

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



*Empowered lives.  
Resilient nations.*

**AUDIT**  
  
**OF**  
  
**UNDP COUNTRY OFFICE**  
  
**IN**  
  
**THE SYRIAN ARAB REPUBLIC**

**Report No. 1577**  
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## Report on the Audit of UNDP in the Syrian Arab Republic Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP in the Syrian Arab Republic (the Office) from 7 to 18 February 2016. 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, business continuity, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, Harmonized Approach to Cash Transfers);
- (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 31 December 2015. The Office recorded programme and management expenditures of approximately \$39 million. The last audit of the Office was conducted by OAI in 2007.

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 in project management.

### Good practice

#### Programme management

The Office developed an 'Information Management System' for data collection from the field for project monitoring, assurance and reporting purposes, and as a database for programmatic areas, donors and outputs information. This system was particularly important for the Office to obtain data from governorates that staff could not access due to security issues where monitoring had to be done remotely.

### Key recommendations: Total = 4, high priority = 1

The four recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendations 1 and 2, medium priority); and (b) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 3, high priority; Recommendation 4, medium priority).

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. The high (critical) priority recommendation is presented below:

Weaknesses in project management  
(Issue 3)

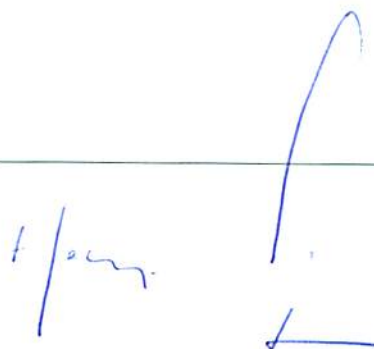
The following shortcomings could negatively impact the Office's project management: (a) project documents not reviewed by the Project Appraisal Committee; (b) weaknesses in the approval of project documents; (c) Project Board not functioning; and (d) projects not financially closed in a timely manner.

Recommendation: The Office should improve the management of projects by: (a) having all projects and their substantive revisions appraised by the Project Appraisal Committee; (b) closing all existing projects in Atlas and opening new ones based on new and clear project documents fully aligned to the current Country Programme Document; (c) having the Project Boards meet for all projects on a quarterly basis and undertake substantive reviews of projects; and (d) expediting the closure of projects operationally closed and correcting the status of completed projects in Atlas.

#### Management comments and action plan

The UN Resident Coordinator and UNDP Resident Representative accepted all of the 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.



Helge S. Osttveiten  
Director  
Office of Audit and Investigations

## **I. About the Office**

The Office is located in Damascus, Syrian Arab Republic (the Country) and has four project hubs located in Tartous, Homs, Aleppo and Qamishli. At the time of the audit, the Office had 23 staff and 41 service contract holders. As of the end of 2011, the Office had been operating under high security threats due to internal conflicts. During the audit period, most of its resources and programme were diverted to respond to humanitarian needs, specifically to the early recovery and livelihoods programme, following the Humanitarian and Strategic Response Plan.

After predominantly working on humanitarian response, the United Nations Country Team decided to expand its work on resilience-based interventions and developed the 'Strategic Framework for Cooperation between the Government and the United Nations 2016-2017'. It was endorsed by the Government in February 2016 and the aim was to serve as a bridging strategic framework to replace the '2007-2011 United Nations Development Assistance Framework', with priorities in the areas of: (a) capacity development and support for institutions; (b) restoring and expanding more responsive essential services and infrastructure; and (c) improving livelihood opportunities, including economic recovery and social inclusion.

The Office was under Fast Track Procedures since November 2011 and all projects from its portfolio were directly implemented. As of the audit, the Office started the alignment of its organizational structure and programme to the 2016-2017 Strategic Framework and Country Programme Document (CPD), and started improving its processes in line with UNDP regulations and rules.

## **II. Good practice**

OAI identified a good practice, as follows:

### Programme management

The Office developed an 'Information Management System' that assisted the Office in data collection from the field for project monitoring, assurance and reporting purposes, and as a database for programmatic areas, donors and output information. This system was particularly important for the Office to obtain data from governorates that staff could not access due to security issues where monitoring had to be done remotely. The data obtained from the field was validated by portfolio managers in Damascus to ensure the accuracy of information and reporting. Furthermore, access to data was limited to authorized users, and the system was not capturing financial information, thereby avoiding duplication with Atlas (enterprise resource planning system of UNDP).

## **III. Audit results**

Satisfactory performance was noted in the following areas:

- (a) United Nations system coordination. Staffing, planning, budgeting and reporting of activities by the United Nations Country Team were found to be adequate. The records of meetings among United Nations agencies, donors and government representatives disclosed that UNDP exercised good leadership and was performing its coordination functions well.
- (b) Programme management. The Office had made important progress in the implementation of the yearly Humanitarian Livelihoods Programme and as of the audit fieldwork, it was realigning its programme to the 'Strategic Framework for Cooperation between the Government and the United Nations 2016-2017'

and the 2016-2017 CPD. OAI met with the Government and donors, and they expressed their appreciation for the work undertaken by the Office.

- (c) Financial management. Payment processing, disbursements and banking activities were found to be compliant with UNDP financial policies and procedures.
- (d) Procurement. The review of the Office's procurement process disclosed that controls were functioning adequately and no reportable issues were noted.
- (e) General administration and asset management. General administration controls, including the management of vehicles, travel, overtime, assets and premises were generally established and functioning adequately.
- (f) Information and communication technology. The information and communication technology systems managed by the Office, including hardware, software, systems security, and disaster recovery mechanisms were adequately operating.
- (g) Safety and security. The Country was at security level 5-high. The Office's security plan was last updated and endorsed in January 2015. The Security Risk Assessment was last updated and endorsed in August 2015 and all mitigating measures were in place. The Office was 100 percent compliant with the Minimum Operating Security Standards.

OAI made one recommendation ranked high (critical) and three recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

**High priority recommendation:**

- (a) Improve the management of projects (Recommendation 3).

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

- (a) Continue the implementation of the new organizational structure and strengthen its control environment (Recommendation 1).
- (b) Prepare a resource mobilization strategy and action plan in line with the Resource Mobilization Toolkit (Recommendation 2).
- (c) Hire personnel under the correct contractual modality (Recommendation 4).

The detailed assessment is presented below, per audit area:

## A. Governance and strategic management

### 1. Organizational structure and delegation of authority

#### Issue 1 Office control environment needing improvement

The 'UNDP Programme and Operations Policies and Procedures' define the control environment as one of the components of the internal control system that sets the tone for the organization and provides the foundation for an effective internal control system. The control environment encompasses ethical values, management's philosophy and operating style, organizational structure, assignment of authority and responsibility, human resources policies and practices, and efficiency, competence and integrity of personnel.

OAI acknowledged the difficult context in which the Office was operating in and the challenges faced in the last five years as a result of the crisis, among them: the sudden closing of almost all of its development projects back in 2011 and the adjustment of the programme portfolio to respond to the humanitarian crisis; the security measures that caused, until 2014, the Office to often operate through remote working arrangements and relocations; the limitation of physical access to some governorates; and the high turn-over of staff and personnel. The Office had, during the audit period, an inadequate organizational structure with unclear responsibilities and reporting lines as well as inadequate segregation of functions, mainly in the programme areas. With the recent reorientation of its programme, the Office realigned its organizational structure, which was approved by the Regional Bureau for Arab States by the end of 2015. By the time of the audit, the Office was implementing and expanding its structure, and filling the vacant posts.

Notwithstanding the Office's actions and notable improvements, the Office's Internal Control Framework needed to be updated.

The 'Operational Guide of the Internal Control Framework for UNDP' outlines that each head of office has overall responsibility for establishing and maintaining adequate internal controls in his/her office, and for ensuring documentation of their offices' internal control procedures.

The Office provided the 'Signatory Policy' as an internal control document issued in May 2008. However, no documentation was provided to show that Internal Control Framework had been updated by the Office since then, despite having high staff turnover and despite undergoing a restructuring process. Furthermore, the audit noted that the Office had internal controls and segregation of functions in place during the sample testing; however, it was not documented.

The Office indicated that management would continue with the implementation of the new structure while ensuring the clear definition of staff functions, responsibilities and reporting lines. Once the implementation of the new structure was completed, the Office would redefine its Internal Control Framework.

Not having updated internal controls properly documented and communicated to staff may lead to a weak control environment where errors and irregularities may not be detected in a timely manner.

<b>Priority</b>	Medium (Important)
<b>Recommendation 1:</b>	
The Office should continue the implementation of the new organizational structure and strengthen its control environment by updating its Internal Control Framework following the 'Operational Guide of the Internal Control Framework for UNDP' and aligning it to the current organizational structure.	
<b>Management action plan:</b>	
The Office will prepare the Internal Control Framework in line with UNDP guidelines, reflecting the organizational structure.	
<b>Estimated completion date:</b> July 2016	

## B. Programme activities

### 1. Partnerships and resource mobilization

#### Issue 2 Resource mobilization strategy not in place

The 'UNDP Programme and Operations Policies and Procedures' require offices to establish effective partnerships and a resource mobilization strategy to ensure that they position themselves as a trusted partners and are successful in securing and fully utilizing resources required for delivering results as planned. The UNDP Resource Mobilization Toolkit provides guidance and advice for developing resource mobilization action plans.

At the time of the audit, the CPD for 2016-2017 was approved and the funds needed to implement it were approximately \$92.4 million. The Office, however, did not have a resource mobilization strategy and action plan in place to ensure adequate funding and use of resources for the two-year programming cycle.

The Office improved its resource mobilization in 2015 in relation to the two previous years. In 2015, it mobilized approximately \$25.2 million out of a \$68 million target (without including funds from agreements signed at the end of 2015 amounting to \$20 million). In 2014 and 2013, resources mobilized amounted to \$11.5 million out of a \$53 million target and \$5 million out of a \$41 million target, respectively. The Office was also able to attract new donors during the audit period. Nevertheless, funds were still insufficient to meet the targets of the humanitarian programme in the indicated years, with funding gaps ranging between 63 and 88 percent. Since the Office was expanding its structure and programme portfolio in alignment with the new CPD, having a resource mobilization strategy became increasingly important.

The lack of a resource mobilization strategy and corresponding action plan might jeopardize the Office's ability to sustain long-term operations, thus compromising development results. Furthermore, there is a risk that insufficient financial resources may adversely affect programme objectives.

<b>Priority</b>	Medium (Important)
<b>Recommendation 2:</b>	
The Office should prepare a resource mobilization strategy and action plan in line with the Resource Mobilization Toolkit that includes specific goals and a timeframe, as well as a systematic evaluation of results, considering also the new development environment and the Office's operating costs as a result of its restructuring process.	
<b>Management action plan:</b>	
The Office will:	
<ul style="list-style-type: none"> <li>(a) prepare a resource mobilization strategy and an action plan in line with the Resource Mobilization Toolkit, reflecting the operating costs of the Office as a result of the new structure and including specific goals, time framework and results of relevant evaluation, if any; and</li> <li>(b) consider increasing the Office's capacity through full-time resource mobilization and partnership staff, funds permitting, or through short-term SURGE capacity.</li> </ul>	
<b>Estimated completion date:</b> June 2016	

## 2. Project management

### Issue 3 Weaknesses in project management

The 'UNDP Programme and Operations Policies and Procedures' provide specific guidance on how to initiate, implement and monitor projects, including: (a) preparing a draft project document to be appraised in a Local Project Appraisal Committee meeting especially convened for this purpose; (b) signing of the project document as the last step in the formulation and planning of a project before actual project implementation begins; (c) regular reporting to the Project Board, at a frequency defined in the project document; (d) financially closing projects within 12 months after their operational closure.

Likewise, the 'UNDP Programme and Operations Policies and Procedures' also consider that the overall justification and rationale for a project are developed in the Country Programme, as detailed in the CPD or in concept notes for unplanned opportunities that are presented in crisis and special development situations, when a rapid change in a country's situation requires different priorities, or in newly emerging development areas.

In 2011, the Office closed almost all of its ongoing projects, in order to keep independence from the Government and avoid reputational risks due to the crisis in the Country, and focused only on the direct implementation of the Humanitarian Livelihoods Programme. During the audit period, this humanitarian approach was based on the 2014 Humanitarian Assistance Response Plan and 2015 Strategic Response Plan. The '2007-2011 United Nations Development Assistance Framework' and CPD, although extended yearly until 2015, became obsolete and too inadequate to respond to the humanitarian needs. Furthermore, UNDP standard programming processes were not often feasible or applicable, as explained by the Office. In spite of this situation, the Office had alternate procedures and controls and was able to achieve positive and notable results in project implementation.

As of the date of the audit, the Office was coordinating with the Government and starting the implementation of the 2016-2017 Strategic Framework and CPD, not only continuing its Humanitarian Livelihoods Programme but also focusing its programme to a more resilience-based approach, aiming to build local capacities and institutional development.

During the review of 7 of 18 projects, the following weaknesses were noted:

(a) Project documents not reviewed by the Project Appraisal Committee

According to the 'UNDP Programme and Operations Policies and Procedures', appropriate UNDP representatives and stakeholders shall ensure that a project has been designed with a clear focus on agreed results. Appraisal is based on considerations for quality programming that apply to all phases of the programming process. All projects and substantive revisions should be reviewed and approved through a Project Appraisal Committee meeting to ensure that outputs are aligned with the desired results of the Country Programme, and that a proper project management structure is defined to monitor and evaluate them.

Project initiation documents as well as project substantive and financial revisions were not reviewed and appraised by the Local Project Appraisal Committee before their approval because no such Committee was functioning during the audit period. The Office explained that after the crisis arose, new projects were developed within the framework of the humanitarian programming cycle and pre-vetted by the Inter-agency Early Recovery & Livelihoods Sector Working Group, which included United Nations agencies, international organizations, and non-governmental organizations active in this area of work. The Office believed that this review by peer agencies achieved the Local Project Appraisal Committee purpose. The Office did have an alternate review mechanism in place during the audit period. However, in light of the new CPD and the need for programme and project alignment, it became necessary to have representation from all stakeholders in the review of project documents and substantive revisions.

Weaknesses in the review of projects increase the risk of not achieving expected results, which could negatively affect UNDP's reputation and could reduce interest among the donor community for future project funding.

(b) Weaknesses in the approval of project documents

The project document constitutes a commitment to implement a project in accordance with UNDP's mandate, policies, regulations and rules.

The following weaknesses were noted:

- Project documents approved during the audit period were aligned only to the priorities of the Humanitarian and Strategic Response Plan, specifically the early recovery and livelihoods sector lead by UNDP. The Office explained that in the absence of a viable United Nations Development Assistance Framework and CPD or national development plan, UNDP projects fell under the humanitarian response plans in place for 2013, 2014 and 2015, mainly responding to the early recovery and livelihoods sector strategy. The Office indicated that it had already started aligning the ongoing projects to the new CPD outcome/output framework approved in January 2016 and would ensure that all new projects would be aligned to this new CPD.
- Project documents were signed by UNDP and the implementing partner, with no signature from any governmental organization. The 'UNDP Programme and Operations Policies and Procedures' require

that project documents be signed by UNDP, the implementing partner and the Government Coordinating Agency. The Office explained that this was a decision made to maintain independence from the Government and avoid reputational risks in light of the crisis in the Country.

- For activities funded with the European Union contributions, a separate project 'EU Support to affected communities in Syria' (Project No. 79248) was created in Atlas. However, no project document was elaborated and approved for this project.

Not following UNDP standard procedures for the approval of project documents may expose the Office and its projects to risks with possible legal and reputational consequences.

(c) Project Board not functioning

During the audit period, Project Boards were not functioning and did not meet to undertake their project oversight and steering functions. Thus, there was no assurance that substantive reviews of progress and activities of projects took place. In five out of seven project outputs sampled, the project documents required at least the review of quarterly and final progress reports by the Project Board. The Office explained that Project Boards were not instated as a result of the unconventional situation under which the Office was operating and the sensitive political atmosphere. Nevertheless, project oversight was exercised through various modalities and results were monitored and reported at the humanitarian programming and project levels, according to its pre-agreed strategic objectives and results. OAI took note that the Office had established alternate project assurance procedures.

Weak or ineffective controls over project oversight and assurance may result in poor project performance going unnoticed and corrective actions not being undertaken, thereby leading to financial losses and/or fraud.

(d) Projects not financially closed in a timely manner

The 'UNDP Programme and Operations Policies and Procedures' require projects to be operationally closed once activities have been implemented. The operationally closed projects should then be financially closed within one year from operational closure.

As of the audit fieldwork, 11 projects were operationally closed for more than 12 months but their financial closure was pending. Another 9 projects, with expected end dates ranging from 2004 to 2014, had an 'ongoing' status in Atlas. Subsequent to the audit, the Office indicated that a decision on project assets would soon be made and it would be the final step towards financially closing the operationally closed projects.

By not closing projects in a timely manner, unauthorized expenditures could be charged against them.

<b>Priority</b>	High (Critical)
<b>Recommendation 3:</b>	
The Office should improve the management of projects by:	
(a) having all projects and their substantive revisions reviewed and appraised by the Project Appraisal Committee, involving the most relevant participating partners, in line with the 'UNDP Programme and Operations Policies and Procedures';	
(b) closing all existing projects in Atlas and opening new ones based on new and clear project documents	

- fully aligned to the current Country Programme Document and approved by all parties required by the UNDP regulations and rules;
- (c) having the Project Boards or Steering Committees meet for all projects on a quarterly basis and undertake substantive reviews of progress of projects; and
- (d) expediting the financial closure of operationally closed projects and correcting the status of completed projects in Atlas.

**Management action plan:**

The Office will:

- (a) introduce Project Appraisal Committee and Project Board systems to ensure controls over project oversight and assurance with the project counterparts defined in the CPD 2016-2017;
- (b) complete the closure of all existing projects and open new ones in Atlas, while ensuring full alignment with the CPD; and
- (c) close remaining operationally closed projects and any other eligible projects.

**Estimated completion date:** September 2016

## C. Operations

### 1. Human resources

**Issue 4**      Use of improper contract modality for core function positions

The service contract modality is intended to engage individuals for development projects or to conduct UNDP non-core support services that would normally be outsourced to an external company (e.g. custodial, security and information technology services). The service contract guidelines explicitly state that it is improper to use the service contract modality for hiring local office personnel to carry out core functions, i.e., functions that are of a continuing nature and are part of the central work of UNDP.

The Office engaged 19 individuals under the service contract modality to perform activities that were considered core office functions in operations and programme units. The Office explained that the reason for this situation was the unavailability of funds to finance fixed-term posts. The Office had changed the contract modality of 6 out of the 19 positions from service contract to fixed-term appointments in December 2015 and February 2016. However, no actions were taken on the remaining 13 positions.

Allowing service contract holders to perform core functions may negatively impact the Office, as there are restrictions on the access rights and authority levels that can be given to service contract holders. In addition, the reliance on service contract holders to perform core functions could result in an imbalance in terms of salary and benefits among the Office's personnel performing the same or similar tasks.

<b>Priority</b>	Medium (Important)
<b>Recommendation 4:</b>	
The Office should hire personnel under the correct contractual modality with due consideration to the nature of the post and the duties that they will perform.	
<b>Management action plan:</b>	
The Office will take actions to ensure the proper contractual modality in hiring personnel in continuing the implementation of the new structure.	
<b>Estimated completion date:</b> May 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.