

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**ETHIOPIA**

**Report No. 1695**

**Issue Date: 22 September 2016**

## 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 19 to 28 July 2016. 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, business continuity, 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 [HACT]);
- (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 2015 to 31 March 2016. The Office recorded programme and management expenditures of approximately \$60 million. The last audit of the Office was conducted by OAI in 2012.

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 insufficient controls over the disbursement of project funds and lack of compliance with the e-procurement workflow, as well as inadequate implementation of the HACT Framework.

**Key recommendations:** Total = 3, high priority = 2

The three recommendations aim to ensure the following: (a) achievement of the organization’s strategic objectives (Recommendation 1, medium priority); (b) reliability and integrity of financial and operational information (Recommendation 2, high priority); and (c) effectiveness and efficiency of operations (Recommendation 3, high priority).

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 (by priority):

E-procurement workflow not complied with (Issue 3)	From a sample of 30 procurement cases, the audit identified 10 cases with a total value of approximately \$338,000 where the Office’s procurement processes were completed outside of Atlas (enterprise resource planning system of UNDP). Transactions were subsequently entered into Atlas to facilitate payments. The
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Office was using an outside of Atlas contract award form called an 'Award Notification', in order to inform the successful bidders about the award of the contracts instead of using Atlas purchase orders for contracting.

Recommendation: The Office should comply with the e-requisition process by: (a) starting each procurement process through the creation of an electronic requisition in Atlas, which should be approved by the project manager (first level authority) as authorization of the procurement process and that of availability of funds; and (b) discontinuing contract award notifications outside of Atlas, as well as issuing Atlas generated purchase orders to vendors.

Insufficient controls over disbursement of project funds (Issue 2)

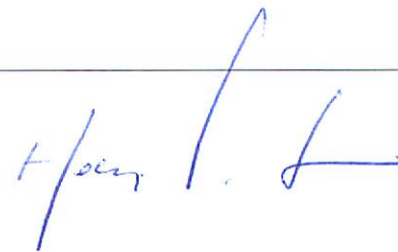
From a sample of 103 vouchers with a total value of \$1.7 million, the audit disclosed that there were 8 vouchers (valued at \$442,052) where advances had been requested and paid to implementing partners (IPs) with no evidence that the Finance Unit had verified that the IP had utilized and reported on 80 percent of the previous advance. Furthermore, there was no evidence that the Funding Authorization and Certificate of Expenditure (FACE) forms were original and that they were signed by the authorized approving officers from the IPs. In addition, in all eight vouchers, the attached FACE forms did not include reporting on the previous advances given. The Finance Unit did not have the names and specimen signatures of the approving officers from the IPs and therefore could not verify that the requests for payments had been authorized by the appropriate programme and IP personnel.

Recommendation: The Office should improve the management of disbursements by: (a) ensuring that the Finance Unit verifies and signs off, as evidence of verification, on requests for project funds; and (b) adhering to UNDP guidelines with regards to the granting of advances, as well as accounting and reporting on project funds.

### Management comments and action plan

The Resident Representative accepted all three recommendations and is 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.



Helge S. Osttveiten  
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