



AUDIT

OF

UNDP COUNTRY OFFICE

IN

EL SALVADOR

Report No. 1161
Issue Date: 20 December 2013

Report on the audit of UNDP El Salvador Executive Summary

From 8 to 19 April 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in El Salvador (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 \$42 million. The last audit of the Office 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 that “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 (specifically with regard to nationally implemented projects), non-compliance with the Internal Control Framework regarding processing of project personnel payroll, and deficiencies in procurement processes for nationally implemented projects. 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	Satisfactory			
1.3 Risk management, planning, monitoring, and reporting	Satisfactory			
1.4 Financial sustainability	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	Partially Satisfactory			
3. Programme activities				
3.1 Programme management	Satisfactory			
3.2 Partnerships and resource mobilization	Partially Satisfactory			
3.3 Project management	Partially Satisfactory			
4. Operations				

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

* Cross cutting themes

Key issues and recommendations

The audit raised 9 issues and resulted in 9 recommendations, of which 1 (11 percent) was 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 recommendation is as follows:

Procurement (Issue 7) Deficiencies in procurement processes for nationally implemented projects. The following deficiencies in the procurement for nationally implemented projects were identified:

- Procurement cases passing the various thresholds were not submitted to the applicable UNDP review committees.
- No purchase orders were created for procurement processes over \$5,000, as required.
- The procurement process was not undertaken in its entirety by the same entity as mandated by the National Implementation by the Government of UNDP Supported Projects: Guidelines and Procedures
- The Office signed contracts with vendors before it had received the funds to cover the contractual obligation.

OAI recommends that the Office improve its procurement processes for nationally implemented projects by ensuring that: (a) procurement conducted by the Office on behalf of the project is being done in full compliance with UNDP Programme and Operations Policies and Procedures; and (b) the complete procurement activity from sourcing to contract signing and contract management is undertaken by the same entity (government or UNDP).

The implementation status of previous OAI audit recommendations (Report No. 636, covering all of the Office’s activities, dated 21 August 2009, and Report No. 902, covering the Global Fund activities of the Office, dated 2 November 2012) was also validated. All 15 recommendations from Report No. 636 and 2 of the 3 recommendations from Report No. 902 were fully implemented.

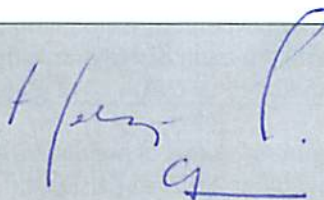
Cross-cutting themes

As part of the 2013 OAI 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 the corporate level, and thereafter, a consolidated report will be issued separately. For this particular audit, the following were noted:

- **Asset management.** Partially Satisfactory. OAI noted some weaknesses in asset management. Assets of directly implemented projects located outside of the Office's premises were not recorded in Atlas and the tagging system used by the Office was ineffective and inefficient, since it was based on the location code instead of the asset ID (refer to Issue 9).
- **Leave management.** Satisfactory. No reportable issues noted.
- **Global Environment Facility.** No reportable issues noted.

Management's comments and action plan

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



Helge S. Osttveiten
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