



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**AZERBAIJAN**

**Report No. 1234**  
**Issue Date: 22 January 2014**

## Report on the audit of UNDP Azerbaijan Executive Summary

From 23 September to 4 October 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Azerbaijan (the Office). The audit covered the activities of the Office during the period from 1 January 2012 to 31 July 2013. During the period reviewed, the Office recorded programme and management expenditures totalling \$17 million. The last audit of the Office was conducted by OAI in 2008.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

### 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 identified in the area of operations. Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
<b>1. Governance and strategic management</b>				
1.1 Organizational structure and delegations of authority	Satisfactory			
1.2 Leadership, ethics and values	Satisfactory			
1.3 Risk management, planning, monitoring and reporting	Satisfactory			
1.4 Financial sustainability	Partially Satisfactory			
<b>2. United Nations system coordination</b>				
2.1 Development activities	Satisfactory			
2.2 Resident Coordinator Office	Satisfactory			
2.3 Role of UNDP – “One UN”	Not Applicable			
2.4 Harmonized Approach to Cash Transfers	Not Applicable			
<b>3. Programme activities</b>				
3.1 Programme management	Satisfactory			
3.2 Partnerships and resource mobilization	Satisfactory			
3.3 Project management	Partially Satisfactory			
<b>4. Operations</b>				
4.1 Human resources	Partially Satisfactory			
4.2 Finance	Partially Satisfactory			
4.3 Procurement	Partially Satisfactory			
4.4 Information and communication technology	Satisfactory			
4.5 General administration	Satisfactory			
4.6 Safety and security	Satisfactory			
4.7 Asset management*	Satisfactory			
4.8 Leave management*	Satisfactory			
4.9 Global Environment Facility*	Not Applicable			

\* Cross-cutting themes

## Key issues and recommendations

The audit raised 7 issues and resulted in 7 recommendations, of which 1 (14 percent) was ranked high (critical) priority, meaning “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 and may affect the organization at the global level.” These recommendations include actions to address weakness in service contract recruitment and administration processes, Government Contribution to Local Office Costs not fully met, absence of Implementation Support Services charges, incorrect use of accounts for allocation of expenditure and weaknesses in the procurement process.

The high priority recommendation is as follows:

Human resources (Issue 3)	<u>Weakness in service contract recruitment and administration processes.</u> In all 13 cases reviewed, the long-listing and short-listing of candidates was done solely by the hiring manager and the reasons for selecting and rejecting candidates were not documented. Furthermore, candidate references were not always presented according to UNDP standard format and thus did not include all the required information about previous employment. Also, the Office contracted a government-owned medical insurance company without performing a cost analysis to determine if the premium was lower than the corporate insurance plan. Furthermore, the Office paid full insurance premiums to all service contract holders for social security coverage through the State Social Protection Fund, but could not provide adequate evidence that service contract holders were registered/ covered under this National Security Scheme.
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OAI recommends that the Office improve service contract recruitment and administration processes by: (a) ensuring that long-listing of candidates is conducted by a group of staff members, not just the hiring manager, and that short-listing is done by at least two staff members to assure transparency; (b) ensuring that candidate applications include all required information and detailed reference checks are done before hiring; (c) using the corporate medical insurance plan unless a cost analysis confirms that the premium for local medical insurance is lower; and (d) if local medical insurance proves to be less costly, obtaining adequate evidence from service contract holders that they are covered under the local scheme.

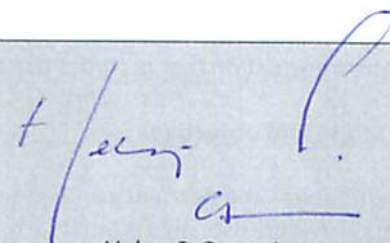
## Cross-cutting themes

As part of the 2013 OAI Annual Work Plan, all Country Office audits included specific areas to be reviewed in more depth. Results from all audits would be compiled and analysed at corporate level and thereafter a consolidated report would be issued separately. For this particular audit, the following were noted:

- **Asset management:** Satisfactory. No reportable issues noted.
- **Leave management:** Satisfactory. No reportable issues noted.
- **Global Environment Facility:** No reportable issues noted.

### Management comments and action plan

The Resident Representative accepted all recommendations and is in the process of implementing them.

A handwritten signature in blue ink is positioned above the printed name. The signature is stylized, with a large 'H' and 'S' and a long, sweeping underline.

Helge S. Osttveiten  
Director  
Office of Audit and Investigations