



AUDIT

OF THE

UNDP FINANCIAL SUSTAINABILITY

AND

EFFECTIVENESS EXERCISE

Report No. 1601
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Report on the Audit of UNDP Financial Sustainability and Effectiveness Exercise Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UNDP Financial Sustainability and Effectiveness exercise (FSE exercise) from 29 February to 5 May 2016. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas:

- (a) Scope and governance of the FSE exercise
- (b) Methodology of the FSE exercise
- (c) Results of the FSE exercise

The audit objectives were the following:

1. The extent to which the FSE exercise was designed, implemented and monitored, in line with relevant policies and requirements.
2. Whether Regional Bureaux played the envisaged role in conducting the FSE exercise, including planning, communicating with Country Offices, providing support throughout the process, and receiving, analysing and disseminating the results and outcomes of the FSE exercise.
3. The extent to which the objectives of the FSE exercise were met in relation to the overall budget reductions achieved, as well as their impact on the following areas: (i) clustering of 'back office functions'; (ii) measures taken to improve key functions, especially monitoring and evaluation; and (iii) Country Office presence.

The audit covered the activities of the FSE exercise from 1 January 2013 to 31 March 2016. The audit scope did not include a review of staff separations resulting from the FSE exercise.

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

Overall audit rating

OAI assessed the UNDP FSE exercise 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 was based on the OAI conclusion that overall, the FSE exercise was conducted in line with the relevant policies and requirements and was effective in reviewing the financial sustainability of Country Offices. The Regional Bureaux played an integral role in planning the FSE exercise and supporting Country Offices throughout the exercise and prepared consolidated plans that met the target budget reductions set out by the Bureau for Management Services (formerly Bureau of Management).

There were some challenges noted in the change management policy of FSE exercise.

Key recommendations: Total = 1, high priority = 0

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, 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." This recommendation includes actions to address weaknesses in the change management policy.

The recommendation aims to ensure the following: (a) achievement of the organization's strategic objectives; and (b) effectiveness and efficiency of operations.

Management comments and action plan

The Director of the Bureau for Management Services accepted the recommendation and is in the process of implementing it. 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. Ostveiten
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