

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

BELARUS

Report No. 1888
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Report on the Audit of UNDP Belarus Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Belarus (the Office) from 11 to 22 September 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 30 June 2017. The Office recorded programme and management expenses of approximately \$31 million. The last audit of the Office was conducted by OAI in 2012.

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 / some improvement needed**, which means, “The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.” This rating was mainly due to challenges in the implementation of Direct Project Costing.

Key recommendations: Total = 3 high priority = 1

The three recommendations aim to ensure the following: (a) achievement of the organization’s strategic objectives (Recommendations 1 and 2); and (b) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 3).

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:

Challenges with Direct Project Costing implementation (Issue 1)	The Office had only collected a total of \$66,000 out of a \$436,000 (15 percent) target as of August 2017. The Government disagreed with the application of Direct Project Costing, which led to delays in approving 2016 Combined Delivery Reports for Project Nos. 86085, 96107, and 96108. The government counterpart indicated that there was no provision in the project documents relating to the charging of ‘development effectiveness’ (programme and programme support unit) costs. Further, there were donor constraints with regard to the inclusion of direct project costs within the programme budgets.
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Recommendation: The Office should strengthen the implementation of Direct Project Costing by: (a) ensuring that all elements of Direct Project Costing are clearly defined and routinely included in the project document and AWP, and agreed with all relevant parties; and (b) clarifying with the Government regarding the presentation of financial information, including Direct Project Costing within the AWP and Combined Delivery Report.

Management comments and action plan

The UNDP Resident Representative and UN Resident Coordinator accepted all three recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (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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