

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



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**SRI LANKA**

**Report No. 2008**  
**Issue Date: 10 January 2019**

## Report on the Audit of UNDP Sri Lanka Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Sri Lanka (the Office) from 19 to 30 November 2018. 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 2017 to 31 October 2018. The Office recorded programme and management expenses of approximately \$33 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/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 weaknesses in project quality assurance and monitoring activities.

**Key recommendations:** Total = 3, high priority = 1

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1	Medium
Effectiveness and efficiency of operations	2	High
	3	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:

Weaknesses in project quality assurance and monitoring activities (Issue 2)

The following weaknesses were noted with regard to project quality assurance and monitoring activities:

- (a) Annual work plans: Six out of the nine projects reviewed were directly implemented by the Office, and of those six, four annual work plans

were signed between four and six months after the start of the year in 2017, and two of the annual work plans were signed four months after the start of the year in 2018.

- (b) Programme assurance: Programme assurance monitoring was undertaken on an ad hoc basis; for five out of nine projects reviewed, there was no evidence of documented assurance monitoring.
- (c) Harmonized Approach to Cash Transfer (HACT) assurance function: For 2017, out of nine programme monitoring visits planned, five were not undertaken, due in part to the restructuring of the Office at the time. For 2018 out of 29 programme visits planned, 7 were not undertaken and 10 were postponed to December 2018. The Office's management commented that during 2018, political unrest caused security concerns for staff, which led to postponing field visits until the situation stabilized.

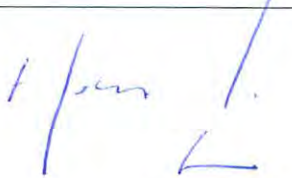
Recommendation: The Office should enhance project quality assurance and monitoring activities by:

- (a) ensuring annual work plans are planned and endorsed at the beginning of the year, and developing or finalizing the business process workflows, including identifying timelines for each process to ensure timeliness;
- (b) ensuring adequate Office oversight through assurance monitoring, including HACT assurance missions to address bottlenecks in a timely manner, and ensuring that project board meetings are scheduled and agreed upon in advance; and
- (c) continuing to provide training for programme and operations staff on the 'UNDP Programme and Operations Policies and Procedures' requirements on quality assurance.

### 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.

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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