



**AUDIT**

**OF**

**UNDP CLUSTERING PROCESS**

**Assessment of Progress and Follow-up of OAI Report No. 1912 dated 1 June 2018**

**Report No. 2166**  
**Issue Date: 7 February 2020**

**Report on Assessment of Progress and Follow-up Audit of UNDP Clustering Process  
(Previous OAI Report No. 1912, 1 June 2018)  
Executive Summary**

From 25 November to 19 December 2019, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an on-site follow-up audit of the UNDP Clustering Process. This on-site follow-up audit was undertaken, in addition to regular desk reviews, to assess UNDP's progress in implementing the recommendations contained in the Audit Report No. 1912. The follow-up audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. In addition to reviewing the implementation of audit recommendations, OAI has also assessed UNDP's progress in implementing the clustering process.

**Audit scope and approach**

The follow-up audit reviewed the implementation of 10 audit recommendations contained in OAI report No. 1912 issued on 1 June 2018. Specifically, the objectives were to:

- determine if recommended corrective actions were properly taken to address the issues noted in the previous audit;
- assess those recommendations that remained outstanding and obtain a revised timeframe for full implementation from the Bureau of Management Services (BMS).

OAI conducted appropriate tests of activities and interviewed management and staff concerned to determine whether the reported corrective actions were indeed implemented, as reported by the office in the Comprehensive Audit and Recommendation Database System (CARDS).

**Audit results**

UNDP has made progress in implementing the clustering process, and this was mainly due to senior management involvement and patronage of the process.

The Executive Group (EG) of UNDP has approved the establishment of a Project Team for Global Shared Services (Project Team) to develop a business case for UNDP's clustering initiative. The EG has approved the clustering business case, including the finance and procurement components of the proposal, while reserving the opportunity to revisit the human resources (HR) component.

The first Global Shared Services Project Board meeting took place on 20 November 2019. The project manager was hired, and most of the team member positions were already filled or under recruitment when this follow up audit was performed (Nov-Dec 2019).

Of the 10 audit recommendations, the Bureau for Management Services (BMS) had fully implemented 5 and initiated action on 5, resulting in an implementation rate of 50 percent as per CARDS on 19 December 2019.

Implementation status	Number of recommendations	Recommendation No/s.
Implemented	5	1, 2, 3, 7, 8
In progress	5	4, 5, 6, 9, 10
<b>Total</b>	<b>10</b>	<b>10</b>

The detailed implementation status of the 10 recommendations has been updated by OAI in CARDS.

Section I summarizes the 10 recommendations that are in progress and implemented. OAI encourages BMS to continue to take appropriate actions to address the remaining recommendations. OAI will continue to monitor the progress of the implementation of the recommendations as and when updates are provided by the Office in CARDS.

Section II presents additional audit issues, which were identified following the additional work done by OAI, as well as the visit to the Global Shared Service Centre in Kuala Lumpur (Malaysia) in December 2019.

OAI noted three additional audit observations and raised four recommendations, of which one was rated high priority. For the high (critical) priority recommendation, 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:

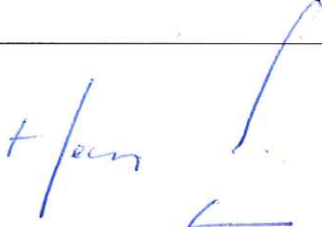
Uneven/siloed  
implementation of the  
clustering process  
(Issue 1)

Though the Clustering business case proposed an end-to-end/integrated clustering plan for all streams, the audit noted that clustering was still done in separate tracks/streams. Moving a service line from the Country Offices to a shared service center in isolation from other service lines would still require Country Offices to maintain more or less the same capacity. Additionally, with a significant investment in a large number of new positions to staff following the clustering, there is a risk to the organization of the cost savings not materializing

Recommendation: The Executive Office, in coordination with the Bureau for Management Services should ensure that the clustering process is implemented in an integrated way and not in silos.

### Management comments and action plan

The Assistant Administrator and Director, Bureau of Management Services provided the revised implementation dates for the outstanding recommendations. She also accepted all four new recommendations and is in the process of implementing them.



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