UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

CAMBODIA

Report No. 2083

Issue Date: 13 June 2019
# Table of Contents

Executive Summary ........................................... i  
I. About the Office ........................................... 1  
II. Audit results ............................................... 1  
A. Programme .................................................... 2  
   1. Project design and implementation .................. 2  
Definitions of audit terms - ratings and priorities .. 3
Report on the Audit of UNDP Cambodia

Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Cambodia (the Office) from 29 April to 10 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 March 2019. The Office recorded programme and management expenses of approximately $26.2 million. The last audit of the Office was conducted by OAI in 2015.

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 recommendations: 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.” This recommendation includes action to address the delayed approval of annual work plans.

The recommendation aims to ensure the achievement of the organization’s strategic objectives (Recommendation 1).
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.

Helge S. Oststeiten
Director
Office of Audit and Investigations
I. About the Office

The Office, located in Phnom Penh, Cambodia (the Country) comprised 52 staff and 43 service contractors at the time of the audit. The Office initiated its new Country Programme Document in 2019 focusing on three key priorities: (a) Prosperity: expanding economic opportunities; (b) Planet: sustainable living; and (c) Peace: participation and accountability. The Country Programme Document was anchored to the United Nations Development Assistance Framework for the same period. The programme portfolio comprised 12 directly implemented and 9 nationally implemented projects.

II. Audit results

Satisfactory performance was noted in the following areas:

(a) **Governance.** The review included areas pertaining to the Office’s general strategic planning and management, general oversight over the Office and personnel including various meetings, Global Staff Survey results/action plan, and the Office’s structure and reporting requirements. The audit noted adequate controls were in place for managing the Office.

(b) **Programme.** The Office had generally instituted, but for one exception (issue 1), the required controls in managing the programme portfolio, including adequate processes for the planning and design, implementation and closure of projects.

(c) **Operations/Financial management.** The review of voucher processing, management of direct project costs, project cash advances, petty cash and advances made to national implementing partners indicated that adequate and effective controls were in place.

(d) **Operations/General administration and assets management.** The review of travel management, fleet management, common services budget and assets management found that necessary controls were in place for these operations.

(e) **Operations/Human resources.** The review of processes relating to recruitment, separation, vacancy management, and mandatory course training, indicated that controls were adequate and working effectively.

(f) **Operations/Procurement.** The Office had made efforts to implement the corporate procurement tools, and a review of the procurement process indicated adequate controls were in place.

(g) **Operations/Information and communication technology.** The audit included a review of the disaster recovery plan testing and server room management. No reportable audit issues were noted.

(h) **Operations/Safety and security.** The audit team reviewed the Office’s security plan, security risk assessment, and security management team meeting minutes and did not identify any reportable issues.

(i) **UN coordination.** The audit found that the controls were well established.

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) Ensure annual work plans are planned and endorsed at the beginning of the year (Recommendation 1).

The detailed assessment is presented below, per audit area:
A. Programme

1. Project design and implementation

Issue 1  Delays in approval of annual work plans

The ‘UNDP Programme and Operations Policies and Procedures’ require that project annual work plans identify specific annual targets and that they be endorsed by the implementing partner. The annual work plans specify the activities to be delivered along with the resources allocated for the activities and the respective timelines for implementation. The annual work plan is endorsed by the project board prior to its implementation.

The audit team reviewed 5 of the 21 ongoing projects with total incurred expenditures of $10.7 million out of $23.3 million (46 percent) in total programme expenditures during the audit period.

The Office had instituted multi-year work planning as articulated in the project documents, with the 2018/2019 annual work plans endorsed in 2017 or 2018. To ensure the work plans remained valid for delivering project outputs efficiently and effectively, the implementing partners, through the project board, also endorsed the 2019 annual work plans at the beginning of the year.

The audit noted that in 2018, three project annual work plans were signed in January; one was delayed by six months while one was signed four months after the start of the year. In 2019, only one project was endorsed in January, while two were signed in March and April.

The Office stated that the timely signing of the annual work plans in 2018 was affected by the elections, where government counterparts were not readily available to meet and endorse the annual work plans.

In the absence of timely endorsement of annual work plans, implementation of activities can be delayed, specifically those requiring procurement and recruitment activities.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendation 1:</td>
<td></td>
</tr>
<tr>
<td>The Office should enhance the annual work planning process by ensuring annual work plans are endorsed at the beginning of the year and prior to the implementation of project activities.</td>
<td></td>
</tr>
</tbody>
</table>

Management action plan:

- The Office agreed to continue enhancing its project’s annual planning process by continuing its two-year work plan and holding project board meetings during the fourth quarter of the year.
- The Office agreed that once the annual work plans are approved, project procurement and recruitment plans will be entered into the system.

Estimated completion date: October 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. PRIORTIES 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.