

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
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AUDIT

OF

UNDP COUNTRY OFFICE

IN

MONGOLIA

Report No. 1415

Issue Date: 20 February 2015

(REDACTED)

Report on the audit of UNDP Mongolia Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Mongolia (the Office) from 3 to 14 November 2014. 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 and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – “One UN”, Harmonized Approach to Cash Transfers);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security, asset management, leave management).

The audit covered the activities of the Office from 1 January 2013 to 30 June 2014. The Office recorded programme and management expenditures totalling \$16 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*.

Overall 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 management of bank transfer forms and [REDACTED]

Key recommendations: Total = 8, high priority = 2

The eight recommendations aim to ensure the following: (a) achievement of the organization’s strategic objectives (Recommendation 1); (b) reliability and integrity of financial and operational information (Recommendation 5); (c) effectiveness and efficiency of operations (Recommendations 2, 3, 4, 7); (d) safeguarding of assets (Recommendations 6, 8).

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. All high (critical) priority recommendations are presented below:

Inadequate management of bank transfer forms (Issue 5)

There were inadequate controls over payments in seven instances totalling \$1.3 million, where the Office changed the payee name from the name reported in Atlas (enterprise resource planning system of UNDP). Thus, there were conflicting payee names between those recorded in Atlas and those recorded in the bank. In two cases, a payment in Atlas was split into two bank transfers, which were deposited separately and on different dates at the bank. This caused the payment processed in Atlas to be different from the payment processed at the bank.

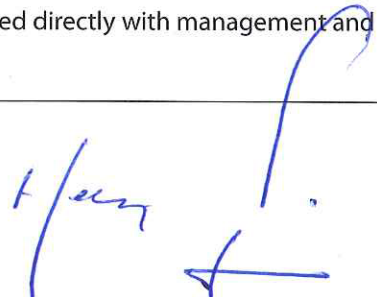
Recommendation: Enhance controls over payment instructions to the bank by: (a) ensuring that vendors are set up under the implementing partner and the final payee; (b) discontinuing the practice of changing payee names after payments have been approved and processed in Atlas; and (c) discontinuing the practice of splitting payments into multiple bank transfer forms.

[Redacted]

Management comments and action plan

The Resident Representative accepted all of the recommendations and is 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.


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