



AUDIT

OF

UNDP COUNTRY OFFICE

IN

DJIBOUTI

Report No. 2294
Issue Date: 7 April 2021

Report on the Audit of UNDP Djibouti Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Djibouti (the Office) from 1 to 16 February 2021. 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 to 31 December 2020. The Office recorded programme and management expenses of approximately \$5.1 million, excluding Global Fund expenses that represented \$3.3 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*. 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) A physical verification of assets was not performed.
- (e) Safe and petty cash contents were not verified.
- (f) 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 "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 financial sustainability of the Office being at risk and unbudgeted financial obligations related to the Office's relocation.

Key recommendations: Total = 10, high priority = 2

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 10	High
	2	Medium
Reliability and integrity of financial and operational information	4	Medium
Effectiveness and efficiency of operations	3, 5, 7, 9	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	6, 8	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:

Financial sustainability at risk (Issue 1)	<p>The Office's financial sustainability was at risk due to Government Contributions towards Local Office Costs not being recovered, a reduction in General Management Support, and lower direct project cost recovery amount.</p> <p><u>Recommendation:</u> To improve its financial sustainability, the Office should: (a) increase its efforts to recover Government Contributions towards Local Office Costs, and accelerate programme delivery to increase General Management Support; (b) recover direct project costs; and (c) identify and implement cost saving measures.</p>
Unbudgeted financial obligations related to Office's relocation (Issue 10)	<p>The Office signed a new lease on 4 April 2019. No document could be provided to the audit team on how the costs of the move would be paid.</p> <p>As of today, the lessor claims a total of \$699,300, but the Office does not have the necessary funds to pay for it. The claimed amount includes moving expenses (\$348,000 + VAT) and outstanding invoices for security services, which have not been approved by UNDP and are still under negotiation. Once the amount of moving expenses is paid, the Office will have a monthly rent of around \$48,000, starting March 2021.</p> <p><u>Recommendation:</u> In order to meet its financial obligations, the Office should identify, in coordination with the Regional Bureau for Arab States, the possible options to finance the outstanding rent and costs related to the relocation of the Office as well as the future ones.</p>

Management comments and action plan

The Resident Representative accepted the 10 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 Osttveiten 2021.04.07 11:25:14 -04'00'
Helge S. Osttveiten Director Office of Audit and Investigations	