

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
Resilient nations.*

AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE REPUBLIC OF MOLDOVA

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Table of Contents

Executive Summary	i
I. About the Office	1
II. Good practice	1
III. Audit results	1
A. Programme	2
1. Programme / Project design and implementation	2
Definitions of audit terms - ratings and priorities	3

Report on the Audit of UNDP in the Republic of Moldova Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP in the Republic of Moldova (the Office) from 26 March to 11 April 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 31 January 2018. The Office recorded programme and management expenses of approximately \$25 million. The last audit of the Office was conducted by the 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

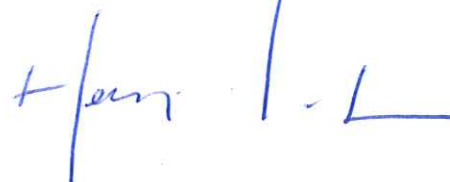
OAI assessed the Office as **satisfactory**, which means "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area."

Good practice

The Office created a user-friendly tracking system for transactional costs for services provided to projects enabling the Office's units to enter details of the services.

The audit did not result in any recommendations.

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
Director
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I. About the Office

The Office, located in Chisinau, Republic of Moldova (the Country), covered the Country Programme for the period 2012-2017 and included three thematic areas: Climate Change, Environment and Energy; Inclusive Growth; and Effective Governance. National execution was the preferred modality, and UNDP was providing implementation support services at the request of the Government.

There had been an increase in delivery from \$20 million in 2016 to \$22 million in 2017. At the time of the audit, the Office had 34 staff members and 83 service contract holders.

II. Good practice

OAI identified a good practice, as follows:

Operations/Financial resources management. The Office created a user-friendly tracking system for transactional costs for services provided to projects enabling the Office's units to enter details of the services.

III. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance. An adequate organizational structure and delegations of authority, risk management and financial sustainability were established. No reportable issues were identified.
- (b) Operations/Human resources management. Adequate controls were established and the review of recruitment and separation processes did not identify any reportable issues. Weaknesses within the areas of mandatory courses and performance assessment status were properly addressed by management. No reportable issues were identified.
- (c) Operations/Procurement. The audit team reviewed a sample of 24 purchase orders valued at \$5.6 million out of \$20.4 million for goods and services during the audited period via the procurement dashboard and bidding procedures. The review demonstrated that adequate controls were established. No reportable issues were identified.
- (d) Operations/Financial resources management. The audit team sampled 37 vouchers valued at \$3.1 million out of \$20 million and included reviews of bank reconciliation, the finance dashboard, pay cycle processes, and recording of value added tax. The Office established adequate controls in these areas and no reportable issues were noted.
- (e) Operations/ICT and general administrative management. ICT systems managed by the Office including hardware, software and system security were operating effectively. General administration controls were well established and functioning adequately. The management of assets were found to be in line with UNDP policies and procedures and no reportable issues were identified.
- (f) Operations/Staff and premises security. Staff and premises security were found to be well managed. No issues were identified.
- (g) United Nations leadership and coordination. Adequate controls were established to manage and lead the United Nations coordination in the Country.

Low priority issues/ recommendations were discussed directly and agreed with the Office and are not included in this report. One medium priority recommendation that had been raised in the draft report was implemented as advised by the Office (and also independently validated by OAI) prior to the issuance of this report (refer to issue 1).

A. Programme

1. Programme / Project design and implementation

Issue 1 Lack of procurement capacity strengthening plan

According to the 'UNDP Programme and Operations Policies and Procedures' UNDP should enhance its support to Country Programme efforts, in alignment with the United Nations Development Assistance Framework (UNDAF), to establish and maintain effective national institutions, and support the implementation of related projects, including devising of national strategies for capacity-building.

The audit team reviewed 7 projects from a total portfolio of 25 projects managed by the Office. Out of the 7 projects reviewed, 3 were being funded by a government institution since 2017. These projects were linked to the UNDAF outcomes "1.1 Increased transparency, accountability and efficiency of central and local public authorities" and "1.2 Justice sector actors are better able to promote access to justice and uphold rule of law in compliance with international commitments" as per the Office's Country Programme Document (2012-2017). The procurement component of those projects represented around 85 percent of the total project delivery, and the Government was heavily relying on the Office for the procurement of goods and services. The Office was aware of the project requirements of strengthening the procurement capacity of the governmental institutions; however, there was no consolidated documented procurement capacity strengthening plan.

The main reasons for the reliance on the Office to procure on behalf of the government institutions were:

- weak capacity of the government procurement units due to heavy restructuring during the last two years, (e.g., 40 percent reduction in the number of personnel in some of the governmental units, and reduction in the number of ministries from 16 to 9);
- efficiencies of the Office's procurement capabilities on timeliness and costs; and
- acceleration of the delivery of the donor entities by disbursing the funds to UNDP.

This situation may impede the Office's role in establishing and maintaining effective national institutions, and in supporting the implementation of national strategies for capacity-building.

Comment

OAI is not raising a recommendation as the Office's management, in response to the draft audit report, set up a plan of actions required to strengthen the procurement capacity of the government institutions. These actions were validated by OAI prior to the issuance of this report.

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Some Improvement Needed** 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.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

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. 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 not included in this report.