

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP PROJECT MANAGEMENT OFFICE

IN

THE RUSSIAN FEDERATION

Report No. 1464

Issue Date: 11 September 2015

Report on the Audit of UNDP Project Management Office in the Russian Federation Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UNDP Project Management Office in the Russian Federation (the Project Office) from 4 to 29 May 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) program activities (project management); and
- (c) operations (human resources, finance, procurement, information and communication technology, general administration, and safety and security).

Specifically, this audit covered the management of the Project Office and the oversight carried out at the level of the Istanbul Regional Hub.

The audit covered the activities of the Project Office from 1 January 2014 to 31 March 2015. It recorded programme and management expenditures totalling \$9 million. The last audit of the Project 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 Project 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 inadequate use of individual contractors.

Key recommendations: Total = 3, high priority = 1

The three recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 1); (b) effectiveness and efficiency of operations (Recommendation 2); 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. The high (critical) priority recommendation is presented below:

Inadequate management of individual contracts (Issue 3)

The audit identified deficiencies in the overall management of individual contracts, such as deviations from UNDP procurement policies and procedures regarding competitive processes, financial proposals, salary arrangements and approvals granted. Further, in one case, a change in the Terms of Reference was noted during the selection process, which resulted in an increase of the value of the contract.

Recommendation: The Regional Bureau for Europe and the Commonwealth of Independent States should adhere to UNDP policies related to individual contracts by: (a) using the appropriate contracting modality with properly defined deliverables and milestones; (b) awarding individual contracts through a competitive, fair and transparent selection process; and (c) strengthening oversight over delivery of results by individual contractors by using a performance management system.

Implementation status of previous OAI audit recommendations: Report No. 1087, 24 May 2013.

Total recommendations: 4

Implemented: 4

Management comments and action plan

The Regional Bureau for Europe and the Commonwealth of Independent States accepted all three 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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