UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

SOUTH SUDAN

Report No. 1433

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Report on the audit of UNDP South Sudan
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP South Sudan (the Office) from 9 to 23 February 2015. 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, 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 to 31 December 2014. The Office recorded programme and management expenditures totalling $113 million. The last audit of the Office was conducted by OAI in 2012.

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 the Office's financial sustainability being at risk and a relatively low programme delivery.

Good practice

The Office had established a donor agreement database, which was used as a system for recording and tracking donor agreements with data updated regularly and designed to trigger follow-up actions.

Key recommendations: Total = **4**, high priority = **2**

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

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:

Office financial sustainability at risk (Issue 1)	Due to budget shortfalls between 2012 and 2014, the Office used regular and other programme resources in order to cover emoluments of 15 staff members, amounting to $2.7 million. According to the Office's management, these funds represented cost recovery income earned from implementation support to projects. The collected revenue was credited into a stand-alone cost recovery project instead of the respective development projects to which staff time was attributable. In addition, in 2012, the Office received a $1.8 million UNDP corporate loan to cover operational costs, which was to be repaid in annual instalments of $450,000 over the course of four years. The Office had not begun repayments but instead requested a loan cancellation which had not yet been granted. These repayments had not been taken into account in the Office's financial sustainability plan. Recommendation: Rectify accounting for costs and financial sustainability planning by: (a) properly implementing the direct project costing method with clear and detailed justification, including properly attributing eligible staff costs to projects through a workload study and consultations with relevant partners; and (b) including all relevant costs and liabilities in the financial sustainability planning until a corporate decision is made regarding the cancellation of the loan.
Low programme delivery (Issue 2)	Programme delivery against available programme resources was less than optimal, as the Office was facing a difficult operating and physical environment. During the past three-year period (2012-2014), the programme delivery of available programme resources was as follows: $150.2 million (56 percent) $116 million (50 percent) and $78.6 million (47 percent) respectively. The delivery of budgeted programme resources was higher, ranging from 76 to 88 percent. Overall, levels of unspent resources had remained high. Furthermore, there were delays in signing the Annual Work Plans for 2013, and the Annual Work Plans for 2014 were not signed due to the challenging environment and senior management turnover within the offices of the government counterpart. Recommendation: Identify and implement measures to maximize the use of available and budgeted resources by: (a) reviewing the delivery of available programme resources by projects to identify reasons for low performance; (b) having Annual Work Plans signed in a timely manner; and (c) enhancing office capacity and preparedness for the implementation of new programmes.

Implementation status of previous OAI audit recommendations: Report No. 1016, 10 May 2013

Total recommendations: 11

Implementation rate: 100%

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.

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