 December 2012.

In 2013, UNDP established the Project Office, which was headed by a National Officer and was expected to operate until 30 June 2015. The Project Office's main responsibility was to oversee, under the supervision and support of the Istanbul Regional Hub, the implementation of the remaining projects.

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance and strategic management. The delegation of authority was issued to and accepted in writing by the head of the Project Office. Furthermore, the Project Office prepared the 'Strategy Note - 2014', which provided information on its risks assessment, staffing issues, office restructuring, and resource mobilization plan for 2014. Additionally, the Istanbul Regional Hub visited the Project Office from 23 to 26 March 2015 to review processes and to prepare the Internal Control Framework for two projects that would remain open after the closure of the Project Office on 30 June 2015. The mission report was used as the closure plan for the Project Office. The Project Office and the Istanbul Regional Hub held regular meetings to ensure the completion of all remaining planned activities before its closure. No reportable issues were identified.
- (b) Human resources management. The review of recruitment (two personnel under service contracts) and separation (one staff under fixed-term appointment) processes did not identify any reportable issues.
- (c) Financial management. The review of 39 vouchers totalling \$1.1 million disclosed that control procedures over receivables, payment processing, disbursements and administration of petty cash were adequate.
- (d) Procurement. The review of 20 purchase orders totalling \$0.6 million did not identify any reportable issues.
- (e) General administration. The Project Office's control procedures over its general administration activities, which included asset management, travel management, common services and safe management, were found to be adequate.
- (f) Information and communication technology. The information and communication technology systems managed by the Project Office were found to be operating effectively.
- (g) Safety and security. The security risk assessment for the Country was conducted in April 2015 and it did not identify any medium or high-risk areas. For the low or very low risk areas identified, the audit found adequate mitigating measures in place.

Low priority issues/recommendations were discussed directly and agreed with the Project Office and are not included in this report.

The detailed assessment is presented below:

Programme activities

Project management

Issue Inadequate control over the selection of micro-capital grant recipients

The 'Programme and Operations Policies and Procedures' stipulate that NGOs, as potential micro-capital grant recipients can be identified during project formulation. In such instances, the Project Appraisal Committee can recommend, subject to the Resident Representative's approval, a selection list of recipients. The list is included in the Annual Work Plan, and the draft terms of reference for their services are attached to the Project Document. The Project Document provides for an independent mechanism that will review and endorse the selection of recipient institutions, and assess the performance of these institutions in managing the grants.

In 2014, the Project Office awarded seven grants totalling \$0.47 million to NGOs under Output ID 00087016. However, the Project Document did not include an independent mechanism for the review and endorsement of the selection of recipient institutions, and assessment of the performance of these institutions in managing the grants, as required.

Without having clear criteria for review and endorsement of recipient institutions, micro-capital grants might be awarded to recipients without adequate capacity to implement the required activities.

OAI comments:

As the Project Office closed on 30 June 2015, OAI shared the draft report with the Regional Bureau for Europe and the Commonwealth of Independent States. The Bureau agreed to take action to address the inadequate controls described above, which will be applied to the selection of micro-capital grant recipients in the future. Therefore, OAI is not making a recommendation concerning this matter.

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **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.
- **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.
- **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.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **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.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to 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 not included in this report.