



PERFORMANCE AUDIT

OF THE

UNDP SECOND LINE OF DEFENSE

Report No. 2664

Issue Date: 20 November 2023

Report on the Performance Audit of UNDP Second Line of Defense Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UNDP Second Line of Defense from 18 September to 20 October 2023. The audit aimed to assess the effectiveness of the UNDP Second Line of Defense. Specifically, the audit addressed the following performance audit questions:

1. Is the UNDP Second Line of Defense properly established to deliver its monitoring and oversight function across the organization?
2. To what extent are the Central and Regional Bureaux effective in discharging their Second Line of Defense monitoring and oversight responsibilities?

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.

The audit was conducted in conformance with *the International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors (IIA). It covered the period from 1 July 2022 to 30 June 2023.¹ This was the first audit of UNDP's Second Line of Defense.

Overall audit rating

OAI issued an audit rating for the UNDP Second Line of Defense of **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." The rating was mainly due to the unclear roles and responsibilities of the Risk Committee and the lack of follow-up to track the implementation status of its decisions, and unclear guidelines for risk coordination among different governance mechanisms.

The overall conclusion of the audit is as follows:

1. The Second Line of Defense was generally established to deliver its monitoring and oversight function across the organization.
2. The Central and Regional Bureaux were generally effective in discharging their Second Line of Defense monitoring and oversight responsibilities.

The audit team identified areas for improvement as described in the above paragraph.

Key recommendations: Total = **6**, high priority = **0**

¹ The audit team expanded some tests beyond this audit period.

The audit did not result in any high (critical) priority recommendations. There are six 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.”

The six recommendations aim to ensure that the organization’s strategic objectives are achieved.

Management comments and action plan

The Associate Administrator, and the Assistant Administrators and Directors of the Bureau for Management Services and Bureau for Policy and Programme Support accepted all six 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.

A handwritten signature in black ink, appearing to read 'Guillermo Munoz'.

Guillermo Munoz
Deputy Director (Audit) a.i
Office of Audit and Investigations