



AUDIT

OF

UNDP COUNTRY OFFICE

IN

EGYPT

Report No. 1559
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Report on the Audit of Egypt Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Egypt (the Office) from 4 to 14 October 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 (development activities, Resident Coordinator Office, role of UNDP – “One UN”, 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 31 August 2015. The Office recorded programme and management expenditures of approximately \$127 million. The last audit of the Office was conducted by OAI in 2008.

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 the process for renting Office premises not being cost-effective, weaknesses in procurement management, incomplete implementation of HACT and of cost-recovery of direct project costs, inadequate asset certification, weaknesses on human resources and service contracts management, and lack of controls on contracts termination processes.

Key recommendations: Total = 8, high priority = 3

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

Process for renting
Office premises not
cost-effective
(Issue 1)

The audit showed that the Office's relocation process did not ensure overall best value for money for UNDP, and this had a significant impact on the Office's operations, working arrangements, and financial resources.

At the Office level, there was an incomplete cost/benefit analysis and inadequate planning and monitoring of the relocation. In June 2012, the Office relocated from its premises in the city centre to a new location in a suburb on the basis of security concerns, convenience, cost, and proximity to business partners. A lease agreement for a period of 10 years was signed. The total investment in renovation costs for UNDP amounted to \$1,893,400. In July 2013, the Office prepared a new business case, which concluded that the building was neither convenient nor conducive to maintaining and developing good relations with the main counterparts, donors, and other UN agencies. The cost/benefit analysis performed did not reflect the investment costs made in refurbishing the current premises, resulting in excess costs of \$304,000. In addition, starting February 2015, the Office was paying rent for two locations resulting in costs of \$252,000 due to delays in the interior renovation of the new building. As at the time of the audit fieldwork, the Office had already signed the new contract and the relocation was completed as of November 2015.

At the Headquarters level, the UNDP Operational Group in 2010 had abolished the Premises Review Committee and subsequently requested the Bureau for Management Services (formerly the Bureau of Management) to present a proposal on how to deal with premises issues, including the involvement of the Regional Bureaux. This action, however, was not completed and the 'UNDP Programme and Operations Policies and Procedures' still referred to the Premises Review Committee, which continued to hold meetings. The Premises Review Committee deliberated on the relocation case submitted by the Office in February 2014. During the meeting, the Regional Bureau for Arab States assured all members that all investments made in the former building would not be lost, as other agencies that remained would continue using them, and the building would also continue to house the Regional Centre. At the time of the audit, the other agencies had already left the building and the Regional Centre was moved to Jordan at the end of 2014. It was not clear whether the information about the closure of the Regional Centre was available at the time of the deliberations.

Recommendation 1 (corporate): The Regional Bureau for Arab States should strengthen its oversight of all relocation initiatives within the region and develop a guidance note on the minimum requirements for when offices can relocate, the governance mechanism, and funding arrangements.

Recommendation 2 (corporate): The Bureau for Management Services should enhance the relocation framework by: (a) preparing and submitting to the Organizational Performance Group a proposal on how to deal with premises issues, clarifying the respective roles and responsibilities of all stakeholders,

including the Regional Bureaux; and (b) updating the 'UNDP Programme and Operations Policies and Procedures' section on 'Operational procedures for acquisition renewal and termination of premises' by removing any reference to the Premises Review Committee and including the new process to be designed in response to the Operations Group decision.

Weaknesses in procurement management (Issue 5)

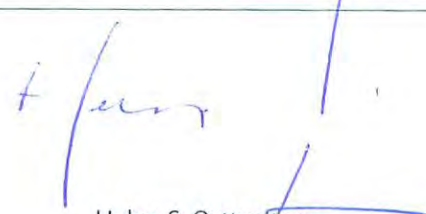
There were weaknesses in the procurement management and several issues were noted, such as the following: inappropriate use of the direct contracting modality for individual contracts; lack of transparency during the procurement process; weaknesses in the procurement of civil works; insufficient sourcing of offerors; lack of documentation of the evaluation process; and use of a non-UNDP email address for the receipt of offers.

Recommendation 6: The Office should strengthen the Procurement Unit and improve procurement management by: (a) centralizing procurement in the Procurement Unit; (b) using the direct contracting modality only for exceptional cases and when proper justification exists; (c) establishing a transparent procurement process; (d) avoiding changes in the requirements during procurement process, conducting appropriate preliminary examination of bids; (e) assigning a team to evaluate the proposals; (f) ensuring appropriate sourcing is done with a minimum of three qualified offerors; (g) preparing detailed documentation of the procurement cases; and (h) using only the UNDP email address and websites to receive offers.

Management comments and action plan

The Resident Representative and the Directors of the Bureau for Arab States and the Bureau for Management Services accepted all of the recommendations and are 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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