



AUDIT

OF

UNDP COUNTRY OFFICE

IN

LEBANON

Report No. 1157
Issue Date: 28 October 2013

Report on the audit of UNDP Lebanon Executive Summary

From 2 to 12 April 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Lebanon (the Office). The audit covered the activities of the Office during the period from 1 January 2012 to 28 February 2013. During the period reviewed, the Office recorded programme and management expenditures totalling \$39 million. The last audit of the Office was conducted by OAI in 2009.

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 **satisfactory**, which means “Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.” 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				
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	Satisfactory			
2. United Nations system coordination				
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	Partially Satisfactory			
3. Programme activities				
3.1 Programme management	Satisfactory			
3.2 Partnerships and resource mobilization	Satisfactory			
3.3 Project management	Partially Satisfactory			
4. Operations				
4.1 Human resources	Partially Satisfactory			
4.2 Finance	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 6 issues and resulted in 6 recommendations, of which 2 (33 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.”

The high priority recommendations are as follows:

Project management (Issue 4)	<p><u>Inadequate due diligence performed prior to signing agreements with business entities.</u> The Office signed a memorandum of agreement with two private companies for a total amount of approximately \$1.8 million. However, the Office did not adequately perform its due diligence in verifying whether the companies shared a commitment to the core United Nations values, for example, to ensure that business entities are not complicit in human rights abuses, and do not tolerate forced or compulsory labor or the use of child labor, as required by the revised guidelines on cooperation between UNDP and the private sector. OAI recommends that the Office ensure that adequate due diligence is performed for the two private companies on a post facto basis and any necessary corrective action is taken based on the outcome this exercise.</p>
Human resources (Issue 5)	<p><u>Use of improper contract modality relating to core function positions.</u> The Office engaged 10 individuals under the service contract modality to perform core office functions. The Office explained that this was driven by the higher costs associated with the use of fixed-term appointments, the cost of which would exceed the budget available to fund these posts. OAI recommends that the Office ensure that personnel are hired using the proper contractual modality with due consideration to the nature of the post and the duties that they will perform.</p>

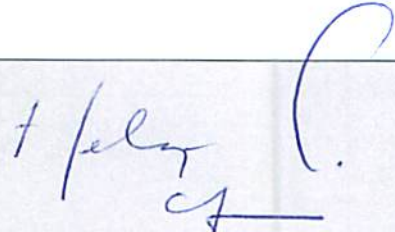
Cross-cutting themes

As part of the 2013 OAI Annual Work Plan, all Country Office audits will include specific areas to be reviewed in more depth. Results from all audits will be compiled and analysed at the corporate level, and thereafter, a consolidated report will 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 six recommendations and is in the process of implementing them.



Helge S. Ostveiten
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