

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

SWAZILAND

Report No. 1770
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Report on the Audit of UNDP Swaziland Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Swaziland (the Office) from 27 March to 7 April 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 and human resources management); 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 \$4.1 million. The last audit of the Office was conducted by OAI in 2009.

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.” This rating was mainly due to lack of programme monitoring, Direct Project Costing (DPC) that was not properly implemented, and poor vendor management.

Key recommendations: Total = 6, high priority = 3

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	1, 2, 4	High
	5	Medium
Safeguarding of assets	3	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	6	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:

Lack of programme monitoring (Issue 1)	<p>There was no evidence of programme monitoring. The oversight committee that was to be established for the current programme cycle to monitor programme delivery at the outcome level was yet to be established at the time of the audit fieldwork. In addition, the results focus groups tasked with monitoring development results were not operational.</p> <p><u>Recommendation:</u> The Office should ensure that there is regular monitoring at the outcome level, the results of which will feed into the annual United Nations Development Assistance Framework review.</p>
Direct Project Costing not properly implemented (Issue 2)	<p>The Office started the implementation of DPC in 2015. The Office did not systematically pre-determine eligible projects for the implementation of DPC. The percentage charges applied were not based on workload studies but by budgeting and charging a portion of six staff members' salary costs to four development projects without justification. As an illustration of this practice, for five staff members, the Office budgeted and charged 25 percent of their salaries as direct project costs to projects, while for one staff member the Office budgeted and charged 50 percent of the staff member's salary. There was no justification provided for this methodology.</p> <p><u>Recommendation:</u> The Office should complete a workload study to determine, more accurately, staff costs that are directly attributable to the projects and include them in project budgets.</p>
Poor vendor management (Issue 4)	<p>The Office had 788 active vendors in Atlas (enterprise resource planning system of UNDP), 164 of which (21 percent of total vendors) had not been used within the last three years. The review of the total population flagged 18 vendors with numerous exceptions, such as vendors with multiple names, one bank account under different locations, incomplete vendor request forms, uncertified copies of letters from banks, as well as lack of identity documentation. This situation was due to the fact that staff were not fully aware of the policies and procedures regarding vendor management.</p> <p><u>Recommendation:</u> The Office should strengthen vendor management procedures by: (a) reviewing and updating the vendor database; (b) authenticating the vendor prior to creating a vendor account in Atlas; and (c) ensuring that staff members responsible for creating and approving vendors are familiar with organizational vendor management controls and guidelines.</p>

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.

A handwritten signature in blue ink is enclosed in a rectangular box. The signature is stylized and appears to read 'H. Ostveiten'.

Helge S. Ostveiten
Director
Office of Audit and Investigations