



**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**ISLAMIC REPUBLIC OF IRAN**

**Report No. 1538**

**Issue Date: 24 November 2015**

## Report on the Audit of UNDP Country Office in Islamic Republic of Iran Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Country Office in Islamic Republic of Iran (the Office) from 6 to 17 September 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 (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 30 June 2015. The Office recorded programme and management expenditures of approximately \$13 million (excluding Global Fund for AIDS, Tuberculosis and Malaria expenditures of \$17 million covered under a separate audit for the same period). The last audit of the Office was conducted by OAI in 2010.

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 concerns related to financial sustainability, the outstanding contributions towards the Government Contributions to Local Office Costs (GLOC), and inadequate actions to address the Global Staff Survey results.

**Key recommendations:** Total = 12, high priority = 3

The 12 recommendations aim to ensure the following

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 2, 3	High
Reliability and integrity of financial and operational information	8, 9, 10	Medium
Effectiveness and efficiency of operations	11, 12	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	4, 5, 6, 7	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:

Office's financial sustainability at risk (Issue 1)

The Office's extrabudgetary reserves had declined from 30 months at the end of 2013, to 8 months as of the date of audit, and were projected to be less than 2 months by the end of 2016. Financial sustainability was impacted due to a reduction in core resources, increased extrabudgetary costs, the inability to mobilize non-core resources due to the Country's context, and a reduction in the Global Fund portfolio. The Office was liaising with the Regional Bureau for Asia and the Pacific (RBAP) to address the financial sustainability concerns, but concrete actions had yet to be finalised.

Recommendation: The Office, in consultation with RBAP, should continue to explore alternative ways of getting additional funding and establish cost-saving measures to ensure that the reserves are maintained at the required 12 month minimum level, per the 'UNDP Programme and Operations Policies and Procedures'. This should include expediting the cost recovery of service charges from other UN agencies.

Long outstanding Government Contributions to Local Office Costs (Issue 2)

The GLOC amounting to \$6.5 million had been outstanding since 2003. The Office indicated that the Government had agreed to pay contributions from 2012 onwards and that RBAP had been informed that all contributions due prior to 2012 would have to be written off. There was no evidence that RBAP had agreed to write off the contribution arrears prior to 2012. For the last year, the Office was also negotiating to offset the arrears through the use of rent subsidized premises provided by the Government.

Recommendation: The Office should undertake actions to collect the GLOC by: (a) confirming the total amount of contributions outstanding from the Government; (b) enhancing efforts to secure a firm written agreement as well as recovering the outstanding contributions with assistance from RBAP in these efforts; and (d) documenting all meetings and communication with government counterparts for GLOC follow-up.

Inadequate action to address Global Staff Survey results (Issue 3)

The Office consistently recorded lower scores in Global Staff Survey results than the global median scores in recent years. For 2013, all dimensions were below the 50<sup>th</sup> percentile, the least favorable being professional growth and development, and work-life balance. In 2014, the ratings declined further, with all dimensions except one (top management) being well below the 50<sup>th</sup> percentile. Though the Office had initiated general actions to address concerns, issue-specific actions had not been undertaken, and implementation progress was not tracked regularly. In mid-August 2015, 10 working groups were established in consultation with the Staff Association to address areas where the scores were significantly low.

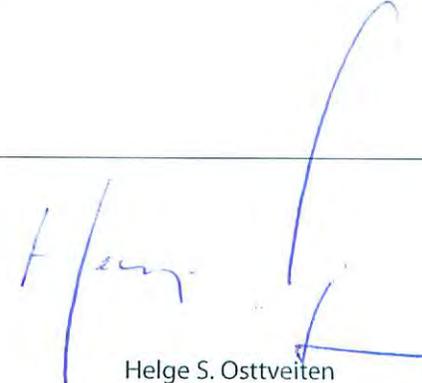
Recommendation: The Office, in cooperation with the Staff Association, should address the Global Staff Survey results by: (a) developing a detailed, time-bound and regularly monitored action plan to address the specific low scores; and (b) implementing the recommendations of the final report of the joint mission

undertaken by the Office of Human Resources/RBAP in August 2015.

**Management comments and action plan**

The 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.



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