



AUDIT

OF

UNDP OFFICE

IN

KOSOVO¹

Report No. 2325
Issue Date: 24 September 2021

Report on the Audit of UNDP Kosovo¹ Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Kosovo (the Office) from 5 to 19 July 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 2020 to 30 April 2021. The Office recorded programme and management expenses of approximately \$12 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*. 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 **satisfactory, some improvement needed**, which means "The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to management expenditures being above corporate target levels.

Key recommendations: Total = 2, high priority = 1

The two recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 1, high priority); and (b) reliability and integrity of financial and operational information (Recommendation 2, medium priority).

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:

¹References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999), in which Kosovo is not referred to as a country.

Management expenditures above corporate target levels (Issue 1)

The Office's management efficiency ratios (MERs) were 10 percent and 14.4 percent in 2019 and 2020, respectively, which were higher than the corporate targets and the average rates for the Regional Bureau for Europe and the Commonwealth of Independent States (6.6 percent and 6.4 percent, respectively).

The Office's low delivery and insufficiently generated income to meet its management costs were factors contributing to its high MERs. The Office's efforts to improve the MER included an increase of the programme budget and improved revenue collection.

Recommendation: The Office should improve management efficiency by: (a) establishing, with the support of the Regional Bureau, measures for a gradual reduction of the management efficiency ratio backed by financial analysis; (b) optimizing the use of available resources by establishing higher but reasonable delivery targets considering the operating environment; and (c) improving the implementation of Direct Project Cost and revenue collection targets.

Implementation status of previous OAI audit recommendations: Report No. 1899, 9 January 2018.

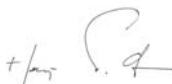
Total recommendations: 2

Implemented: 2

Management comments and action plan

The Resident Representative accepted the two 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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