

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

SOMALIA

Report No. 2197
Issue Date: 23 April 2020

Report on the Audit of UNDP Somalia Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Somalia (the Office) from 10 to 23 February 2020. 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 to 31 December 2019. The Office recorded programme and management expenses of approximately \$65.7 million. The last audit of the Office was conducted by OAI in 2017.

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 following: (i) inadequate systems for oversight of results and a fragmented programme; (ii) the inability to determine project effectiveness and low efficiency of projects; (iii) weaknesses in the implementation of the Harmonized Approach to Cash Transfers (HACT) and (iv) weaknesses in vendor management

Key recommendations: Total = 7, high priority = 4

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

Inadequate systems for oversight of results (Issue 1)	The Office did not gather data to effectively monitor the implementation of the Country Programme Document.
	<u>Recommendation:</u> When preparing for the new Country Programme Document, the Office should prepare a monitoring framework that includes collection and verification of data to facilitate the monitoring of results at the outcome level for the Country Programme.
Low efficiency of projects (Issue 2)	The function of verifying project results had been outsourced, and corresponding roles and responsibilities had not been articulated. Low implementation was identified in projects where implementation was through responsible parties. Project Steering Committee approval had not been obtained following substantial changes to the annual work plan.
	<u>Recommendation:</u> (a) increase the efficiency of the projects and implement the projects within the timeframes set in the Letters of Agreements (b) Clarify the roles between Programme Oversight and Quality Assurance Unit and the company that is performing third party verification; and (c) ensure that the Project Steering Committee approves changes to annual work plans and changes to project implementation.
Weaknesses in the implementation of Harmonized Approach to Cash Transfers (HACT) (Issue 5)	No macro-assessment had been undertaken for the current programme cycle. The risk ratings for government ministries in the micro assessments could not be relied on as the financial management environment had not been taken into consideration in determining the risk rating.
	<u>Recommendation:</u> The Office should strengthen the implementation of HACT by: (a) coordinating with the Resident Coordinator's Office, Government and other development partners in order to complete a comprehensive assessment of the public finance management system prior to the start of the next Country Programme; and (b) considering the financial management environment when performing micro assessments, developing mitigating controls that will ensure the funds advanced are being used and accounted for correctly, until the micro and macro-assessment are completed.
Inadequate controls over vendor management (Issue 6)	There were 12 vendors (representing 6 cases) where 2 different vendors shared the same bank accounts. From the review of the vendor forms of these vendors, 4 of the 6 cases were confirmed as duplicate vendors. There were 53 vendors with similar names but different vendor identification numbers. From a selected sample of 20 of these vendors, 9 vendors were confirmed as duplicate vendors. Weaknesses were identified in vendor forms and supporting documents, such as the vendor approver not signing forms and incomplete bank information.
	<u>Recommendation:</u> improve vendor management by: (a) addressing the duplicate vendor issues; (b) ensuring that all sections of the vendor form are completed, and that supporting documents are reviewed; and (c) developing a standard

operating procedure for vendor management outlining the vendor verification process

Implementation status of previous OAI audit recommendations: Report No. 1757, 7 April 2017.

Total recommendations: 7

Implemented: 7

Management comments and action plan

The Resident Representative accepted all seven recommendations and is in the process of implementing them.

Comments and 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.

A handwritten signature in blue ink, which appears to read 'Helge S. Osttveiten', is located to the left of the printed text.

Helge
Osttveiten
2020.04.23
15:03:11 -04'00'
Helge S. Osttveiten
Director
Office of Audit and Investigations