



AUDIT

OF

UNDP COUNTRY OFFICE

IN

UGANDA

Report No. 1155
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Report on the audit of UNDP Uganda Executive Summary

From 6 to 20 March 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Uganda (the Office). The audit covered the activities of the Office during the period from 1 January to 31 December 2012. During the period reviewed, the Office recorded programme and management expenditures totalling \$20.8 million. The last audit of the Office was conducted by OAI in 2006.

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 the decline in extrabudgetary reserves required to maintain the Office’s cost structure, the use of an unapproved Country Programme Document and the delay in programme implementation. 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				Partially Satisfactory
1.2 Leadership, ethics, and values				Satisfactory
1.3 Risk management, planning, monitoring, and reporting				Satisfactory
1.4 Financial sustainability				Partially Satisfactory
2. United Nations system coordination				
2.1 Development activities				Satisfactory
2.2 Resident Coordinator Office				Satisfactory
2.3 Role of UNDP – “One UN”				Not Applicable
2.4 Harmonized Approach to Cash Transfers				Satisfactory
3. Programme activities				
3.1 Programme management				Partially Satisfactory
3.2 Partnerships and resource mobilization				Satisfactory
3.3 Project management				Partially Satisfactory
4. Operations				

4.1	Human resources	Partially Satisfactory
4.2	Finance	Partially Satisfactory
4.3	Procurement	Satisfactory
4.4	Information and communication technology	Partially Satisfactory
4.5	General administration	Satisfactory
4.6	Safety and security	Not Assessed
4.7	Asset management*	Satisfactory
4.8	Leave management*	Satisfactory
4.9	Global Environment Facility*	Not Applicable

* Cross-cutting themes

Key issues and recommendations

The audit raised five issues and resulted in five recommendations, of which three (60 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.”

The high priority recommendations are as follows:

- Financial sustainability (Issue 1) Decline in extrabudgetary reserves. The transformation process resulted in a 113 percent increase in staff costs and 73 percent increase in general operating costs. This was in contrast to an increase in the extrabudgetary income generated of only 37 percent. As a result, the Office’s extrabudgetary reserves dropped from 28 months in 2011 to 11 months in 2012. OAI recommends that the Office: (a) establish a strategy to generate additional extrabudgetary income in order to meet all financial obligations; and/or (b) adjust its cost structure with the view of restoring an office structure that is compatible with its resource base and funding environment.
- Programme management (Issue 2) Unapproved Country Programme Documents used for programming. For the first two years of the existing programme cycle, the Office failed to use the Country Programme Document as approved by the Executive Board in January 2010. Instead, the initial version of the Country Programme Document which had been submitted but rejected was mistakenly used for programme implementation and as a basis for formulating the Country Programme Action Plan. OAI recommends that the Office: (a) revise the existing Country Programme Action Plan to align it to the 10 required outcomes; (b) provide adequate supervisory control reviews on key programme documents at the start of the programme cycle in order to ensure that programmes are implemented based on approved Country Programme Documents; and (c) ensure that the Country Programme Action Plan is formulated and aligned to the approved Country Programme Document.
- (Issue 3) Delay in programme implementation and low delivery. The implementation of projects for the 2010-2014 programme cycle was not initiated until late in 2012. Delivery against regular resources in 2010 and 2011 was low at 33 percent and 38 percent, respectively. It was not clear how or if the Office could compensate for the implementation delays before the end of the programme cycle. OAI recommends that the Office seek guidance from the Regional Bureau for Africa to review the Country Programme Document and set targets that can be realistically achieved within the remaining time left in the programme cycle.

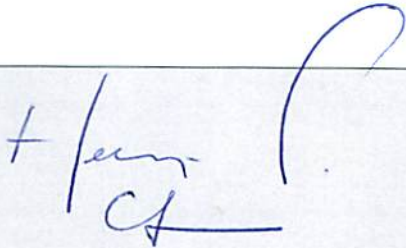
Cross-cutting themes

As part of the OAI 2013 Annual Work Plan, all Country Office audits will include specific areas to be reviewed in more depth. Results from all audits will be compiled and analysed at corporate level, and thereafter, a consolidated report will be issued separately. For this particular audit, the following were noted:

- **Asset management.** Satisfactory. No reportable issues noted.
- **Leave management.** Satisfactory. No reportable issues noted.
- **Global Environment Facility.** No reportable issues noted.

Management comments and action plan

The Resident Representative accepted all the five recommendations and is in the process of implementing them.



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