

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**  
  
**OF**  
  
**UNDP COUNTRY OFFICE**  
  
**IN**  
  
**UNITED ARAB EMIRATES**

**Report No. 1564**  
**Issue Date: 10 February 2016**

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## **Table of Contents**

<b>Executive Summary</b>	<b>i</b>
<b>I. About the Office</b>	<b>1</b>
<b>II. Audit results</b>	<b>1</b>
<b>A. Governance and Strategic Management</b>	<b>2</b>
<b>B. United Nations System Coordination</b>	<b>2</b>
1. United Nations Coordination Development Activities	2
<b>C. Programme Activities</b>	<b>3</b>
1. Programme Management	3
2. Project Management	5
<b>D. Operations</b>	<b>7</b>
1. Human Resources	7
2. Finance	8
<b>Definitions of audit terms - ratings and priorities</b>	<b>10</b>

## Report on the Audit of UNDP United Arab Emirates Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP United Arab Emirates (the Office) from 16 to 26 November 2015. 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 and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – “One UN”);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security).

The audit covered the activities of the Office from 1 January 2014 to 30 September 2015. The Office recorded programme and management expenditures of approximately \$10 million. The last audit of the Office was conducted by OAI in November 2009.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

### Overall audit rating

OAI assessed the Office as **partially satisfactory**, which means, “Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.” This rating was mainly due to weaknesses within programme and project management.

**Key recommendations:** Total = 7, high priority = 2

Objectives	Recommendation Nos.	Priority Rating
Achievement of the organization’s strategic objectives	1, 3, 6	Medium
	2, 4	High
Compliance with legislative mandates, regulations and rules, policies and procedures	5, 7, 8, 9	Medium

For 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. All high (critical) priority recommendations are presented below:

Weaknesses within  
programme  
management  
(Issue 2)

The Country Programme Document outputs included targets that could not be easily measured, which therefore affected the Office's ability to properly measure the achievement of planned results. Furthermore, the Office confirmed that no joint annual programme reviews with the government counterpart were conducted since the start of the current programme cycle. Lastly, the Country Programme Action Plan had not been prepared and no meetings had been held between the government counterpart and UNDP.

Recommendation: The Office should strengthen programme management by: (a) undertaking joint annual programme reviews with the Government; (b) completing a mid-term review of the Country Programme Document and establishing measurable output targets following the review; and (c) developing a Country Programme Action Plan aligned with the Country Programme Document which is signed with the Government.

Weaknesses within  
project  
management  
(Issue 4)

Project documents were poorly drafted and did not contain the minimum requirements. Furthermore, the Project Appraisal Committee had not been established to review the draft project documents. There had been limited or no Project Board meetings and project progress reports had not been prepared. Issue/risk logs, monitoring logs, and the transparency dashboard were not updated. Lastly, the Office's project portfolio included 11 projects that were operationally closed between 2011 and 2013, but had not been financially closed at the time of the audit.

Recommendation: The Office should strengthen project management by: (a) following UNDP project document templates for all new projects for Project Appraisal Committee review; (b) ensuring regular Project Board meetings are held, annual and quarterly progress reports are prepared, and that issue/risk logs, and monitoring information is maintained; and (c) expediting the financial closure of all projects operationally closed for a period longer than 12 months.

### Management comments and action plan

The Resident Representative accepted all seven recommendations and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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Director  
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## I. About the Office

The Office is located in Abu Dhabi, United Arab Emirates (the Country). At the time of the audit, the Office was implementing the Country Programme Document covering the period 2013 through 2017. The Country Programme was focused on the following areas: inclusive and equitable growth; environmental sustainability; institutional development and good governance; and enhancing capacity for international cooperation. All projects were nationally implemented. The Government of the Country was fully funding the Country Programme and was a member of the Net Contributing Countries.

The Office had 14 staff members and 1 service contract holder.

## II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Resident Coordinator Office. The Resident Coordinator Office held meetings with other United Nations agencies. The review of the United Nations Country Team minutes did not result in any reportable issues.
- (b) Procurement. Procurement controls were adequate and no reportable issues were noted.
- (c) Safety and security. The latest Security Risk Assessment for the Country was approved in October 2015. Existing risks were low. All mitigating measures were in place.
- (d) Information and communication technology. The review of software and hardware management, back-up and restoration arrangements, and the latest disaster recovery plan, including visits to the Office's servers did not result in any reportable issues.

OAI made two recommendations ranked high (critical) and five recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report. Medium priority recommendations (governance and general administration) that had been implemented as advised by the Office (and independently validated by OAI) prior to the issuance of this report are not included in this report.

### High priority recommendations, arranged according to significance:

- (a) Strengthen programme management (Recommendation 2).
- (b) Strengthen project management (Recommendation 4).

### Medium priority recommendations, arranged according to significance:

- (a) Finalize the United Nations Common Strategic Framework (Recommendation 1).
- (b) Sign the Letter of Agreement and amend the project documents outlining the provision of support services (Recommendation 3).
- (c) Use the standard UNDP cost-sharing agreement when mobilizing funds from the Government and obtain prior approval from the Office of Operations, Legal & Technology Services for any amendments (Recommendation 5).
- (d) Complete the Performance Management Development assessments and plans (including performance targets) (Recommendation 6).
- (e) Sign Service Level Agreements with United Nations agencies, and conduct annual surveys to obtain feedback on the adequacy of services being provided (Recommendation 7).

The detailed assessment is presented below, per audit area:

## A. Governance and Strategic Management

The Office had eight Resident Representatives (including those acting in charge) since 2010. The Resident Representative (acting in charge) during the audit held the post since August 2015 and was expected to continue until the end of the year. At the time of the audit, the new Resident Representative had not been confirmed. The high turnover of senior management had impacted the Office's programme management and operations (refer to Issues 1, 2, 3, 4 and 6 for details).

## B. United Nations System Coordination

### 1. United Nations Coordination Development Activities

#### Issue 1 Incomplete United Nations Common Strategic Framework

The United Nations Development Group's policy on common country programming requires the development of a strategic programme framework that describes the collective response of the United Nations system to national development priorities. While the United Nations Development Assistance Framework is the key instrument for enhancing United Nations cohesion, in certain situations, other programming instruments serving the same purpose may be used, as desired by the national authorities. The United Nations country programming must, both in process and substance, respond to national development priorities.

The Office was in the process of preparing a United Nations Common Strategic Framework. The existing document was initially drafted in 2014 but had not been finalized and it required output information from nine agencies and inputs from the government counterpart prior to finalization. At the United Nations Country Team meeting in November 2015, the agencies agreed to work towards finalizing the Framework during a retreat planned for December 2015.

In the absence of a United Nations Common Strategic Framework, the work of United Nations agencies may not be aligned and opportunities for harmonization and simplification may not be realized.

Priority	Medium (Important)
<b>Recommendation 1:</b>	
The Office should finalize the United Nations Common Strategic Framework, following the inclusion of the required output information from each of the United Nations agencies and inputs from the Government.	
<b>Management action plan:</b>	
The Office agreed and implementation is in progress.	
<b>Estimated completion date:</b> March 2016	



## C. Programme Activities

### 1. Programme Management

#### Issue 2 Weaknesses within programme management

##### (a) Funding gaps within the Country Programme Document

UNDP Partnership Guidelines require offices to mobilize additional resources for the effective implementation of programme objectives.

The Country Programme Document 2013-2017 includes four outcomes with target resources totalling \$15 million. Outcome 1, "enabled environment for inclusive and equitable growth" with indicative resources of \$4 million, was not supported by any projects. Outcome 2, "strengthened policy formulation and implementation capacity for greening human development" with indicative resources of \$5 million, was supported by a single project only, with resources totalling \$133,000.

At the time of the audit, the Office drafted a resource mobilization plan including the list of potential donors to support Outcomes 1 and 2. Therefore, OAI did not make a recommendation in this regard.

##### (b) Programme targets not measurable

The 'UNDP Programme and Operations Policies and Procedures' require Country Offices to indicate baseline data and targets for each outcome and output indicator within the Country Programme Document. Specific indicators are required in order to be able to measure the achievement of development results. However, the Country Programme Document outputs included targets that could not be easily measured, which therefore affected the Office's ability to properly measure the achievement of planned results. Specifically, the following shortcomings were noted with the following outcomes: Outcome 1 "increased share of Northern Emirates in national economy" and "increased employment opportunities for Emirates" and Outcome 2 "increased adoption of energy efficient practices; reduced rate greenhouse gas emission."

The Office acknowledged that programme targets would need to be revised to match the available funding and to include indicators that can be measured.

##### (c) Lack of monitoring at the programme level

The 'UNDP Programme and Operations Policies and Procedures' state that all outcomes to which UNDP is contributing should be monitored and evaluated regularly. The programme management, monitoring, and evaluation in the Country Programme Document stipulates that "the government counterpart and UNDP will establish a joint planning and review mechanism to approve annual work plans and monitor based on the programme results and resources framework."

The Office confirmed that no joint annual programme reviews with the government counterpart were conducted since the start of the current programme cycle. Furthermore, there were no annual reviews or evaluations of the programme or specific outcomes. The Office was in the process of hiring a consultant to complete the mid-term review of the programme in cooperation with stakeholders.

(d) Country Programme Action Plan not prepared

The Country Programme Action Plan is a legal agreement between the Government and UNDP to execute the Country Programme. The Office is expected to develop the Country Programme Action Plan and sign it with the Government based on the Country Programme Document. Furthermore, the programme management section of the Country Programme Document stipulates that "details of the proposed programmes will be discussed during the Country Programme Action Plan consultation process which will be organized by a government ministry in partnership with UNDP in October 2012."

At the time of the audit, the Country Programme Action Plan had not been prepared and no meetings had been held between the government counterpart and UNDP. The Office indicated the frequent changes in leadership impacted the preparation of the Country Programme Action Plan.

The absence of a comprehensive monitoring and evaluation framework may prevent the Office from assessing the achievement of its programmatic interventions and from identifying areas for improvement.

<b>Priority</b>	High (Critical)
<b>Recommendation 2:</b>	
The Office should strengthen programme management by:	
<ul style="list-style-type: none"> <li>(a) undertaking joint annual programme reviews with the Government;</li> <li>(b) completing a mid-term review of the Country Programme Document, and establishing measurable output targets following the review; and</li> <li>(c) developing a Country Programme Action Plan aligned with the Country Programme Document which is signed with the Government.</li> </ul>	
<b>Management action plan:</b>	
The Office has already started discussions with the Government and a consultant will be hired to carry out the mid-term review of the Country Programme Document.	
<b>Estimated completion date:</b> March 2016	

**Issue 3**      No agreement with the Government for providing support services to nationally implemented projects

The Office provides support services to nationally implemented projects, acting as a Responsible Party. Such services and the associated costs should be included within a Letter of Agreement (for support services under national implementation) signed with the Government. In addition, the costs and related payment schedules should be described in the annex of the project document that deals with the provision of UNDP support services.

The Office had not signed a Letter of Agreement with the Government for providing support services to nationally implemented projects. In addition, the project documents for all three sampled projects (Project Nos. 39595, 79533 and 83040) did not include the required annexes outlining the provision of support services. The underlying reason for this omission was a lack of supervision at the Office level.



In the absence of an agreement with the Government, the Office may not be covered against claims that may arise in connection with providing services to the Government.

<b>Priority</b>	Medium (Important)
<b>Recommendation 3:</b>	
The Office should: (a) sign the Letter of Agreement with the Government outlining the terms and conditions under which the Office will provide support services; and (b) amend the project documents outlining the provision of support services in the annex.	
<b>Management action plan:</b>	
The Office has started discussions with the Government.	
<b>Estimated completion date:</b> March 2016	

## 2. Project Management

### Issue 4 Weaknesses within project management

#### (a) Incomplete project documents

According to the 'UNDP Programme and Operations Policies and Procedures', the project document constitutes a commitment to implementing the project in accordance with UNDP's mandate, policies, regulations, and rules. The project document must be submitted to the Project Appraisal Committee for review and appraisal, and the draft project document shall contain: (i) results to be achieved that are specific, measurable, attainable, realistic, and time-based through the completion of a results and resources framework and/or annual work plan; and (ii) a management arrangements section.

Three projects were reviewed, which accounted for 98 percent of programme expenditure during the audit period. All projects were nationally implemented using the direct payment modality. The review noted that project documents were poorly drafted, and did not contain the minimum requirements. For instance, the following sections were omitted: management arrangements (Project No. 39595), results and resources framework (Project Nos. 79533, 83040), monitoring and evaluation (Project No. 83040) and legal context (Project Nos. 39595, 83040). The project document (Project No. 39595) had been initially established for 12 months to cover the period up to December 2010. However, at the time of the audit, this project was still in progress without a revision being made to the project document. The Project Appraisal Committee had not been established to review the draft project documents (Project Nos. 83040, 39595, 79533).

The Office explained the project documents were incomplete due to limited preparation time (Project No. 83040), and lack of staff capacity in developing project document templates (Project Nos. 39595, 79533). This led to inadequate controls for project management and oversight.

#### (b) Weaknesses within project monitoring and reporting

The 'UNDP Programme and Operations Policies and Procedures' state that Project Boards should provide overall guidance and direction to projects, review project progress, and address project issues. Furthermore, once a

project document is signed, the Office must ensure adequate monitoring by preparing annual and quarterly project reports, and maintaining issue, monitoring, and risk logs.

The following weaknesses were noted:

- Limited (Project No. 83040) or no Project Board meetings (Projects Nos. 39595, and 79533) within the audit period. The annual work plans for 2014 and 2015 were not approved by the Project Board or signed by the implementing partner (Projects Nos. 83040, 39595, and 79533).
- Annual and quarterly project progress reports were not prepared (Projects Nos. 39595, and 79533).
- Issue logs, monitoring logs, and risk logs were not updated (Projects Nos. 83040, 39595, and 79533).
- The transparency dashboard information was not updated to include targets or results for 2014 and 2015 (Projects Nos. 83040, 39595, and 79533).

The weaknesses were mainly caused by inadequate knowledge and supervision of staff.

The lack of effective monitoring could prevent the Office from determining whether intended results are being achieved, and whether corrective actions are required.

(c) Weaknesses within the project closure

The 'UNDP Programme and Operations Policies and Procedures' require projects to be operationally closed once activities have been fully implemented. The operationally closed projects should then be financially closed within one year of operational closure. The Office had 11 projects that were operationally closed, but had not been financially closed within the stipulated period. The Office confirmed they were following up with relevant government counterparts to liquidate remaining outstanding cash advances in order to complete the closure process. Furthermore, the projects had not been closed due to inadequate monitoring of the project portfolio by project staff.

If projects are not closed on a timely basis, inappropriate charges could be made against them.

<b>Priority</b>	High (Critical)
<b>Recommendation 4:</b>	
The Office should strengthen project management by:	
<ul style="list-style-type: none"> <li>(a) following UNDP project document templates for all new projects for Project Appraisal Committee review;</li> <li>(b) ensuring regular Project Board meetings are held, annual and quarterly progress reports are prepared, and that issue/risk logs and monitoring information is maintained; and</li> <li>(c) expediting the financial closure of all projects operationally closed for a period longer than 12 months.</li> </ul>	
<b>Management action plan:</b>	
<ul style="list-style-type: none"> <li>(a) Project documents were revised during renewal. All new projects will be submitted to the Local Project Appraisal Committee. An Assistant Resident Representative has been recruited on detail assignment to facilitate removing backlog and conduct training of programme staff.</li> <li>(b) Project Board meetings will be incorporated in the revised project documents.</li> <li>(c) The financial closure of projects is in process and most of them are already concluded.</li> </ul>	
<b>Estimated completion date:</b> March 2016	

## Issue 5      Inadequate cost-sharing agreements

The 'UNDP Programme and Operations Policies and Procedures' require Country Offices to use the standard UNDP government cost-sharing agreement template. In the event that a non-standard format is used, approval should be obtained from the Office of Operations, Legal & Technology Services (formerly Legal Support Office) prior to finalization.

The government cost-sharing agreements for Project Nos. 39595 and 79533 did not follow the standard template. A number of sections had been omitted, including the following: article IV, non-receipt of payments; article VI, auditing requirements; and article VII, reporting requirements. However, the Office had not obtained the required approval from the Office of Operations, Legal & Technology Services for these omissions. Staff were unaware of the requirement to use the corporate template.

When non-standard cost-sharing templates are used, the Office is not properly covered against claims that may arise in connection with project implementation.

<b>Priority</b>	Medium (Important)
<b>Recommendation 5:</b>	
The Office should use the standard UNDP cost-sharing agreement when mobilizing funds from the Government, and obtain prior authorization from the Office of Operations, Legal & Technology Services for any amendments made to the standard cost-sharing agreement.	
<b>Management action plan:</b>	
New agreements will follow the standard UNDP cost-sharing agreement. In fact, this was already implemented for the two new cost-sharing agreements, which were signed during the 4 <sup>th</sup> quarter of 2015. For ongoing projects, the Office will hold discussions with government counterparts regarding the use of the standard template.	
<b>Estimated completion date:</b> December 2016 (for existing projects)	

## D. Operations

### 1. Human Resources

## Issue 6      Performance Management Development assessments and plans not completed

Performance assessments are required to measure a staff member's contributions towards corporate results, and serve as a tool for career development.

The majority of staff did not complete their Performance Management Development assessments and plans in 2014 (58 percent) and 2015 (67 percent). Additionally, mid-term reviews of performance plans, which were due on 31 July 2015, were incomplete (67 percent).

The non-completion of staff performance assessments and plans within the required timeframe may result in the failure to provide timely feedback to staff and address areas requiring improvement in staff performance. In addition, without agreed upon performance targets, supervisors may not have the proper criteria for conducting assessments, which might lead to disputes.

<b>Priority</b>	Medium (Important)
<b>Recommendation 6:</b>	
The Office should complete Performance Management Development assessments and plans (including performance targets) of staff in accordance with the established corporate timeframe.	
<b>Management action plan:</b>	
The Office will follow up during the work planning for 2016.	
<b>Estimated completion date:</b> March 2016	

## 2. Finance

### **Issue 7**      Service Level Agreement with other United Nations agencies not established or followed

The 'UNDP Programme and Operations Policies and Procedures' state that a Service Level Agreement is required to stipulate conditions for the provision of a specific set of business operations/services from UNDP to another United Nations agency. A local Service Level Agreement with each agency should be signed to clarify service provision levels and corresponding expectations, such as timescales for service completion.

The Office was providing finance, procurement, human resources and general administration services to five United Nations agencies, and the following weaknesses were noted:

- The Office did not have a local Service Level Agreement with three out of five United Nations agencies.
- The Service Level Agreements with the two United Nations agencies included a requirement to complete a survey every year in order to collect feedback from the United Nations agencies on the adequacy of the level of services provided. However, these surveys had not been completed.

In the absence of signed Service Level Agreements, disagreements or conflicts may arise between UNDP and the other agencies in relation to the timeliness or the types of services being provided. If a survey is not completed, issues regarding service delivery may not be identified and addressed.

<b>Priority</b>	Medium (Important)
<b>Recommendation 7:</b>	
The Office should: (a) sign Service Level Agreements with United Nations agencies where services are rendered; and (b) conduct annual surveys to obtain feedback on the adequacy of services being provided.	

**Management action plan:**

Discussions will start with the three remaining United Nations agencies to sign local Service Level Agreements.

**Estimated completion date:** March 2016

## Definitions of audit terms - ratings and priorities

### A. AUDIT RATINGS

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

### B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** 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.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.