AUDIT

OF

UNDP COUNTRY OFFICE

IN

LIBYA

Report No. 2060
Issue Date: 29 November 2019
Report on the Audit of UNDP Libya
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Libya (the Office) from 9 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 $55 million. The last audit of the Office was conducted by OAI in 2016.

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 weaknesses within the control environment, weaknesses in project management, and non-compliance with the HACT Framework.

Key recommendations: Total = 7, high priority = 3

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Recommendation No.</th>
<th>Priority Rating</th>
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<tbody>
<tr>
<td>Achievement of the organization’s strategic objectives</td>
<td>1, 3</td>
<td>High</td>
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<tr>
<td>Reliability and integrity of financial and operational information</td>
<td>2</td>
<td>Medium</td>
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<tr>
<td>Effectiveness and efficiency of operations</td>
<td>4</td>
<td>Medium</td>
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<tr>
<td>Safeguarding of assets</td>
<td>5</td>
<td>Medium</td>
</tr>
<tr>
<td>Compliance with legislative mandates, regulations and rules, policies and procedures</td>
<td>6</td>
<td>High</td>
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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:

¹This audit covered the activities under this area only for 2018.
| Weaknesses in Office’s control environment (Issue 1) | The approved organization chart did not reflect the Office’s structure and operations, and a local Internal Control Framework had not been established. Standard operating procedures, workflows, reporting lines, job descriptions and delegation of authorities were either not established or not aligned with the existing structure. **Recommendation:** The Office should improve its control environment by: (a) revisiting and finalizing its organizational structure, ensuring its alignment to programme and long-term objectives, as well as establishing adequate reporting lines and timely filling vacant positions; (b) aligning a comprehensive local Internal Control Framework to the updated organizational structure; and (c) revising standard operating procedures, workflows, job descriptions and delegations of authority. |
| Weaknesses within project management (Issue 3) | In four out of the six projects sampled, the information in the project documents was incomplete. The audit team noted the following weaknesses: Local Project Appraisal Committee meetings had not been held; risk logs had either not been created in Atlas or had not been updated; there were deficiencies in project monitoring; annual progress reports were incomplete; Project Board meetings were not being held; and Combined Delivery Reports had not been signed. **Recommendation:** The Office should strengthen its project management by: (a) having all project documents reviewed by a Local Appraisal Committee to confirm that they adhere to the corporate template; (b) monitoring all project activities, utilizing the Atlas project module, preparing annual progress reports that adhere to UNDP reporting requirements and submitting Combined Delivery Reports for signature; and (c) holding Project Board meetings on an annual basis. |
| Non-compliance with HACT Framework (Issue 6) | A review of the implementation of HACT identified the following shortcomings: (a) the Office was not implementing the HACT Framework and macro-assessments had not been completed for the 2019–2020 programme cycle; (b) micro-assessment had not been completed for the three responsible parties receiving cash advances and cash advances had not been liquidated; and (c) an assurance plan had not been prepared for 2018 and 2019 detailing assurance activities such as spot checks. **Recommendation:** The Office should implement the HACT Framework by: (a) undertaking, in collaboration with other United Nations agencies in the Country, the macro-assessment of the public finance system; (b) completing micro-assessments of responsible parties in receipt of cash advances, and liquidating cash advances within 60 days; and (c) developing and implementing an assurance plan. |

**Implementation status of previous OAI audit recommendations:** Report No. 1747, 25 January 2017. Total recommendations: 5 Implemented: 5
Management comments and action plan

The Resident Representative accepted all seven 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.

Helge S. Osttveiten
Director
Office of Audit and Investigations