

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



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**AZERBAIJAN**

**Report No. 2057**  
**Issue Date: 3 July 2019**

## Report on the Audit of UNDP Azerbaijan Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Azerbaijan (the Office) from 29 April to 10 May 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.

The audit covered the activities of the Office from 1 January 2018 to 31 January 2019. The Office recorded programme and management expenses of approximately \$11.9 million. The last audit of the Office was conducted by OAI in 2013.

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/some improvement needed**, which means “The assessed governance arrangements, risk management practices and controls were generally established and functioning but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/ area.” This rating was mainly due to weaknesses within grant, financial and vendor management.

### Good practice

The Office established a Project Management Implementation Unit working on the implementation of two or more projects funded by the same or different donors at the same time. This strategy allowed the Office to benefit from the economy of scale and saving project management costs. For example, in a call for proposal for vocational education organized by a donor, the Office presented two proposals that shared the total management cost, including project staff cost. This way, the proposals became more economical and the project was awarded two out of the four grants advertised. Also, under the gender and youth portfolio, two project managers were covering four projects funded by different donors.

### Key recommendations: Total = 3, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are three medium (important) priority recommendations, which means “Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.”

The three recommendations aim to ensure the following:

<b>Objectives</b>	<b>Recommendation No.</b>	<b>Priority Rating</b>
Reliability and integrity of financial and operational information	2, 3	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	1	Medium

### **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 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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