

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

ERITREA

Report No. 2051
Issue Date: 9 December 2019

Report on the Audit of UNDP Eritrea Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Eritrea (the Office) from 8 to 20 September 2019. 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.¹

The audit covered the activities of the Office from 1 January 2018 to 30 June 2019. The Office recorded programme and management expenses of approximately \$11.7 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 risks of not achieving programme targets and weaknesses in the implementation of the Harmonized Approach to Cash Transfers (HACT).

Key recommendations: Total = 5, high priority = 2

The five recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1, 2	High
Effectiveness and efficiency of operations	3, 4, 5	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:

¹ This audit covered the activities under this area only for 2018.

Weaknesses in the implementation of Harmonized Approach to Cash Transfers (HACT) (Issue 1)

The adjusted risk rating for government implementing partners did not take into consideration the inconclusive macro-assessment. This resulted in cash advances being given to implementing partners that may not have had the capacity to record and report on funds given.

Recommendation: The Office should strengthen the implementation of HACT by: (a) advocating, through the Resident Coordinator Office, for the macro-assessment of the public management finance management system to be carried out before the start of the next Country Programme; and (b) until a macro-assessment is completed, increasing the frequency of assurance activities to ensure that funds advanced are being used and accounted for correctly.

Risk that targets for current programme will not be achieved (Issue 2)

There was little evidence that the Office would achieve development targets for the 2017–2021 programme cycle due to poor resource mobilization, low delivery rates and limited governance and oversight mechanisms to monitor programme progress and thus initiate a revision on the current Country Programme. Management should seek guidance from the Regional Bureau on how to draft the next Country Programme Document to reflect realistic targets within the given timeframe.

Management comments and action plan

The Resident Representative accepted all of the recommendations and is 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.



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