



AUDIT

OF

UNDP COUNTRY OFFICE

IN

INDONESIA

Report No. 2442
Issue Date: 11 April 2022

Report on the Audit of UNDP Indonesia Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Indonesia (the Office) from 7 to 25 February 2022. 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
- (b) Development activities
- (c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

In addition, OAI assessed the performance of the Office in the following areas: procurement, finance and administrative services

Performance auditing is an independent, objective, and reliable examination of an entity or process to assess whether economy, efficiency, and effectiveness in the employment of available resources is being achieved. OAI designed three performance audit questions to guide the review of the following areas:

- (a) Procurement
 - Is the Office effective in meeting the quality requirements for the procurement case submissions defined by the Regional Bureau?
- (b) Finance
 - Were payments to vendors processed in a timely fashion?
- (c) Administrative Services
 - Were airline tickets economical and in line with the long-term agreement signed with the travel services provider?

The audit covered the activities of the Office from 1 January to 31 December 2021. The Office recorded programme and management expenses of approximately \$41 million. OAI conducted the last audit of the Office in 2018.

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) A review of original supporting documentation could not be carried out, and therefore, the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team's understanding of the Office's working environment.
- (c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
- (d) A physical verification of assets was not performed.
- (e) Safe contents and petty cash were not verified.
- (f) The ICT area was not reviewed on-site.

Overall audit rating

OAI issued an audit rating for the Office of **satisfactory/some improvement needed**, which means “the assessed governance arrangements, risk management practices, and controls were generally established and functioning but needed 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 overall staffing, and project administration.

No reportable issues were noted within the performance areas reviewed.

Key recommendations: Total = **3**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There are three medium (important) priority recommendations, which means “Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.” These recommendations include actions to address the following: the Office’s staffing not being in line with programme portfolio growth; inadequate oversight by programme units over projects; and inadequate project risk management.

The three recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1, 3	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	2	Medium

Management comments and action plan

The Resident Representative 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.



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