

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



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**VIET NAM**

**Report No. 1773**

**Issue Date: 9 June 2017**

## Report on the Audit of UNDP Viet Nam Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Viet Nam (the Office) from 4 to 12 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, 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 March 2017. The Office recorded programme and management expenditures of approximately \$29.6 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 the HACT framework implementation process, and lack of documentation of assurance activities undertaken under programme and project management and operation activities.

**Key recommendations:** Total = 10, high priority = 3

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	6, 9, 10	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	3, 4, 5	High
	1, 2, 7, 8	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:

Gaps in management of Harmonized Approach to cash Transfer (HACT) assurance process (Issue 4)	The Office delivers more than 90 percent of its programme delivery through national implementing partners using the Harmonized Approach to Cash Transfer (HACT) Framework. The Office had not fully undertaken assurance activities required under the HACT framework. The following shortcomings were noted: adequate justifications were not documented for making amendments to the 2016 HACT assurance plan; all assurance activities in the 2016 assurance plan were not fully undertaken; there were delays in the completion of assurance activities; there was no formal process to follow up on action plans and document updates on issues noted during assurance activities; and inadequate capacity development activities were undertaken on implementing partners.
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Recommendation 3:

The Office should comply with the 'UNDP Programme and Operations Policies and Procedures' on Harmonized Approach to Cash Transfers, and work with the Resident Coordinator Office by: (a) reviving the HACT working group to adhere to the relevant requirements under the 2014 undg HACT Framework. This should include undertaking micro assessments of implementing partners for the new program cycle within a specified timeframe; and (b) developing a joint assurance plan to the extent feasible, for the entire programming cycle taking into consideration key factors such as the micro assessments implementing partners and other relevant risks.

Recommendation 4:

The Office should address all HACT related discrepancies noted by: (a) implementing all the assurance activities as indicated in the assurance plan. Any changes to the assurance activities from the approved assurance plan are properly authorized and justifications are documented for future references; (b) establishing processes to ensure that recommendations noted in the various assurance activities are promptly followed up and acted upon; and (c) developing and implementing comprehensive action plans for capacity development activities of implementing partners, based on the results of various assurance activities and micro-assessments conducted.

Inadequate controls over project assurance (Issue 5)	The review of a sample of nine projects with total project expenditures of \$12.4 million in 2016, noted that Programme Officers had not documented programme monitoring and assurance visits for these projects. The Office management explained that even though many visits were undertaken, these were not consistently recorded using a "Back to Office" report. In the absence of documentation on project monitoring visits, the audit was unable to assess the quality of monitoring undertaken and the follow up actions taken on issues noted during the project monitoring process. Further, the Office had not documented project risks and issues either in the Atlas project management module or outside the Atlas system. Hence, it was not evident if the Office was actively monitoring and managing project risks effectively and timely.
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Recommendation 5: The Office should strengthen its project assurance and monitoring process by: (a) regularly undertaking field monitoring and verification visits, and documenting them within seven days of returning to the Office; (b) regularly updating Atlas with project reporting, risk management, and quality management data; and (c) regularly monitoring projects undertaken so that activities in the monitoring and evaluation framework are completed within specified timelines. The results of these monitoring activities should be promptly documented and retained.

### 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. Ostveiten  
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