

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



AUDIT
OF
UNDP COUNTRY OFFICE
IN
UZBEKISTAN
(Follow-up of OAI Report No. 1453 dated 15 October 2015)

Report No. 1733
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Table of Contents

Executive Summary	i
I. Details of recommendations implemented	1
ANNEX Definitions of audit terms – implementation status, ratings and priorities.....	3

**Report on Follow-up Audit of UNDP Uzbekistan
(Previous OAI Report No. 1453, 15 October 2015)
Executive Summary**

From 22 to 26 August 2016, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an on-site follow-up audit of the UNDP Country Office in Uzbekistan (the Office). This on-site follow-up audit was undertaken, in addition to regular desk reviews, in view of the 'unsatisfactory' audit rating assigned by OAI in Report No. 1453 dated 15 October 2015. The follow-up audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit scope and approach

The follow-up audit reviewed the implementation of five audit recommendations. OAI conducted appropriate tests of transactions and activities by the Office from 1 January to 30 September 2016 and interviewed management and staff concerned to determine whether the reported corrective actions were indeed implemented, as reported by the Office in the Comprehensive Audit and Recommendation Database System (CARDS).

Audit results

The Office had fully implemented all five audit recommendations, resulting in an implementation rate of 100 percent as of 5 October 2016.

Implementation status	Number of recommendations	Recommendation Nos.
Implemented	5	1, 2, 3, 4, and 5
In progress	-	-
Not implemented	-	-
Withdrawn	-	-
Total	5	5

The detailed implementation status of the five recommendations has been updated by OAI in CARDS.

Section I summarizes the recommendations that have been fully implemented.



Helge S. Ostveiten
Director
Office of Audit and Investigations

I. Details of recommendations implemented

Recommendation No.	Recommendation	Implementation status reported by UNDP Uzbekistan	OAI assessment
1	<p>The Office should strengthen controls in project implementation and management by:</p> <p>(a) submitting all new projects to the Project Appraisal Committee for review and provide recommendations on whether project scopes are realistic in terms of outputs and timeframes;</p> <p>(b) discontinuing the appointment of UNDP staff as project manager;</p> <p>(c) requiring staff engaged in outside activities to seek advice and formal approval of these activities from the Ethics Office and the Office of Human Resources, respectively;</p> <p>(d) submitting all annual and final progress reports to the Project Board for review; and</p> <p>(e) using the UNDP logo only in accordance with the 'UNDP Publications Policy'.</p>	<p>Implemented</p> <p>The recommendation has been implemented and supporting documentation has been provided.</p>	<p>Implemented</p> <p>Based on the status and documents provided by the Office, and the follow-up audit, the recommendation is considered implemented.</p>
2	<p>The Office should avoid using the service contract modality as a cost-saving measure when filling vacant positions that require performing core functions.</p>	<p>Implemented</p> <p>The recommendation has been implemented. The supporting documentation, including the service contract action plan, has been provided.</p>	<p>Implemented</p> <p>Based on the status and documents provided by the Office, and the follow-up audit, the recommendation is considered implemented.</p>

Recommendation No.	Recommendation	Implementation status reported by UNDP Uzbekistan	OAI assessment
3	<p>The Office should strengthen controls in approving vendors in Atlas by:</p> <p>(a) conducting comprehensive research to identify established companies that will be contacted to bid on relevant procurements;</p> <p>(b) requiring bidders to provide information to ensure that the vendor is authentic, including a declaration of owners' interest in other companies and the experience of vendors and capacity to provide goods and services; and</p> <p>(c) conducting regular reviews of existing vendors and deactivating all vendors with duplicate profiles.</p>	<p>Implemented</p> <p>The recommendation has been implemented. The Office sought guidance from the Office of Sourcing and Operations on contract management and supporting documents have been provided.</p>	<p>Implemented</p> <p>Based on the status and documents provided by the Office, and the follow-up audit, the recommendation is considered implemented.</p>
4	<p>The Office, in consultation with the Treasury, should conduct an annual review on the adequacy of controls for cash operations to mitigate the related inherent risks. This may involve informing the Treasury of the daily peak balances.</p>	<p>Implemented</p> <p>The recommendation has been implemented. Treasury was informed and consulted on the daily peak balances. Cash delivery services from the bank to the Office were resumed. Standard operating procedures for delivering cash to the Office were developed in consultation with UNDSS.</p>	<p>Implemented</p> <p>Based on the status and documents provided by the Office, and the follow-up audit, the recommendation is considered implemented.</p>
5	<p>The Office should strengthen controls in procurement management and monitoring by submitting all procurement cases (including the 11 vendor contracts) that meet the procurement threshold to the procurement review committee.</p>	<p>Implemented</p> <p>The control is in place and 10 out of 11 cases were submitted to the Contracts, Assets and Procurement Committee. The post facto review was completed in November 2015. For the remaining case, it was later determined that the case was submitted to the Contracts, Assets and Procurement Committee on time.</p>	<p>Implemented</p> <p>Based on the status and documents provided by the Office, and the follow-up audit, the recommendation is considered implemented.</p>

ANNEX Definitions of audit terms – implementation status, ratings and priorities

A. IMPLEMENTATION STATUS

- **Implemented** The audited office has either implemented the action as recommended in the audit report or has taken an alternative solution that has met the original objective of the audit recommendation.
- **In progress** The audited office initiated some action to implement the recommendation or has implemented some parts of the recommendation.
- **Not implemented** The audited office has not taken any action to implement the recommendation.
- **Withdrawn** Because of changing conditions, OAI considers that the implementation of the recommendation is no longer feasible or warranted or that further monitoring efforts would outweigh the benefits of full implementation. A recommendation may also be withdrawn when senior management has accepted the residual risk of partial or non-implementation of recommendation.

B. 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.

C. 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.