

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**PANAMA**

**Report No. 1691**  
**Issue Date: 31 August 2016**

## Report on the Audit of UNDP Panama

### Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Panama (the Office) from 6 to 17 June 2016. 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, business continuity, 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).

The audit covered the activities of the Office from 1 January 2015 to 30 April 2016. The Office recorded programme and management expenditures of approximately \$36 million. The last audit of the Office was conducted by OAI in 2010.

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 **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.”

**Key recommendations:** Total = 6, high priority = 1

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	4	High
	1, 3	Medium
Effectiveness and efficiency of operations	2, 6	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	5	Medium

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:

Weaknesses within  
project management  
(Issue 4)

There were weaknesses with regard to project management, such as Results and Resources Frameworks and indicators that were not specific, measurable, attainable, relevant, and time bound. There were also inadequate monitoring and assurance activities, such as lack of Project Board meetings, incomplete annual project progress reports, and an outdated Atlas (enterprise resource planning system of UNDP) project module.

Recommendation: The Office should strengthen project management by: (a) developing Results and Resources Frameworks with clearly articulated baselines, indicators and targets; (b) ensuring regular Project Board meetings are held, to endorse the Annual Work Plan, and review project progress; (c) requesting the implementing partner to sign the Annual Work Plan and Combined Delivery Reports; (d) preparing consistent, project annual progress reports which include an explanation of significant budget variances, information on risk and challenges and report on the level of achievement of outcome targets as specified within the Annual Work Plan; and (e) regularly updating project monitoring information within Atlas.

#### 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 have 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. Østtveiten  
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