UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

ETHIOPIA

Report No. 2227

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Report on the Audit of UNDP Ethiopia
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Ethiopia (the Office) from 5 to 20 October 2020. 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
(b) Development activities
(c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

The audit covered the activities of the Office from 1 January 2019 to 30 June 2020. The Office recorded programme and management expenses of approximately $69.9 million. The last audit of the Office was conducted by OAI in 2016.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities;

(a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
(b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team's understanding of the Office's working environment.
(c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
(d) A physical verification of assets was not performed.
(e) Safe and petty cash contents were not verified.
(f) The information communication and technology area was not reviewed on-site.

Overall audit rating

OAI assessed the Office's performance as **satisfactory**, which means "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area."

Key recommendations: Total = **1**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, 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 recommendation includes actions to address weaknesses in procurement planning.

The one recommendation aims to ensure the following:

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	1	Medium

Implementation status of previous OAI audit recommendations: Report No. 1695, 22 September 2016.
　　　　Total recommendations: 3
　　　　Implemented: 3

Management comments and action plan

The Resident Representative accepted the recommendation and is/ 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 and actions have been initiated to address them.

Brett Simpson
Officer-in-Charge
Office of Audit and Investigations

I.   About the Office

The Office, located in Addis Ababa, Ethiopia (the Country) and its Country Programme covered the period 2016–2020 with the following development priorities:

a)   Accelerating economic growth and poverty reduction;
b)   Climate change and resilience-building; and
c)   Strengthening democratic governance and capacity development

During the period from 1 January 2019 to 30 June 2020, the Office spent $66.5 million on development activities, an increase of 61 percent compared to the previous period.

The largest development projects in terms of expenses during the period covered by the audit were:

Title	Expenditure Jan–Dec 2019 $million	Expenditure Jan–Jun 2020 $million
Electoral Support Project	9.6	14.2
Governance and Democratic Participation Programme	5.2	1.2
Institutional Strengthening for the Forest Sector	4.0	0.6
Stabilisation and Crisis Risk Reduction in Ethiopia	2.7	0.2
Integrated Landscape Management IAP	2.4	0.5
Total	**23.9**	**16.7**

The largest sources of funding of the Office's development activities for the period covered by the audit were:

Donor	Funding for the period $million
United Kingdom	20.56
Global Environment Facility	16.32
Sweden	10.57
Japan	7.34
Denmark	4.48
Total	**59.27**

II.   Audit results

Satisfactory performance was noted in the following areas:
(a)   <u>Governance.</u> Governance activities including maintenance of risk registers, staff organization, internal control framework, delegation of authority and business continuity were found to be adequate.
(b)   <u>Development activities.</u> The use of corporate tools for the planning, implementation, monitoring and evaluation of projects was applied consistently.
(c)   <u>Operations - Human resources.</u> The recruitment of staff and service contractors were in line with operational procedures.
(d)   <u>Operations - Administrative services.</u> The administration of common services, travel, vehicles and assets was found to be adequate.
(e)   <u>Operations - Information communication and technology</u>. At the time of the audit mission, the Office had an approved Business Continuity and Disaster Recovery Plan. There were no issues noted.

OAI made one recommendation 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 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.

Medium priority recommendations:
    (a)   Strengthen procurement planning (Recommendation 1).

The detailed assessment is presented below, per audit area:

A. Operations

1. Procurement – Goods and Services

Issue 1   Weak procurement planning

The 'UNDP Programme and Operations Policies and Procedures' require offices to develop consolidated procurement plans that are to be reviewed and updated throughout the year. Office management explained that all procurement cases are to be entered in PROMPT (the corporate procurement planning tool) at the project planning stage

The Office processed 1,527 purchase orders with a total value of $37.1 million during the audit period.

The Office uses PROMPT for planning its procurement transactions. However, a review of the PROMPT system highlighted a lack of regular updates of the PROMPT system. In 2019, the total planned procurement was $21.5 million. From this amount, $7 million or 33 percent had been completed using the PROMPT system. The total planned procurement value from January to June 2020 was $10.9 million; however, at the time of the audit, only $2 million or 18 percent had been completed using the PROMPT system.

Inadequate procurement planning, guidance, and supervision of procurement functions reduces the level of oversight on procurement and may lead to errors, and fraud.

Priority	Medium (Important)
Recommendation 1: The Office should strengthen procurement planning by ensuring that the PROMPT system is used and regularly updated.	
Management action plan: While acknowledging that procurement implementation was not always updated in a timely fashion in PROMPT, this has now been fixed and the standard process is being adhered to Following the audit, the 2019 and 2020 procurement plans in PROMPT have been updated.	

The Office has issued a SOP on the use and management of the PROMPT system and the SOP has been implemented since 2020.

Estimated completion date: November 2020

OAI Response

OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory**

  The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.

- **Partially Satisfactory / Some Improvement Needed**

  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.

- **Partially Satisfactory / Major Improvement Needed**

  The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.

- **Unsatisfactory**

  The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

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. Failure to take action could result in 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.