PERFORMANCE AUDIT

OF

UNDP IMPLEMENTING PARTNERS

Report No. 2332
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Report on the Performance Audit of UNDP implementing partners
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted a performance audit of UNDP implementing partners from 1 July to 30 December 2021. Performance auditing is an independent examination of an entity to assess whether the entity is achieving economy, efficiency, and effectiveness in the employment of available resources.

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.

The audit assessed whether UNDP has implemented adequate policies and procedures for the selection, management and oversight of its implementing partners for effective programme delivery. The audit also tested the extent to which assurance plans and activities implemented as part of the Harmonized Approach to Cash Transfer Framework, or HACT Framework have been designed and implemented effectively. Finally, the audit reviewed selected implementing partners and projects to assess the accuracy of reporting, maintenance of relevant documentation, as well as the adequacy of data to support the results reported.

The following performance audit questions guided the work of the audit team in responding to the main audit objective: ‘Has UNDP has implemented adequate policies and procedures for selection, management and oversight of its implementing partners for an effective programme delivery?’

Question 1. Has UNDP established adequate governance arrangements in the form of policies and institutional arrangements to successfully manage its implementing partners?

Question 2. Has UNDP been effective in managing the risks related to its implementing partners?

Question 3. Have UNDP implementing partners successfully delivered on agreed outputs, as per approved project documents?

Overall audit rating

OAI assessed the management of implementing partners within 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 micro assessments not being completed and inadequate planning and implementation of assurance activities.

Key recommendations: Total = 7, high priority = 2

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:

- Implementing partner micro assessments not completed (Issue 1)

  According to the UNDP HACT dashboard there were 1,117 implementing partners in 2020 and 1,022 implementing partners in 2021 that met the corporate threshold (budgeted expenditure of $150,000 per annum), which had not been micro assessed.

  The budget for these partners was $451 million. This represented 36 percent of all implementing partners for 2020 and 2021.
Data compiled by the Office of Financial Management (OFM) in December 2021 showed that 63 Country Offices out of 143 (or 44 percent) did not conduct the micro assessment of 210 implementing partners. These partners were allocated a total budget of $230 million. Management did not provide an explanation for the difference in the reported figures.

**Recommendation:** The Regional Bureaux should strengthen the oversight of micro assessments by ensuring that Country Offices: (a) conduct all required micro assessments; (b) implement measures to address and mitigate specific risks arising from the micro assessments.

**Inadequate planning and implementation of assurance activities (Issue 3)**

An analysis of the HACT dashboard as of November 2021 indicated that 1,089 planned spot checks for 2021 out of a total of 1,254 (or 87 percent) had not been completed. For programmatic visits, a total of 762 visits for 2021 had not been conducted out of a total of 834 (or 91 percent). Data provided by OFM as of December 2021 showed that 55 out of 143 Country Offices (or 35 percent) did not plan spot checks for the 499 partners as required by the policy. In 26 out of the 29 micro assessments sampled, internal control-related observations and recommendations were raised; however, there was no evidence indicating these had been addressed.

**Recommendation:** The Regional Bureaux should strengthen the management of the assurance activities by ensuring that the respective Country Offices: (a) develop and implement assurance activity plans for all relevant partners; (b) monitor the findings of programmatic output verification, periodic on-site reviews (spot checks) and scheduled audits, and integrate any issues into the project risk registers; and (c) establish capacity building measures to address partners’ weaknesses identified by micro assessments and/or assurance activities.

**Management comments and action plan**

The Assistant Administrators and Directors of the relevant Regional Bureaux and the Assistant Administrator and Director of the Bureau for Management Services, and the Assistant Administrator and Director of the Bureau for Policy and Programme Support accepted the seven recommendations and are 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.