



AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA

(REMOTE AUDIT)

Report No. 1421
Issue Date: 7 April 2015

Report on the remote audit of UNDP Democratic People's Republic of Korea Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted a remote audit of the UNDP Country Office in the Democratic People's Republic of Korea (the Office) from 12 to 28 November 2014. The audit was conducted remotely from OAI's Regional Audit Centre in Kuala Lumpur, as the audit team was not able to travel to the Office due to travel restrictions in response to the Ebola outbreak. The audit was based on the review of supporting documentation of transactions performed, as well as emails and teleconferences with management and staff. OAI did not contact external parties such as government counterparts, donors or other United Nations agencies. OAI did not conduct a physical verification of assets, equipment or inventory, and did not physically observe day-to-day activities. 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);
- (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 remote audit covered the activities of the Office from 1 January 2013 to 30 September 2014. The Office recorded programme and management expenditures totalling \$6.9 million (\$4.3 million in 2013 and \$2.6 million from January to September 2014). The last audit of the Office was conducted by OAI in 2013 (Report No. 1138).

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

Overall audit rating

OAI assessed the Office 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."

The rating is the result of a remote audit that did not include work performed on location and did not include consultations with parties other than the management and staff of the Office. Due to these limitations, there may be risks and control weaknesses that have not been identified and which could have influenced the rating expressed in this report.

Key recommendations: Total = 4, high priority = 0

The four recommendations aim to ensure the following: (a) effectiveness and efficiency of operations (Recommendation 2); (b) safeguarding of assets (Recommendation 4); and (c) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 1 and 3).

The audit did not result in any high (critical) priority recommendations. There are four medium (important) priority recommendations, which means, "Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP." These recommendations include actions to address weaknesses in governance and strategic management, programme activities, and operations.

Implementation status of previous OAI audit recommendations: Report No. 1138, (17 October 2013).

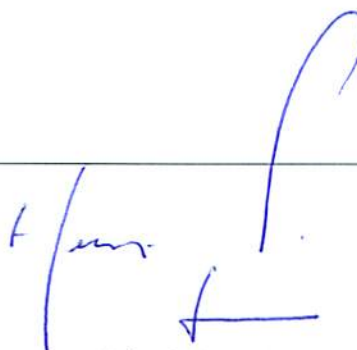
Total recommendations: 4
Implementation rate: 75%¹

The pending recommendation pertains to improvements in project monitoring and is in the process of being implemented.

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.



Helge S. Osttveiten
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¹ This may differ from the implementation rate in the Comprehensive Audit and Recommendation Database System (CARDS), which includes extra points depending on how quickly the recommendations have been implemented.