



AUDIT

OF

UNDP COUNTRY OFFICE

IN

GEORGIA

Report No. 2637
Issue Date: 22 May 2023

Report on the Audit of UNDP Georgia Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Georgia (the Office) from 13 to 29 March 2023. 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 areas of development activities, and procurement, as follows:

1. Development activities: Were the planned project results monitored and reported effectively?
2. Procurement: Were the procurement processes effectively and efficiently managed?

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.

The audit covered the activities of the Office from 1 January to 31 January 2022. The Office recorded programme and management expenses of approximately \$32.2 million. The last audit of the Office was conducted by OAI in June 2017.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors (The IIA). 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) Meetings with counterparts/beneficiaries were conducted virtually.
- (d) Project visits (location, site visits) were not conducted.
- (e) A physical verification of assets was not performed.
- (f) Safe content and petty cash were not verified.
- (g) The information communication and technology area was not reviewed on-site.

Overall audit rating

OAI issued an audit rating for the Office of **fully satisfactory**, which means “The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.”

The audit found that the Office was well managed with good governance processes, and had established adequate controls in areas relating to financial management, human resource management and administrative services.

Conclusions on the performance audit areas reviewed:

- i. Were the planned project results monitored and reported on effectively?

The audit team reviewed five projects with total expenditures of \$14.9 million or 49 percent of total delivery and noted shortcomings in four of the projects in the areas of project design, reporting and delivery (Issues 1 and 2).

- ii. Were the procurement processes effectively and efficiently managed?

For procurement transactions below \$200,00, the Office had undertaken market research to identify potential companies to participate in the competitive process although this was not effective. The Office streamlined its guidance based on audit recommendations to: improve market research; improve the development of solicitation documents and evaluation criteria; determine office space requirements; and improve contract management. The technical evaluations were thorough and procurement processes and delivery were timely completed. Improvement of procurement planning is expected through the transition to the Quantum corporate tool.

Good practice

The Office exceeded its 5-year programme resources target by 17 percent in two years through a number of initiatives, such as holding informal catch-up meetings with ambassadors and UNCT teams. This was a notable achievement in light of diminishing global resources, the ongoing conflict in Ukraine, and Georgia's highly polarized political environment.

Key recommendations Total = **3**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There are three medium (important) priority recommendations, which means "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address slow project implementation, inadequate project design and shortcomings in the procurement processes.

The three recommendations aim to ensure effectiveness and efficiency of operations.

Management comments and action plan

The Resident Representative accepted all three recommendations. One recommendation has been implemented while two recommendations are in the process of being implemented. 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.

Moncef Ghrib

Officer-in-Charge
Office of Audit and Investigations