



AUDIT

OF

UNDP COUNTRY OFFICE

IN

EGYPT

Report No. 2081
Issue Date: 21 February 2020

Report on the Audit of UNDP Egypt Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Egypt (the Office) from 3 to 14 November 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 31 August 2019. The Office recorded programme and management expenses of approximately \$112 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 inadequate controls over the procurement process.

Key recommendations: Total = 7, high priority = 1

The seven recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1	Medium
Reliability and integrity of financial and operational information	4, 5	Medium
Effectiveness and efficiency of operations	6	Medium
	7	High
Compliance with legislative mandates, regulations and rules, policies and procedures	2, 3	Medium

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

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

Inadequate controls over procurement process (Issue 7)

The audit team reviewed a sample of 22 purchase orders amounting to \$1.2 million out of a total of 327 purchase orders amounting to \$2.8 million and noted the following:

Procurement authority was not effectively established as noted in eight cases totalling \$311,077, which included:

- vendors being contacted by programme personnel instead of the procurement unit;
- lack of segregation of duties between the creation of requisitions and approval of purchase orders in Atlas for three cases totalling \$151,475; and
- processing of government requests for direct payments through Atlas purchase orders, instead of using Atlas payment vouchers.

Recommendation 7: The Office should strengthen the controls over the procurement process by: (a) ensuring that vendors are only contacted by procurement staff; (b) ensuring the segregation of duties between the creation of requisitions and approval of purchase orders; and (c) using Atlas payment vouchers for direct payments.

Management comments and action plan

The Resident Representative accepted all 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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