

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
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AUDIT

OF

UNDP COUNTRY OFFICE

IN

KAZAKHSTAN

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Report on the Audit of UNDP Kazakhstan Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Kazakhstan (the Office) from 22 April to 3 May 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 January 2019. The Office recorded programme and management expenses of approximately \$19.6 million. The last audit of the Office was conducted by OAI in 2013.

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.”

Key recommendation: Total = 1, high priority = 0

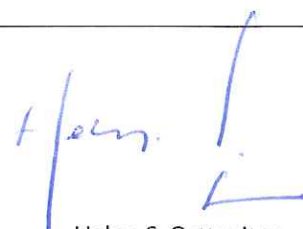
The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, which means “Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.” The recommendation includes actions to address the outdated service contract remuneration scale.

The recommendation aims to ensure compliance with legislative mandates, regulations and rules, policies and procedures.

Management comments and action plan

The Resident Representative accepted the one recommendation and is in the process of implementing it. 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.

A handwritten signature in blue ink, appearing to read 'H. Osttveiten', is enclosed within a rectangular box.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office is located in Nur-Sultan, Kazakhstan (the Country) and at the time of the audit was working within the context of United Nations Partnership Framework for Development, Kazakhstan 2016-2020, specifying common areas of interventions for United Nations agencies present in the Country. UNDP's Country Programme was built around the following areas: (a) diversification of the economy and provision of decent work opportunities for the underemployed and socially vulnerable people; (b) sustainable human settlements, and natural resources management; (c) accountable and effective institutions accessible; and (d) regional cooperation and development. UNDP priorities also reflected the emerging aspirations for the Sustainable Development Goals, as important parallels existed between the global post-2015 development agenda and Kazakhstan's 2050 strategy, which articulated a vision for a future that rests on core values of human rights, equity and sustainability. At the time of the audit, the Office had 28 staff on fixed-term appointments, 100 service contractors, and 12 United Nations Volunteers.

II. Audit results

- (a) Governance. No reportable issues were identified in relation to the organizational structure, delegation of authority, risk management, business continuity and financial sustainability. Adequate controls were established and functioning well.
- (b) Programme and project management. The Office managed its programme effectively to ensure meeting the intended outcomes. Adequate oversight and management of projects were noted, with effective controls in place. No reportable issues were identified.
- (c) Financial resources management. Payment processing, disbursements and banking activities were found to be compliant with UNDP financial policies and procedures. No reportable issues were identified.
- (d) ICT and general administrative management. ICT systems managed by the Office were operating effectively. General administration controls were well established and functioning adequately. The management of assets and travel was found to be in line with UNDP policies and procedures. No reportable issues were identified.
- (e) Procurement. The review of the procurement processes and the procurement cases processed during the period under review demonstrated that the adequate controls were established and functioning well. No reportable issues were identified.
- (f) Staff and premises security. Staff and premises security area management was found to be adequate and all security measures were in place. No reportable issues were identified.
- (g) United Nations leadership and coordination. Adequate controls were established to manage and lead United Nations coordination in the Country.

OAI made one recommendation ranked medium (important) priority.

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

Medium priority recommendation:

- (a) Conduct the service contract remuneration survey to update the remuneration scale for service contract holders (Recommendation 1).

The detailed assessment is presented below, per audit area:

A. Operations

1. Human resources management

Issue 1 Outdated service contract remuneration scale

The 'Handbook on Setting Remuneration for Service Contract Personnel' states that at the time of data collection for the service contract remuneration survey, the periodicity of adjustment of surveyed organizations should be ascertained. Service contract remuneration scales should generally be updated annually.

The service contract remuneration scale used by the Office at the time of the audit was dated May 2016. The Office explained that the scale was not updated due to other competing priorities and changes in the Office's management in 2018. The lack of tools and guidance on how the process should be conducted also contributed to delays in the process.

The Office's management indicated that they would initiate the update of the service contract remuneration scale in 2019.

The outdated remuneration scale may deviate from prevailing conditions found in the local labour market and may have a negative impact on personnel.

Priority	Medium (Important)
Recommendation 1:	
The Office should conduct the service contract remuneration survey to update the remuneration scale for service contract holders.	
Management action plan:	
The Office agrees with the recommendation to update the remuneration scale for service contract holders. The Office, in consultation with the Office of Human Resources Management, will identify the best comparators meeting the requirements established in the 'Handbook on Setting Remuneration for Service Contract Personnel', and will collect the data and establish the salary scale.	
Estimated completion date: December 2019	

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.