UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

EL SALVADOR

Report No. 1724

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Report on the Audit of UNDP El Salvador
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP El Salvador (the Office) from 21 November to 2 December 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);

(b) programme (quality assurance process, programme/project design and implementation, knowledge management);

(c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and

(d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2015 to 30 September 2016. The Office recorded programme and management expenditures of approximately $67 million. The last audit of the Office was conducted by OAI in 2013.

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 / Major Improvement Needed**, which means, "The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to weaknesses in risk management and the monitoring of projects, and due to the financial sustainability of the Office being at risk.

Key recommendations: Total = **9**, high priority = **1**

The nine recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1	Medium
Reliability and integrity of financial and operational information	3	High
	7	Medium
Effectiveness and efficiency of operations	6, 8, 9	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	2, 4, 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:

Office's financial sustainability at risk (Issue 3)	The Office experienced a reduction in financial resources from \$33 million in 2015 to \$20 million in 2016. The existing Resource Mobilization Strategy established by the Office covered the period up to the end of 2016. Therefore, the strategy was not aligned with the current Country Programme Document up to 2020. In addition, at the time of the audit, there was \$2.3 million in uncollected Government Contributions to Local Office Costs (GLOC) for the period 2011-2016. At the time of the audit, the total programme delivery amounted to \$25 million, which represented 61 percent of total programme budget and 70 percent of the Integrated Work Plan target. In addition, the Office had not allocated 38 percent of the total TRAC resources received (\$159,352 out of \$419,974) to any project budget. Furthermore, \$235,000 of total TRAC resources received was not utilized. On the other hand, an amount of \$110,000 of TRAC was spent on salaries and hospitality expenses, contrary to the UNDP guidelines. As a result of the delays in utilizing the resources, the extrabudgetary status report (November 2016) showed a low closing balance of \$0.8 million compared to \$2.1 million in 2015. Recommendation: The Office should develop and implement a plan to ensure financial sustainability by: (a) revising its Resource Mobilization Strategy to align with the current Country Programme Document; (b) seeking advice from the Bureau for Management Services in collecting outstanding GLOC; and (c) enhancing controls in allocating and monitoring utilization of TRAC resources.

Management comments and action plan

The Resident Representative accepted all of the recommendations and 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. Osttveiten
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