



AUDIT

OF

UNDP REGIONAL CENTRE

IN

CAIRO

Report No. 1156
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Report on the audit of UNDP Regional Centre in Cairo Executive Summary

From 2 to 13 December 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Regional Centre in Cairo (the Regional Centre). The audit covered the activities of the Regional Centre during the period from 1 January 2011 to 30 November 2012. During the period reviewed, the Regional Centre recorded programme and management expenditures totalling \$6.2 million according to the UNDP Executive Snapshot. This is the first audit of the Regional Centre.

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 Regional Centre as **unsatisfactory**, which means “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.” This rating was mainly due to significant shortfalls in governance, strategic management and resource mobilization that hindered the effectiveness and efficiency of the Regional Centre. The lack of support from the Regional Bureau for Arab States Headquarters critically inhibits the effective functioning of the Regional Centre and its ability to sustain a high-level regional profile. The issues observed will significantly impact the performance of the Regional Centre unless they are properly addressed. This includes, but is not limited to: (a) inadequacies in the management arrangement for the Regional Programme and the Regional Centre Board; (b) communication and coordination between the Regional Centre and the Regional Bureau for Arab States; and (c) funding arrangements for key positions of the Regional Centre.

Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				
2. Service delivery				
2.1 Approach and planning	Partially Satisfactory			
2.2 Implementation	Partially Satisfactory			
2.3 Tracking	Partially Satisfactory			
3. Knowledge products				
4. Programme activities				
4.1 League of Arab States Project	Satisfactory			
4.2 Resource mobilization	Unsatisfactory			
5. Operations				
5.1 Human resources	Partially Satisfactory			
5.2 Finance	Satisfactory			
5.3 Procurement	Partially Satisfactory			
5.4 Travel	Partially Satisfactory			
5.5 Information and communication technology	Partially Satisfactory			
5.6 General administration	Satisfactory			
5.7 Safety and security	Satisfactory			

Key issues and recommendations

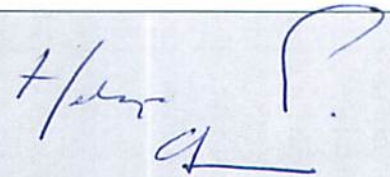
The audit raised nine issues and resulted in nine recommendations, of which two (22 percent) were ranked high (critical) priority, meaning “prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP and may affect the organization at the global level.” Both of the two high priority issues identified were of corporate nature, requiring action by the Bureau of Management in consultation with other concerned offices (Issue 1) and the Regional Bureau for Arab States (Issue 2), respectively.

Governance and strategic management (Issue 1) Corporate Issue: Absence of an organizational guide. OAI noted a lack of a finalized document clearly outlining the responsibilities of UNDP business units, including Regional Centres. While an “Organizational Guide” exists in a draft version from 2009 (replacing an official version from 1993), the document has never been finalized. The lack of a valid document clearly and comprehensively outlining the functions of all business units gives rise to an organizational risk. OAI recommends that the Bureau of Management, in consultation with other concerned offices, issue an Organizational Guide or develop an adequate replacement.

(Issue 2) Corporate Issue: Inadequate governance and management arrangements. OAI noted a number of inadequacies in the governance and management arrangements for the Regional Centre. They encompass a wide range of areas, including arrangements for Regional Programme management, the functioning of the Regional Centre Board, clarity of the organizational structure, the staffing situation and funding of posts in the Regional Centre, and communication and coordination between the Regional Bureau for Arab States and the Regional Centre. OAI recommends that the Regional Bureau for Arab States address these issues in order to improve the organizational efficiency and delivery of services in the Arab States.

Management comments and action plan

The Assistant Administrator and Director of the Bureau of Management accepted the recommendation under his purview (Issue 1). The Assistant Secretary-General, Assistant Administrator and Regional Director, Regional Bureau for Arab States and the Manager of the Regional Centre accepted all the other eight recommendations and are in the process of implementing them.



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