



**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**SOMALIA**

**Report No. 2459**  
**Issue Date: 6 September 2022**

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## 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 16 to 27 May 2022. 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)

In addition, OAI assessed the performance of the Office in the following areas and sub areas: governance and development activities and finance.

Performance auditing is an independent, objective and reliable examination of an entity or process to assess whether economy, efficiency and effectiveness in the employment of available resources is being achieved.

- (a) Governance
  - i. Did the Office generate sufficient income to adequately finance its operational costs?
- (b) Development activities:
  - i. Did the country programme have clear objectives and sufficient resources for adequate implementation?
  - ii. Were the country programme indicators clearly defined, measurable and adequately monitored?
  - iii. Were the project indicators clearly defined, measurable and adequately monitored?

The audit covered the activities of the Office from 1 January 2021 to 28 February 2022. The Office recorded programme and management expenses of approximately \$61.1 million. The last audit of the Office was conducted by OAI in 2020.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

### Overall audit rating

OAI issued an audit rating for the Office of **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 weaknesses in programme implementation, financial sustainability, and project closure.

Conclusions on the performance audit areas reviewed:

- (a) The audit noted that the Country Programme objectives were clear and aligned to the national priorities. As of the date of the audit, resources were sufficient for the programme implementation. In 2021, the first year of the country programme implementation, the Office mobilized \$30.5 out of \$49.3 million. The CPD established clear outputs that were specific, measurable, achievable, relevant, and time-bound, and linked to the United Nations Sustainable Development Cooperation

Framework’s outcomes. Programme monitoring framework was adequately established and monitoring on yearly basis through the Results Oriented Annual Report (ROAR).

- (b) The Office was not able to generate sufficient revenue to cover its operating costs, such as staff and security costs. This was primarily because of the crisis environment, the high Office’s security costs, restrictions due to the COVID pandemic and political deadlock, which together led to low delivery, hampering the Office’s ability to generate sufficient revenue (refer to Issue 1).
- (c) Project objectives and indicators were clearly defined, measurable and aligned with CPD. However, project monitoring faced challenges due to late budget allocation for Third Party Monitoring activities (refer to Issue 3).

These findings have been incorporated in the overall auditing rating.

**Key recommendations** Total = 7, high priority = 2

The seven recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1	High
	2, 3	Medium
Reliability and integrity of financial and operational information	4	High
Effectiveness and efficiency of operations	5, 6	Medium
Safeguarding of assets	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:

Office financial sustainability concerns (Issue 1)      The Office was not financially sustainable, and the Regional Bureau for the Arab States had to subsidize its Institutional Budget (IB) in 2021 by \$1.6 million, which was 32 percent of the \$4.9 million Annual Spending Limit. This occurred because of the following shortcomings:

- Insufficient income generated.
- Limitations in the application of delivery enabling services fee to projects, and
- Pending refunds to donors

The Office had pending donor refunds totaling \$0.4 million outstanding for 105 to 450 days.

Recommendation: The Office should improve its financial sustainability by: (a) continuously evaluating the Office’s financial sustainable action plan progress to assess whether it will meet its financial sustainability goal by 2023; (b) implementing the delivery enabling services using the actual costs methodology in line with UNDP policy; and (c) addressing the long outstanding donor fund balance bottlenecks and ensuring donor transfers are timely processed in accordance with the contribution agreement.

Weaknesses in project closure activities (Issue 4)

The Office closed 110 projects during the audit period. Out of six closed projects sampled, two closed projects had not undergone the required final project board review. Quality assurance assessment had not been conducted for three closed projects. Two other projects, which had their closure quality assurance assessment in 2019, had yet to be financially closed as of July 2022.

In addition, the audit team noted the following from the review of projects closed during the audit period:

- 23 project outputs with expired end date from December 2006 up to March 2022, were not operationally closed in Atlas (UNDP enterprise resource planning system).
- 11 operationally closed outputs (3 of them were development projects, and the remaining were management and other UN entity projects) for more than 12 months, were not financially closed in Atlas.
- Two donors (for projects: 'Durable Solutions' and 'Support to Universal Suffrage Elections') reported that they received two final reports for the same project, several months apart, and showing different project cash balances.

Challenges in the implementation and monitoring of project closure were also reported in the previous OAI audit in 2020.

Recommendation: The Office should strengthen project closure by: (a) expediting the closure of legacy projects and ensuring timely closure of projects with expired end date in Atlas and operationally closed projects; (b) timely conducting project quality closure assessment and project closure board reviews; and c) establishing clear accountability for projects closures in the terms of reference of key project staff, ensuring regular monitoring and reporting on project closure status.

**Implementation status of previous OAI audit recommendations:** Report No. 2197, 23 April 2020.

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/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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