

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP GLOBAL SHARED SERVICE CENTRE

IN

MALAYSIA

Report No. 1242

Issue Date: 21 March 2014

Report on the audit of Global Shared Service Centre Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UNDP Global Shared Service Centre (the Centre) in Malaysia from 11 to 26 November 2013. 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 (organizational structure, roles and responsibilities, risk management, reporting, internal control and monitoring);
- (b) strategy (alignment of the Centre's mandate to the UNDP corporate strategy, its strategic role and responsibilities as part of the Office of Financial Resources Management and as a service office for other UNDP offices and bureaus);
- (c) operations (revenue management, asset management and Document Management Systems support, and the Centre's own operational such as human resources, finance and budget); and
- (d) Information Technology (IT) tools.

The audit focused on the activities of the Centre from 1 January 2012, when operations started, to 30 September 2013. The Centre recorded management expenses totalling \$5.6 million. The last audit of the Centre was conducted by the United Nations Board of Auditors in 2012 and the results of their work were included in their Audit Report on the Financial Statements of UNDP for the year ended 2012. This is OAI's first audit of the Centre.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Centre as **satisfactory**, which means "Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity."

Since its establishment in January 2012, the Centre provided services and support for revenue and assets management, which were the two significantly changed business processes since UNDP had transitioned from the United Nations System Accounting Standards (UNSAS) to International Public Sector Accounting Standards (IPSAS) in the preparation of the financial statements. Following this transition in 2012, the United Nations Board of Auditors expressed an unqualified audit opinion on UNDP's first IPSAS-compliant financial statements for the year ended 2012.¹

¹ A/68/5/Add.1, United Nations Development Programme, financial report and audited financial statements for the year ended 31 December 2012 and report of the Board of Auditors, United Nations, NY, 2013.

Key recommendations: Total = 7, high priority = 1

For high (critical) priority recommendations, 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. The high (critical) priority recommendation is presented below:

Lack of documentation of risk management activities (Issue 1)	When the Centre was being established in 2011, the Office of Financial Resources Management conducted a risk assessment, where key risks were identified and fully documented. Since then, the risk log has not been updated. According to management, risk management activities were carried out since the Centre started operations, but these were not documented through the risk log or through an alternate method.
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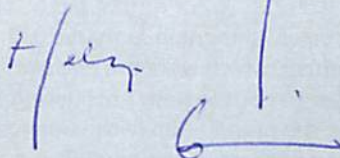
Recommendation:

- (a) Enhance the documentation of risk management activities based on a regularly conducted risk analysis and management processes (risk identification, assessment, prioritization and mitigation) by completing and maintaining an updated risk log; and
- (b) Document lessons learned as reference and guidance for future changes and improvements, including possible expansion of scope and responsibilities.

Management comments and action plan

The Director of the Office of Financial Resources Management (the parent entity of the Centre) and the Director of the Office of Information Systems and Technology accepted the recommendations addressed to their respective offices and are in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Osttveiten
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