



AUDIT

OF

UNDP COUNTRY OFFICE

IN

PAKISTAN

Report No. 1762

Issue Date: 31 March 2017

Report on the Audit of UNDP Pakistan Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Pakistan (the Office) from 30 January to 10 February 2017. 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 2016 to 31 January 2017. The Office recorded programme and management expenditures of approximately \$71 million during the period. 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 financial risks taken to bridge financial gaps, and inefficient workflows at the Sub-office level.

Key recommendations: Total = 10, high priority = 2

The 10 recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	3	High
	8	Medium
Reliability and integrity of financial and operational information	-	-
Effectiveness and efficiency of operations	1, 2, 6, 9	Medium
	4	High
Compliance with legislative mandates, regulations and rules, policies and procedures	5, 7, 10	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. All high (critical) priority recommendations are presented below:

Budget overrides applied to meet funding needs (Issue 3)

In June 2016, the Office sought urgent bridge funding from the Regional Bureau for Asia and the Pacific for three ongoing projects, amounting to \$4.6 million. The Regional Bureau advised the Office to apply budget overrides to undertake the budgeted project activities. As a result, the Office engaged in budget overrides amounting to \$4.2 million from July to December 2016. However, the Office did not fully adhere to the requirements of UNDP's budget override policy. Due to the funding shortage encountered, the Office had still not recovered direct project costs from the respective projects amounting to \$300,000, which pertained to the 2016 fourth quarter operational support services rendered to the projects.

Recommendation: The Office should adhere to the UNDP policy on budget overrides in the future, and recover the outstanding direct project costs within a specified timeframe.

Inefficient workflows at the Sub-office level (Issue 4)

The Office had two Sub-offices, and five project offices. One Sub-office was delivering approximately \$26 million, or 58 percent of the Office's programme delivery and employed 88 staff. Each of the two largest projects of the Sub-office had established dedicated support teams for operations and monitoring and evaluation activities. In addition, both projects also had dedicated personnel in the Office to facilitate the procurement, finance, and project management functions. The review of the workflows at the Sub-office level indicated checks and approvals both at the Sub-office and the Office level. This led to protracted procurement transactions, such as the preparation of terms of reference for invitation to bids and requests for proposals that needed to be amended repeatedly.

Recommendation: The Office should establish a business process that promotes efficiency and effectiveness by reviewing the current project structures to avoid duplication of processes.

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. Osttveiten
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