



AUDIT

OF

UNDP COUNTRY OFFICE

IN

ALBANIA

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Report on the Audit of UNDP Albania Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Albania (the Office) from 4 to 22 February 2022. 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 and administrative services

In addition, OAI assessed the performance of the Office in the following areas: development activities and operations (procurement, finance and human resources).

Performance auditing is an independent, objective and reliable examination of an entity or process to assess whether economy, efficiency and effectiveness in the employment of available resources is being achieved.

The performance audit questions were as follows:

(a) Development activities:

1. Did the country programme have clear objectives, with sufficient resources that was implemented as planned?
2. Were the country programme indicators clearly defined, measurable and adequately monitored to enable achievement of results?
3. Were the project objectives clearly defined, and results measurable, and adequately monitored?

(b) Operations – procurement, finance and human resources:

4. Were the operational activities effectively and efficiently supporting programme implementation?

The audit covered the activities of the Office from 1 January to 31 December 2021. The Office recorded programme and management expenses of approximately \$31 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 and meetings with beneficiaries) were not conducted, but meetings with stakeholders and counterparts were conducted virtually.
- (d) A physical verification of assets was not performed.
- (e) Safe contents and petty cash were not verified.

Overall audit rating

OAI issued an audit rating for the Office of **fully 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.”

Conclusions on the performance audit areas reviewed:

(a) Development activities:

1. Did the country programme have clear objectives, with sufficient resources that was implemented as planned?

The Country programme objectives were clear and addressed the national priorities. Adequate resources were mobilized to implement the programme. The Office was able to increase programme delivery despite the challenging context following the 2019 earthquake and the COVID-19 pandemic.

2. Were the country programme indicators clearly defined, measurable and adequately monitored to enable achievement of results?

The Country Programme Document (CPD) included well defined outcomes and outputs that were specific, measurable, achievable, relevant, and time-bound. However, the Office had not adequately monitored 21 out of 36 output indicators within the CPD. Within the new CPD the monitoring of indicators has been strengthened.

3. Were the project objectives clearly defined, and results measurable, and adequately monitored?

Project objectives were clearly defined and aligned to the Country programme document (CPD). The five project documents reviewed, representing 28 percent of the 2021 programme delivery, included objectives linked to the CPD, with outcomes and outputs that were specific, measurable, achievable, relevant, and time-bound. Achievement of outcomes and outputs were monitored which enabled the measurement of project results.

(b) Operations – procurement, finance and human resources

4. Were the operational activities effectively and efficiently supporting programme implementation?

Procurement practices were effective in supporting programme activities. Finance and Human resources processes were found to be effective and efficient. Further information is provided within the audit results section.

These audit results have been incorporated in the overall auditing rating.

Key recommendations: Total = 0, high priority = 0

The audit did not result in any recommendations.

Management comments and action plan

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Ostveiten
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I. About the Office

The Office, located in Tirana, Albania (the Country) and its Country Programme covered the period 2017 to 2021 with the following development priorities:

- a) Democratic governance and rule of law;
- b) Promoting social inclusion and the rights of vulnerable communities;
- c) Ensuring that young women and men have opportunities and skills; and
- d) Environment and climate change.

During the period from January to December 2021, the Office spent \$29 million on development activities, an increase by 57 percent compared to the previous period.

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

Title	Expenditure 01 - 12. 2021 \$million
EU4Schools phase I	12.2
EU4Schools Phase II	10.6
Youth Leadership on Reconciliation	1.1
Total	23.9

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
European Union	8.8
Multi-Partner Trust Funds	4.6
Sweden	4.4
Switzerland	1.3
Global Environment Facility	1.2
Total	20.3

Other critical information

The Office operations and programmes were adapted to respond to an earthquake in November 2019 as well as the COVID-19 pandemic.

The Office works under the 'Delivering as One' approach adopted by the United Nations in the Country.

II. Audit results

Effective controls were established and functioning in the following areas:

- (a) **Governance.** The organizational structure was aligned to the programme; an action plan was created to strengthen the areas highlighted in the 2020 Global Staff Survey, a business continuity plan was in place and the financial disclosure policy was adhered to.



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- (b) Development activities. Project quality assessments were completed. Letters of agreement with implementing partners and grant agreements were in compliance with policies and satisfactorily executed.
 - (c) Procurement. Procurement planning was in place and its implementation ensured value for money was achieved.
 - (d) Finance. Financial management controls relating to the processing of transactions were found to be adequate.
 - (e) Human resources. Adequate recruitment planning and its implementation were established. Completion of mandatory trainings and performance management reviews were adequately monitored.
 - (f) General administration. Effective administrative processes for travel services, asset verification and vehicle management were in place

The audit did not result in any recommendations.

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

Conclusion on the Office's performance in the following audit areas/sub areas:

To form an opinion and conclude on the performance elements of this audit, the audit team used the following audit criteria:

- Country Programme Document (CPD), National Strategy for Development and Integration 2015 to 2020, UNDP Strategic Plan signature solutions for 2018 to 2021 and the United Nations Sustainable Development Cooperation Framework;
- Results and Resources Framework;
- Percentage of delivery when compared with CPD targets;
- United Nations Development Group resource mobilization standard operating procedures for countries adapting the "Delivering as One" approach;
- UNDP Programme and Operations Policies and Procedures; and
- Recruitment timelines in the Service Level agreements for clustered services

a. Development activities:

1. Did the country programme have clear objectives, with sufficient resources that was implemented as planned?

The country programme objectives were clear and aligned to the national priorities. The Office was able to adapt its programming to respond to the changing priorities following the 2019 earthquake and COVID-19 pandemic, by initiating 10 new projects with total budget of \$40.9 million.

Programme implementation was mainly through direct implementation with limited national implementation. The 2017-2021 programme included 9 nationally implemented projects totalling \$2.7 million while there were 36 directly implemented projects totalling \$29.5 million.

Resource mobilization for the 2017-2021 programme was found to be adequate. The Office mobilized \$143 million against a CPD budget of \$43 million. Resources mobilized for all but one outcome exceeded the resources required by the CPD. The Office has developed a clear resource mobilization strategy for the 2022-2026 CPD period.

The 2017-2021 country programme exceeded its delivery target by 89 percent. This was despite the challenging context following the 2019 earthquake, that required significant reconstruction activities during 2020 and 2021, and the COVID-19 pandemic. The Office delivered \$81.3 million (or 189 percent) against a CPD budget of \$43 million. The increased delivery was mainly in 2020 and 2021 totalling \$50.2 million.

2. Were country programme indicators clearly defined, measurable, and adequately monitored to enable achievement of results?

The 2017-2021 country programme established outcomes and outputs that were specific, measurable, achievable, relevant, and time-bound. However, the Office had not adequately monitored 21 out of 36 output indicators within the CPD.

The Office acknowledged the weaknesses in its monitoring system and has strengthened the monitoring of all indicators within the 2022-2026 CPD. As a result OAI has not raised a recommendation.

3. Were the project objectives clearly defined, and results measurable and adequately monitored?

Project objectives were clearly defined and aligned to the Country programme document (CPD) objectives. For five sampled projects totalling \$25.2 million, representing 28 percent of the 2021 programme delivery, the project documents had clear objectives aligned with the CPD results and resources framework. The project documents established outcomes and outputs that were specific, measurable, achievable, relevant, and time-bound. Achievement of outcomes and outputs was tracked in Atlas and assessed.

The project annual reports sampled were comprehensive and included the achievement of outcomes and outputs. The monitoring reports reviewed were clear and concise. Project delivery was on track for all but one of the five projects, due to delays in donor funding.

- (b) Operations – procurement, finance and human resources:

4. Were the operational activities effectively and efficiently supporting programme implementation?

Procurement practices were effective in supporting programme activities. The Office implemented its planned procurement of \$25.3 million and \$29.8 million in 2020 and 2021 respectively. The Office established a good practice of prequalifying suppliers in response to increased civil works procurement. This facilitated the tendering process and supported the achievement of value for money.

Inefficiencies were observed in the implementation of civil works. There were delays in five contracts totalling \$9.7 million which had been extended on various occasions for an average of 222 additional days. These delays were due to the incorporation of additional works that had not been envisaged, as well as delays in obtaining building permits. Adequate time was not provided for contract finalization activities. This led to payments totalling \$1.5 million being made following the expiration of five contracts.

Finance processes were found to be effective and efficient. The Office implemented effective cost recovery measures and surpassed the Government Local Office Costs (GLOC) target by \$0.1 million. All 32 payment vouchers reviewed totalling \$9.3 million and representing 33 percent of the total vouchers processed during the audit period, had appropriate supporting documentation and were processed without delay.



Human resource processes were effectively and efficiently managed. The Office completed 71 percent of its 2021 recruitment plan of 34 personnel. The 29 percent of recruitments that had not been completed, were mainly those that were being performed outside of the Office (20 percent) as part of the clustering exercise through the Global Shared Service Centre. The audit team observed that, recruitment processes incorporated gender and diversity considerations as well as hiring of personnel from disadvantaged groups.

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Fully 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.
- **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.