



AUDIT

OF

UNDP's WRITE-OFF PROCESSES

Report No. 2320
Issue Date: 30 June 2021

Report on the Audit of UNDP's Write-Off Processes Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP's Write-off¹ Processes from 22 February to 7 May 2021. The audit assessed the adequacy and effectiveness of the governance, risk management, and controls within UNDP's write-off processes.

The audit covered the activities from 1 January 2019 to 31 December 2020. UNDP reported write-offs of losses of cash, receivables, and property totalling \$43,255 in 2019 and \$1,096,292 in 2020. Further, during the audit period, UNDP reported provisions² (i.e., impairments) for write-off totalling \$1.88 million in 2019 and \$3.83 million in 2020.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

- A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned/soft copies of documents provided by the Bureau for Management Services.
- Meetings with Bureau for Management Services management and personnel were carried out virtually, which could have limited the audit team's understanding of the working environment.

Overall audit rating

OAI assessed the performance of UNDP 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 procedures for write-offs being incomplete and not finalized; weaknesses in UNDP's procedures for provisions for write-offs; accounting procedures for financial losses not being followed; and challenges in Atlas data clean-up.

Key recommendations: Total = 4, high priority = 4

The four recommendations aim to ensure the achievement of the organization's strategic objectives.

For the 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 recommendations are presented below:

Procedures for write-off incomplete and not finalized (Issue 1)	The Bureau/OFRM issued the draft 'Procedure for Write-off Requests' in August 2020. At the time of the audit, the procedures were not finalized, and they did not include a clear description of roles and responsibilities of the Regional Bureaux.
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Recommendation: The Bureau for Management Services should strengthen the write-off process by: (a) finalizing the write-off procedure and including

¹ A write-off is the act of cancelling a bad (uncollectible) debt or loss of asset from a General Ledger account.

² A provision for write-off (also referred to as impairment in UNDP's financial statements) is a reserve recognized in the financial statements after assessing that a collection of a receivable is in doubt.

	<p>a clear description of the roles and responsibilities of Regional Bureaux; and (b) uploading the final write-off procedure into the ‘UNDP Programme and Operations Policies and Procedures’.</p>
<p>Weaknesses in UNDP’s procedure for provisions for write-off (Issue 2)</p>	<p>There was a lack of written criteria in making provisions to doubtful amounts and the corresponding accounting entries in Atlas. There were no clear criteria or conditions established to support the Bureau’s decisions on the level of provisions for write-off that should be applied against ageing multi-year GL account balances, including who was responsible to review and approve the level of financial provisions for write-off.</p> <p>There was no justification to support the decision for not making a provision for write-off.</p> <p><u>Recommendation:</u> The Bureau for Management Services should formalize the criteria for provisions for write-off, including maintaining adequate documentation and uploading the procedures into the ‘UNDP Programme and Operations Policies and Procedures’.</p>
<p>Accounting procedure for financial losses not followed (Issue 3)</p>	<p>The Bureau established the ‘Asset Recovery Business Accounting Process’, which provided guidance on the accounting entries to record fraud or loss.</p> <p>The review of accounting entries in Atlas showed that the required accounting steps in the ‘Asset Recovery Business Accounting Process’ were not followed for the three write-off cases for which a provision was applied. These three cases totalled \$0.48 million.</p> <p>As of April 2021, the Asset Recovery Tracker had estimated financial losses relating to fraud or loss (investigation cases) totalling \$8.57 million (2013–2020). Of this total, the assessed recoverable amounts totalled \$7.85 million. As of the end of the audit, reported amounts recovered totalled \$3.78 million (48 percent). Based on this information, the audit team assessed that an amount of \$4.07 million may not be recovered (52 percent).</p> <p>There was no supporting documentation made available to the audit team on the rationale for not making further provisions against the estimated unrecoverable amounts totalling \$4.07 million.</p> <p>The Bureau/OFRM indicated that the established accounting procedure for recording fraud or loss was under review.</p> <p><u>Recommendation:</u> The Bureau for Management Services should finalize its review of procedures relating to fraud or loss, and maintain adequate documentation on provisions for write off.</p>
<p>Challenges in Atlas data clean-up (Issue 4)</p>	<p>OAI noted that there were still pre-Atlas balances (converted GL balances prior to 2004) in the sampled GL accounts reviewed. From the list of provisions for write-off for 2020, the Bureau/OFRM included pre-Atlas balances amounting to approximately \$426,703. The total pre-Atlas balances had not been fully determined as of the end of the audit fieldwork due to the lack of detailed information. The Bureau agreed that data clean-</p>

up of pre-Atlas balances had been a challenge. Although progress had been made, further action was required.

Recommendation: The Bureau for Management Services should develop and implement a plan to identify all the remaining outstanding pre-Atlas balances and determine the required steps to clear these balances, including ensuring availability of resources.

Management comments and action plan

The Assistant Administrator and Director of the Bureau for Management Services accepted all recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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