

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN THE

ISLAMIC REPUBLIC OF IRAN

Report No. 1991
Issue Date: 6 September 2018

Report on the Audit of UNDP Islamic Republic of Iran Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Islamic Republic of Iran (the Office) from 19 June to 2 July 2018. 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation, knowledge management);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2017 to 31 May 2018. The Office recorded programme and management expenses of approximately \$15 million. The last audit of the Office was conducted by OAI in 2015.

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/major improvement needed**, which means “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.” This rating was mainly due to the Country Programme Document not aligned with the prevailing resources framework and the funding environment outlook, the programme delivery notably behind target at 18% of the RBAP internal delivery target as of mid-year.

Key recommendation: Total = 4, high priority = 1

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1	High
Reliability and integrity of financial and operational information	2	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	3, 4	Medium

For high (critical) priority recommendation, 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. The high (critical) priority recommendation is presented below:

Country Programme Document results not aligned with current resources framework (Issue 1)

According to the 2017-2021 Country Programme Document (CPD), the total budget is \$126.7 million, of which 98 percent is to be mobilized externally. Government cost-sharing accounts for 59 percent of this, GEF 19 percent and Government of Japan 9 percent. The Office as of June 2018, the Office had mobilized \$27 million (21 percent) of the CPD target, mainly from vertical funds (other than GEF). It is unlikely to mobilize the GEF funding (\$24 million) due to upcoming sanctions, and access to Government Cost-Shared (GCS) funding (\$75 million) has been curtailed due to government reticence currently blocking already committed GCS and withholding new agreements. This created high uncertainty on the funding outlook of the programme portfolio which may result in the Office not being able to meet up to 78 percent (GCS and GEF) of the current CPD resource target. Taking into account the prevailing funding constraints and the funding environment outlook, the Country Programme Document's budgeted delivery appears to be unrealistic and the programme results targets may not be achievable.

Recommendation: The office, in collaboration with RBAP should (a) expedite consultations with relevant national partners to urgently resolve the issue of access to government cost sharing funds; (b) speed up implementation for the remainder of the year; and (c) align the CPD with a more realistic resources availability and result targets during the mid-term review of the Country Programming Document expected to take place mid-2019.

Implementation status of previous OAI audit recommendations: Report No. 1538 – country office audit, (issued on 24 November 2015) and Report No. 1539 – Global fund audit (issued on 6 November 2015) had 12 and 3 audit recommendations, respectively which have been implemented.

Management comments and action plan

The Resident Representative and Deputy Director of Regional Bureau for Asia and the Pacific accepted all four recommendations and are in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

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



Helge S.

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