



AUDIT

OF

UNDP COUNTRY OFFICE

IN

PAKISTAN

Report No. 1203

Issue Date: 17 December 2013

Report on the audit of UNDP Pakistan Executive Summary

From 3 to 18 September 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Pakistan (the Office). The audit covered the activities of the Office during the period from 1 January 2012 to 15 September 2013. During the period reviewed, the Office recorded programme and management expenditures totalling \$125 million. The last audit of the Office was conducted by OAI in 2011.

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 weaknesses in project management, finance and procurement management. Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactor y	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	Not Assessed			
2.2 Resident Coordinator Office	Satisfactory			
2.3 Role of UNDP – “One UN”	Not Assessed			
2.4 Harmonized Approach to Cash Transfers	Not Assessed			
3. Programme activities				
3.1 Programme management	Satisfactory			
3.2 Partnerships and resource mobilization	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	Satisfactory			
4.5 General administration	Satisfactory			
4.6 Safety and security	Satisfactory			
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 7 issues and resulted in 6 recommendations, of which 2 (33 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:

Project management (Issue 2)	<u>Weak project monitoring and assurance.</u> The Office did not establish an overall monitoring framework for projects. The programme staff conducted limited field visits during the audit period. Also, monitoring reports did not document progress made on achieving output indicators and baselines, and it was difficult to determine whether the projects were progressing towards intended results. There was also no tracking system in place to follow up on recommendations noted during monitoring activities. OAI recommends that the Office ensure compliance with the Programme and Operations Policies and Procedures on project monitoring and assurance: (a) establishing an overall monitoring framework to identify monitoring and assurance activities, determining when they will be undertaken, and determining which staff will conduct them; (b) ensuring programme monitoring visits are undertaken annually and are documented, including reporting against output indicators identified in the Annual Work Plans; and (c) developing a tracking system to ensure documented follow-up of recommendations resulting from monitoring activities.
Procurement (Issue 5)	<u>Inadequate controls in managing performance bonds and bank guarantees.</u> During the audit period, the Office received bank guarantees and performance bonds amounting to \$1.8 million from certain vendors. However, the Office did not establish adequate controls over the custody and retention of these bank guarantees and performance bonds. A complete record of all the bank guarantees and performance bonds was not maintained, and the Head of Office was not always recorded as the beneficiary. OAI recommends that the Office comply with the Programme and Operations Policies and Procedures concerning the management of performance bonds and bank guarantees by: (a) ensuring that the Resident Representative is noted as the beneficiary of these bank guarantees; (b) establishing procedures to record and retain these documents in the Office’s safe; and (c) requiring that performance bonds are issued by the Office’s official banking service provider whenever possible.

The implementation status of previous OAI audit recommendations (Report No. 756, 5 March 2012) was also validated. Of the 9 recommendations, 7 were fully implemented, and 2 were withdrawn.

Cross-cutting themes

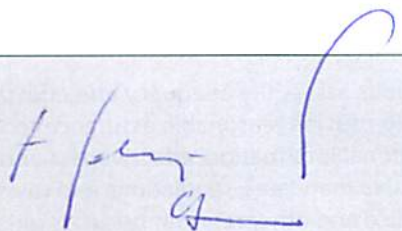
As part of the 2013 OAI Annual Work Plan, all Country Office audits will include specific areas to be reviewed in more depth. Results from all audits will be compiled and analysed at the corporate level, and thereafter, a consolidated report will be issued separately. For this particular audit, the following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

- **Asset management.** 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 six recommendations and is in the process of implementing them.



Helge S. Ostveiten
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