



AUDIT

OF

UNDP PROJECT SUPPORT OFFICE

IN

THE RUSSIAN FEDERATION

Report No. 1087
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Report on the audit of the UNDP Project Support Office in the Russian Federation Executive Summary

From 19 to 30 November 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Project Support Office in the Russian Federation (Office). The audit covered the activities of the Office during the period from 1 January 2011 to 30 September 2012. In view of the transition from a Country Office to a Project Support Office in 2011, the Office was not responsible for United Nations system coordination and, accordingly, this area was not part of the audit. During the period reviewed, the Office recorded programme and management expenditures totalling \$26 million. This was the first audit of the Office since it transitioned from a Country Office. The last audit of the Country Office, which closed in January 2011, was conducted by OAI in 2009.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

OAI assessed the Office as **partially satisfactory**, which means “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.” This rating was mainly due to inadequate project management and lack of compliance with UNDP policies and procedures on human resources, finance and procurement areas. Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				
1.1 Organizational structure and delegations of authority	Satisfactory			
1.2 Leadership, ethics, and values	Not Assessed			
1.3 Risk management, planning, monitoring, and reporting	Satisfactory			
1.4 Financial sustainability	Satisfactory			
2. United Nations system coordination				
3. Programme activities				
3.1 Programme management	Not Applicable			
3.2 Partnerships and resource mobilization	Not Applicable			
3.3 Project management	Partially Satisfactory			

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
4. Operations				
4.1 Human resources	Partially Satisfactory			
4.2 Finance	Partially Satisfactory			
4.3 Procurement	Partially Satisfactory			
4.4 Information and communication technology	Satisfactory			
4.5 General administration	Satisfactory			
4.6 Safety and security	Satisfactory			

Key issues and recommendations

The audit raised four issues and resulted in four recommendations, of which three (75 percent) were ranked high (critical) priority, meaning “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 and may affect the organization at the global level.”

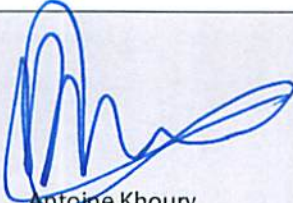
Project management (Issue 1) Use of non-standard legal agreements. The Office issued technical assistance agreements that were inconsistent with UNDP standard agreement templates, and contained no references to the standard UNDP terms and conditions. The Office did not seek clearance from the UNDP Legal Support Office regarding modifications to the standard agreement language. OAI recommends that the Office, in consultation with the Legal Support Office, ensure that the use of technical assistance agreements is consistent with UNDP policies and procedures.

(Issue 2) Inadequate monitoring of projects in Atlas. The Office was not using Atlas to monitor the status of the projects in its portfolio. Out of 64 projects in Atlas, 27 projects should have been operationally closed, but still showed as being in progress in the Atlas system at the time of the audit. In addition, 20 projects were not closed financially even though they had been operationally inactive for more than 12 months. Also, the Office was uncertain as to the status of an additional 25 projects. OAI recommends that the Office, in coordination with the Bratislava Regional Centre: (a) close operationally and/or financially the 47 completed projects in Atlas; (b) clarify the status of the 25 projects with the view of closing them in Atlas; and (c) ensure that ongoing projects are monitored in Atlas.

Human resources (Issue 3) Over-reliance on implementation partners regarding the recruitment of project personnel. The Office did not ensure that the recruitment process for project personnel under UNDP contracts was consistent with relevant UNDP policies and procedures. It relied on the evaluation and selection processes undertaken by the national implementing partners. Also, the majority of evaluation panel members were non-UNDP staff and/or the chair of the panel was a non-UNDP staff member. OAI recommends that the Office ensure that the recruitment of project personnel under UNDP contracts is based on a competitive and transparent process in accordance with relevant UNDP policies and procedures.

Management comments and action plan

The Head of the Project Support Office accepted all four recommendations and is in the process of implementing them.



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