UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

UGANDA

Report No. 2276

Issue Date: 9 December 2020

Report on the Audit of UNDP Uganda
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Uganda (the Office) from 14 to 25 September 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
(b) Development activities
(c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

The audit covered the activities of the Office from 1 January 2019 to 30 June 2020. The Office recorded programme and management expenses of approximately $30 million. The last audit of the Office was conducted by OAI in 2018.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

(a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
(b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team's understanding of the Office's working environment.
(c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
(d) Safe and petty cash contents were not verified; and
(e) The information communication and technology area was not reviewed on-site.

Overall audit rating

OAI assessed the Office's performance as **partially satisfactory/major improvement needed**, which means that "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 inefficiencies in programme delivery and financial sustainability.

Key recommendations: Total = **4**, high priority = **2**

The four recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	4	High
Effectiveness and efficiency of operations	1	High
Compliance with legislative mandates, regulations and rules, policies and procedures	2, 3	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. Both high (critical) priority recommendations are presented below:

Low programme delivery (Issue 1)	Programme delivery was low during the 2016–2020 programme cycle. By 30 June 2020, with 2020 being the last year of its programming cycle, the Office had achieved a delivery of approximately $65 million (50 percent) against the target of $129 million. This was caused by the low delivery of nationally implemented (NIM) projects. Recommendation: The Office should improve programme delivery by: (a) assessing the causes for low programme implementation and developing an action plan to fast track implementation; and (b) based on the results from the assessment conducted, considering switching to direct implementation modality or applying full Country Office support to national implementation.
Financial sustainability of the Office at risk (Issue 4)	The Office had significantly higher management costs than the average of Country Offices of the Regional Bureau for Africa. The key driver to this was the Office's staffing costs. Further, the programme staffing was high as compared to an office with comparable programme delivery and number of projects in 2018 and 2019. As of December 2019, the number of programme personnel was 81, whereas the comparable office had 62. The core to non-core resources ratio had an annual average standing at 1:1 from 2016 to 2019, which was well below Regional Bureau for Africa average of 1:3. There was a large Government Contributions to Local Office Cost (GLOC) balance of $2.7 million, including 2020 targets, that remained outstanding at the time of audit. Recommendation: The Office should improve financial sustainability by: (a) developing and implementing an action plan to improve the financial sustainability situation and defining measures to reduce its management costs; (b) increasing non-core resource mobilization efforts; and (c) formally following up and agree with the Government on a timetable to recover the Government Contributions to Local Office Cost arrears.

Implementation status of previous OAI audit recommendations: Report No. 2014, 21 December 2018.
Total recommendations: 8
Implemented: 8

Management comments and action plan

The Resident Representative accepted all 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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