**UNITED NATIONS DEVELOPMENT PROGRAMME**
**Office of Audit and Investigations**

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# AUDIT

# OF

# UNDP COUNTRY OFFICE

# IN

# MOZAMBIQUE

**Report No. 2035**

**Issue Date: 15 May 2019**

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**Report on the Audit of UNDP Mozambique**
**Executive Summary**

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Mozambique (the Office) from 4 to 16 February 2019. 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);

(b) programme (quality assurance process, programme/project design and implementation, knowledge management);

(c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and

(d) United Nations leadership and coordination.

The audit covered the activities of the Office from I January to 31 December 2018. The Office recorded programme and management expenses of approximately $9.2 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*.

**Overall audit rating**

OAI assessed the Office 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 reliance on development resources to fund staff costs, low Office delivery, and inefficient project implementation.

**Key recommendations:** Total = **10**, high priority = **3**

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

| | |
|---|---|
| Continued reliance on development resources to fund staff costs not sustainable (Issue 1) | In 2018, the Office underwent a transformation plan to reduce both staff costs and the reliance on development funds (TRAC resources). However, even after the transformation plan, the Office was still relying on TRAC funding to fund staff costs.<br><br>The Office required a total of $987,000 for staff costs for 2019. A review of the various resource mobilization initiatives showed that out of a total of $15.4 million that could be mobilized in 2019, $4.6 million could be eligible for cost recovery, estimated at 7 percent (i.e., $322,000). This would be insufficient to meet the required salary costs.<br><br>Recommendation: To reduce the dependency on development resources to fund staff costs, the Office should prioritize and increase the number of resource mobilization initiatives. |
| Low and declining Office delivery (Issue 5) | The Office's delivery during 2017 and 2018 was low, with a declining trend. According to the 2017–2020 Country Programme Document, the Office was to implement $72 million in projects for development results during the Country Programme Document period. At the time of the audit, the Office was more than half way through the programme cycle, but it had implemented only $16.9 million (23 percent) of planned resources.<br><br>Recommendation: The Office should improve programme delivery by: (a) consulting with the Regional Bureau for Africa on how to prioritize outcomes and activities planned in the Country Programme Document for the remainder of the programme cycle; (b) developing an accelerated implementation plan to speed up the implementation and improve the Office's delivery; and (c) in coordination with the Regional Bureau for Africa and government partners, consider revising the Country Programme Document so that it reflects a realistic plan until the end of the programme cycle. |
| Weaknesses noted in performance audit of a sample of projects (Issue 6) | The audit team carried out a performance audit of four projects. Of the four projects sampled, one of them (25 percent) failed to achieve all the results set in 2018, while the others had implemented close to 80 percent of the intended scope of work. The audit team also noted poor timeliness of projects, delays in the approval of annual work plans, weakness in project monitoring and oversight and inefficiencies in the allocation of planed resources.<br><br>Recommendation: The Office should improve the effectiveness and efficiency of projects by: (a) ensuring that the implementation of projects is done in line with the planned activities and timeliness as per the project document; (b) having project monitoring and oversight systems instituted for all projects; and (c) having annual work plans approved during the last quarter of the previous year. |

**Management comments and action plan**

The Resident Representative a.i. accepted all of 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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## I. About the Office

The Office, located in Maputo, Mozambique (the Country), was comprised of 29 staff members (26 local and 3 international) at the time of the audit mission. The Office was implementing a total of 24 projects, 10 of which were nationally implemented. The Office was operating on the basis of the Country Programme Document covering the period from 2017 to 2020. The programme activities focused on the following three areas: sustainable and inclusive economic transformation; resilience and natural resources management; and good governance, peace and social cohesion.

## II. Audit results

Satisfactory performance was noted in the following areas:

(a) General administration/information and communication technology. The internal controls were found to be adequate.

(b) Staff and premises security. The staff and premises security were found to be adequate.

(c) United Nations leadership and coordination. Support to the Resident Coordinator Office was found to be adequate.

OAI made three recommendations ranked high (critical) and seven recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

**High priority recommendations**, arranged according to significance:
(a) Prioritize and increase resource mobilization initiatives (Recommendation 1).
(b) Improve programme delivery (Recommendation 5).
(c) Improve the effectiveness and efficiency of projects (Recommendation 6).

**Medium priority recommendations**, arranged according to significance:
(a) Ensure that Letters of Agreement are signed with implementing partners (Recommendation 2).
(b) Ensure that all projects in Atlas are correctly classified and that projects are closed on a timely basis (Recommendation 3).
(c) Strengthen inventory and asset management procedures (Recommendation 8).
(d) Strengthen the process of verifying payment requests received from implementing partners (Recommendation 4).
(e) Strengthen procurement processes by enhancing supervision in procurement (Recommendation 7).
(f) Improve the recruitment processes for service contracts holders (Recommendation 9).
(g) Ensure that all staff members complete all mandatory courses immediately (Recommendation 10).

The detailed assessment is presented below, per audit area:

## A. Governance

### 1. Leadership

**Issue 1** Continued reliance on development resources to fund staff costs not sustainable

Offices are required to ensure that they can operate effectively and efficiently with available resources. The introduction of Direct Project Costing as a cost recovery methodology was to allow offices to correctly reflect the true costs of achieving development results. While the use of development funds (TRAC resources) to fund staffing costs under Direct Project Costing is allowed, offices should not heavily depend on these TRAC resources to fund staffing costs, as a reduction in the TRAC allocation may affect financial sustainability.

In 2018, the Office underwent a transformation to reduce both staff costs and reliance on TRAC resources. However, even after the transformation plan, the Office was still relying on TRAC funding to fund staff costs.

The Office required a total of $987,000 for staff costs in 2019. The audit disclosed that out of a total of $15.4 million that could be mobilized in 2019 through various resource mobilization initiatives, $4.6 million could be eligible for cost recovery, estimated at 7 percent (i.e., $322,000). This would cover only 32 per cent of the staff costs budgeted for 2019 – 68 percent of the salary costs will then be funded through TRAC.

Resource mobilization from non-core resources was weak in the first two years of implementing the Country Programme Document (2017–2020). The budget estimate in the Country Programme Document was $72.2 million, of which $31.6 million should have been raised from regular resources and $40.6 million should have been raised from other sources. At the time of the audit mission, the Office had mobilized $14.3 million from other sources, leaving a gap from other sources of $26.3 million.

While the use of TRAC resources to fund staffing costs under Direct Project Costing is allowed, the Office may be faced with sustainability issues should there be a reduction in the allocation of TRAC resources in the future. The use of development funds to fund staffing costs also limits the Office's ability to use these funds as seed money to attract donor interest and thus mobilize additional resources.

**Priority** High (Critical)

**Recommendation 1:**

To reduce the dependency on development resources to fund staff costs, the Office should prioritize and strengthen resource mobilization initiatives.

**Management action plan:**

The Office commits to the following measures to accelerate resource mobilization and reduced dependency on core resources for institutional costs:

(a) The Office will review its Resources Mobilization Strategy and Action Plan (2017–2020) and thereafter, develop a complementary and mandatory Partnership and Communications Action Plan (2019–2020).

(b) The Office will undertake a Country Programme Portfolio Review, and develop a Country Programme Rollout Plan and concept notes, prioritizing areas with high potential for resource mobilization.

(c) The Office will review implementation on Direct Project Costing to ensure that staff costs are properly recovered from projects. Lessons from the ongoing review of Direct Project Costing practices will be leveraged to enhance policy compliance.

**Estimated completion date:** December 2019

## B. Programme

### 1. Project Design and Implementation

**Issue 2** Failure to institute legal and financial safeguards for nationally implemented projects

The 'UNDP Programme and Operations Policies and Procedures' require that offices sign Letters of Agreement with implementing partners to define implementing modalities and provide for legal and financial safeguards on the terms and conditions for the provision of support services by the UNDP Country Office. This applies to nationally implemented programmes and projects for the implementation of planned activities.

Two out of four projects sampled did not have Letters of Agreement in place, contrary to corporate requirements.

Without a signed Letter of Agreement, the Office may be exposed to legal and financial risks.

**Priority** Medium (Important)

**Recommendation 2:**

To improve legal and financial safeguards for projects, the Office should ensure that Letters of Agreement are signed with implementing partners.

**Management action plan:**

The Office will ensure the following measures are in place and adhered to:

(a) Where applicable, ensure that Letters of Agreement are duly signed and well documented.

(b) Include in the revision of standard operating procedures the due process on legal and financial safeguards. A checklist on essential instruments to consider will be included in the planned programme and project management rollout and internal Learning Plan 2019. The programme and project management rollout will be extended to key implementing partners.

**Estimated completion date:** December 2019

**Issue 3** Projects not operationally and/or financially closed in Atlas

The 'UNDP Programme and Operations Policies and Procedures' require offices to financially close projects in Atlas (enterprise resource planning system of UNDP) within 12 months of operational completion. A project is operationally complete when the last UNDP financed inputs have been provided and the related activities have been completed. A project is financially closed when the implementing partner has reported all financial transactions to UNDP, UNDP has closed the accounts of the project, and both UNDP and the implementing partner have certified a final combined delivery report. No adjustments can be made to a financially completed project; however, transactions may still be recorded in projects that are classified as 'ongoing'.

The audit disclosed that the Office had 50 projects whose status was 'ongoing' in Atlas. However, only 18 were ongoing development projects. The Office explained that projects could not be classified as being operationally closed because there were some transactions that needed to be processed in the system. For example, some projects still had assets recorded against them and/or balances that needed to be cleared before the projects could be closed.

If projects are not properly closed in Atlas, there is a risk that transactions may be incorrectly recorded against them.

| **Priority** | Medium (Important) |
|---|---|
| **Recommendation 3:**<br><br>The Office should ensure that all projects in Atlas are correctly classified and that projects are closed on a timely basis. | |
| **Management action plan:**<br><br>The Office takes note of the recommendation. The following measures will be instituted promptly:<br><br>(a) An analysis will be done of the identified projects to ensure that all outstanding issues have been resolved to operationally and financially close the projects. An action plan for project closure will be prepared and implemented. The Office will also develop a monitoring system to track project closure monthly and presented during programme meetings.<br><br>(b) One long-term strategy that the Office will revisit is the good past practice of having the Programme Support Management Unit deal with the monitoring of performance dashboards. In the interim, the Task Force on Programme Design & Implementation will provide support, liaising with the Country Support Team. The Office will also explore the possibility of interns, UN Volunteers or local consultants to support due diligence in project closure.<br><br>**Estimated completion date:** December 2019 | |

**Issue 4** Inadequate verification of payment requests from implementing partners

The role of the Office where implementing partners have been micro-assessed and ranked as moderate risk under the Harmonized Approach Cash Transfer (HACT) modality is to verify that the implementing partner's requests for direct payment are adequate and result in the best option being selected by the Office. Areas of weaknesses of the implementing partner that are identified in these processes are then used as a basis for capacity-building. The Office verifies the processes used by the implementing partner through spot checks and programme visits.

From a sample of 56 vouchers that were selected for a review of the disbursement process, there were 14 vouchers (totalling $944,696 and representing 51 percent of the selected sample) that were requests for direct payments for conference venues from implementing partners. For all 14 vouchers, there was no evidence that the Office had checked that the procurement process undertaken by the implementing partner had resulted in the best possible selection. Documentation attached to all 14 vouchers had discrepancies between what the implementing partner had requested suppliers to quote on, what was detailed in the quotes received from suppliers and what the implementing partner was requesting the Office to pay. The discrepancies were both with regards to the number of participants that were to attend the conference and the number of days for which the venue was required. There were also inconsistencies in the quotes submitted, as some quotes included value added tax while others did not – the Office is not value added tax exempt. The requests for direct payments were approved without these anomalies being detected or queried by the Office.

Inadequate verification of payment requests may result in the costs of project activities being overstated and not detected. There may also be a missed opportunity for the Office to identify areas of weaknesses and build the implementing partner's capacity.

| **Priority** | Medium (Important) |
|---|---|
| **Recommendation 4:**<br><br>The Office should strengthen the process of verifying payment requests received from implementing partners by:<br><br>(a) reviewing documents attached to the payment process and ensuring that the process used results in the best option being selected.<br>(b) querying and resolving any discrepancies noted before requests for payments are approved and processed; and<br>(c) identifying areas of weaknesses that can be used as opportunities for capacity-building. | |
| **Management action plan:**<br><br>The Office will institute the following measures to enhance processing of requests for direct payments:<br><br>(a) Review and upgrade the standard operating procedures on processing requests for direct payments, especially the required supporting evidence on due process as per standard UNDP financial guidelines. Where variances are noted, provide evidence of corrective measures or note to file to clarify the discrepancies.<br>(b) Include in the Office's Learning Plan and orientation package for all staff and implementing partners on due diligence in processing of the requests for direct payments and encourage staff to complete new courses on the HACT framework.<br><br>**Estimated completion date:** June 2019 | |

**Issue 5** Low and declining Office delivery

Country Offices are expected to deliver on the goals and objectives that have been agreed upon with the respective government and defined in the Country Programme Document. Office performance may be measured by resource utilization, which is expected to be in line with the implementation rate of activities. The 'UNDP Programme and Operations Policies and Procedures' state that annual work plans should be produced and approved in the last quarter of the preceding year.

The Office's delivery during 2017 and 2018 was low, with a declining trend. According to the 2017–2020 Country Programme Document, the Office was to implement $72 million in projects for development results during the Country Programme Document period. At the time of the audit, the Office was more than half way through the programme cycle, but it had implemented only $16.9 million (23 percent) of planned resources. The pace of implementation had declined, from $9.1 million in 2017 to $7.9 million in 2018.

The percentage of available resources implemented by the Office was 83 percent in 2017 and 66 percent in 2018, whereas the percentage of available resources implemented by the Regional Bureau for Africa was 75 percent in 2017 and 69 percent in 2018. Budget utilization for the Office was 84 percent in 2017 and 78 percent in 2018. By comparison, budget utilization for the Regional Bureau for Africa was 86 percent in 2017 and 83 percent in 2018.

The low delivery was attributed by the Office to a late start in the implementation of the Country Programme Document and the implementation of a transformation plan in 2018, which affected staff morale. There were five posts that were abolished following the transformation of the Office. In addition, the Office explained that it would not be able to make up for the lost time in the implementation of the Country Programme Document during the remaining two years of the cycle. Elections were planned for October 2019 in the Country, which may further affect the implementation of planned activities. Furthermore, at the time of the audit, the Country was affected by a natural disaster, which could further impact the work plan for the Office.

If delivery is not improved, the objectives of the Country Programme Document for the current programme cycle may not be fully achieved.

**Priority** High (Critical)

**Recommendation 5:**

The Office should improve programme delivery by:

(a) consulting with the Regional Bureau for Africa on how to prioritize outcomes and activities planned in the Country Programme Document for the remainder of the programme cycle;

(b) developing an accelerated implementation plan to speed up the implementation and improve the Office's delivery; and

(c) revising, along with the Regional Bureau for Africa and government partners, the Country Programme Document so that it reflects a realistic plan until the end of the programme cycle.

**Management action plan:**

The Office will institute the following measures:

(a) Undertake the Country Programme portfolio review in light of the audit and Independent Country Programme Evaluation (2019) and develop a Country Programme Rollout Plan by 30 May 2019. That will include conducting an in-depth review of the current Country Programme Document, Results & Resources Framework, and Resource Mobilization Table to either re-align or re-adjust these instruments, with the Government, Regional Bureau for Africa and if applicable Executive Board approval. Besides, the Office will roll out the new Programme and Project Management by 30 June 2019 to all staff.

(b) Track delivery on a monthly and quarterly basis in tandem with the Office's consolidated Procurement Plan 2019, using the enhanced Delivery Tracker and PROMPT. The Office will also operationalize the work of the two Task Forces (on Delivery and Programme Design & Implementation) to support accelerated implementation of the Country Programme 2017–2020.

(c) Management has set out a clear timeline for the completion of annual work plans by the end of quarter four. This will be an accountability feature in annual staff performance appraisals. Furthermore, the Office will implement new provision/flexibility in Programme and Project Management for use of multi-year work plans, signed with project documents, to address any delay in signing of annual work plans due to unforeseen eventualities beyond the Office's intervention.

**Estimated completion date:** December 2019

**Issue 6** Low effectiveness and efficiency of projects

The audit team carried out a performance audit of four projects (Project IDs 63755, 113673, 108297 and 84563) with a total expenditure of $4.2 million (35 percent of programme resources). The audit team reviewed the efficiency, effectiveness and economy with which the Office implemented projects. Economy in the implementation of projects was found to be adequate. The audit team also noted, however, limited effectiveness and efficiency in the implementation of projects.

Project documents define results, implementation timelines and budgets, which have been agreed with governments for the implementation of projects. It is expected that the implementation of projects adheres to these timelines and budgets when achieving the project results. Funds planned for projects are to be used for the purposes stipulated in the project document. In order to monitor project performance and ensure the achievement of results, projects should have in place monitoring and oversight mechanisms that ensure that implementation is proceeding in accordance with work plans that have been developed and approved in the last quarter of the preceding year.

(a) Low effectiveness on one of the sampled projects

One out of four (25 percent) sampled projects failed to achieve all the results set in 2018, the period under review (Project ID 113673). The project was unable to implement all its planned activities as the Office did not recruit a technical advisor. Delivery on the project was planned at $873,000 for the year, but only $255,000 was delivered (29 percent). The remaining three sampled projects implemented above 80 percent of their planned budget.

Although the project that did not achieve all its results had implemented a number of activities in 2018, these did not translate into results. In addition: The Office did not have monitoring systems in place for the project, as required by the 'UNDP Programme and Operations Policies and Procedures', to provide an objective indication of progress in achievement of results which would have guided programme staff to take corrective actions.

Project oversight by the project board was non-existent. As a result, low effectiveness was not noted as part of project oversight, and timely remedial action was not undertaken to correct poor performance.

(b) Low efficiency on projects

Three out of four projects (75 percent) sampled had low efficiency. Specifically, the audit team noted the following:

1. Poor timeliness of projects – One project should have been implemented within four years (2012–2015). Implementation, however, took six years. Another project should have been implemented in four years (2014–2017), but implementation took five years. A thirds project to have commenced in September 2018, but at the time of the audit mission, the project had hired only one staff member.

   Delays in approval of annual work plans for the projects partly contributed to the poor timeliness. For the sampled projects, the annual work plans for 2018 were approved towards the end of February of the year of implementation. At the time of the audit mission in February 2019, the annual work plans for 2019 for the projects had not yet been approved. Without approved annual work plans, projects did not have the go-ahead to implement activities.

2. Inefficient allocation of planned resources – For two out of four projects sampled the Office exceeded expenditures planned in the project documents. For one project, total planned expenditure as per the project document was $3 million but actual total expenditure as at 31 December 2018 was $7.1 million (over-expenditure by 137 percent). Planned expenditure as per the project document for another project was $3.6 million, but the actual expenditure as at 31 December 2018 was $4.4 million (over-expenditure by 22 percent).

   Resources were not used as intended for one project (ID 63755), thereby further contributing to low efficiency. Project funds were used to pay salaries for UNDP staff who were not working for the project. The total amount of funds paid was $1.6 million in 2018 for 29 staff members and $893,257 for 16 staff members. The Office explained that the implementing partner had agreed to have these salaries charged to this project and they had approved the annual work plans for the two years with the UNDP salaries included.

Inefficient use of resources and poor timeliness in project implementation may lead to development results not being achieved as planned.

| **Priority** | High (Critical) |
|---|---|
| **Recommendation 6:**<br><br>The Office should improve the effectiveness and efficiency of projects by:<br><br>(a) ensuring that the implementation of projects is done in line with the planned activities and timeliness as per the project document and that project funds are used to finance activities planned in project documents;<br><br>(b) having project monitoring and oversight systems instituted for all projects to ensure project performance is on target in terms of expenditures and timeliness, and ensuring that Steering Committee meetings are | |

held on a regular basis to carry out effective oversight of the projects – monitoring results should be documented and followed up; and

(c) having annual work plans approved during the last quarter of the previous year so that implementation can start as soon as the year starts.

**Management action plan:**

By and large, the Office acknowledges the recommendations and will undertake to put the following enhancement measures in place by end of year 2019:

(a) Adapt the Integrated Monitoring and Evaluation Plan to harmonize tracking of output and outcome indicators. This will also be done annually through the Results Oriented Annual Report and harmonized UNINFO, a tool used for tracking how the UN system supports government in their pursuit of the 2030 Agenda.

(b) Continue progress towards being HACT compliant by facilitating scheduled spot checks and joint field monitoring visits with implementing partners as per the Assurance Plan for 2019. These will be harmonized or done jointly as much as feasible or via portfolio approach. The Office will fully rollout HACT implementation and ensure that Annual Assurance Plans are prepared and implemented, including conducting field monitoring visits.

(c) The Office will review the Country Programme Evaluation Plan 2017–2020 so as to align projects and outcome evaluations for the remainder of the Country Programme cycle.

(d) The Office will fully adopt the new Programme and Project Management flexibilities, including reaching agreements with implementing partners on revisions to the schedule of meetings for the project Steering Committees. Once portfolio management is fully operational, some of the Steering Committee meetings will be harmonized per Country Programme Outcome. The agreed schedule of meetings will be communicated to all partners. A standing agenda item of the oversight meetings will be efficiency and effectiveness of associated projects based on available evidence from field monitoring and evaluations.

(e) As noted above, management has set out a clear timeline for the completion of annual work plans in quarter four. This will be augmented by recourse to multi-year work plans, signed with respective project documents, in cases where annual work plans may be delayed.

**Estimated completion date:** December 2019

## C. Operations

### 1. Procurement

**Issue 7** Weaknesses in procurement processing

The 'UNDP Programme and Operations Policies and Procedures' require the procurement of goods, civil works and services to begin with a requisition raised by the requesting unit. They also require a procurement selection process that adheres to the specifications and the terms of reference. The policies also recommend that for individual contractors who do not need internationally acquired expertise, Country Offices may create and establish a table of consulting fees to be used as a benchmark for individual contractors based on rates prevailing within their respective countries and/or region.

A sample of 33 purchase orders with a total value of approximately $1.7 million (representing 50 percent of the total value of procurement from January to December 2018) was reviewed and the following weaknesses were noted:

(a) There were six purchase orders valued at $112,993 where the procurement process was carried out prior to raising requisitions in Atlas and concluded outside of Atlas – the requisitions were created later in Atlas to facilitate sourcing of purchase orders for payment processing.

(b) There were two purchase orders valued at $104,996 for the procurement of services from individual contractors whereby the selection process did not adhere to the criteria in the terms of reference.

(c) There were no locally established remuneration scales for individual contractors that took into consideration the local market. As a result, offers were not benchmarked against the local market to achieve value for money as recommended by the 'UNDP Programme and Operations Policies and Procedures'. This weakness was also identified by OAI during the last audit in April 2015.

Inadequate supervision over the procurement process might have led to the errors. Procurement processes concluded outside of Atlas may result in overspending against the budgets. Non-adherence to the selection policies might result in poor quality and performance.

**Priority** Medium (Important)

**Recommendation 7:**

The Office should strengthen procurement processes by enhancing supervision in procurement and ensuring that:

(a) all procurement begins with an Atlas requisition;

(b) selection processes adhere to specifications and the terms of reference; and

(c) locally established remuneration scales that are aligned with the local market are put in place.

**Management action plan:**

The Office takes note of the recommendations and has reinforced the need for prompt annual procurement planning and monitoring. Other specific measures include the following:

(a) The Office will provide refresher training for both the Programme and Operations Team on procurement standard operating procedures, with emphasis on timely procurement planning, including in PROMPT and due diligence in the procurement process.

(b) The Office has decided to establish a joint benchmark for local consultants through the joint Operations Management Team group, which is being leaded by another UN agency.

**Estimated completion date:** June 2019

## 2. ICT and General Administrative Management

**Issue 8** Weak inventory and assets management

Offices are required by the 'UNDP Programme and Operations Policies and Procedures' to maintain inventory and supply registers to record and track non-capital assets and supplies. The policies also require segregation of duties between the official coordinating the physical verification process and the Asset Focal Point. The official nominated for the coordination of the physical verification process is required to independently compile the verification report and the Asset Focal Point to review and give account for assets in the mid-year and year-end reports. In the case of assets being lost, the policies require the investigation of losses and damage to assets and holding accountable those responsible.

(a) Inventory and supply registers were not adequately maintained by the Office. When reporting supplies at the end of the year, the results of the physical item counts were compared with the opening balances and the differences were reported. Supplies purchased during the year and issued for use were not recorded prior to issuance.

(b) There was no centralized inventory register to record and track non-capital assets. Non-capital assets purchased in 2018 were not recorded before being distributed for use.

(c) There were 11 Information technology and communication equipment items at a net book value of $4,078 (cost $31,516) found to be missing during asset physical verification in December 2018 but were included in the 2018 mid-year report. According to available records, these items were withdrawn from service in 2017 for disposal and handed over to the staff member that was responsible for assets for auction. The auction did not take place.

(d) There were also two printers that were not physically verified during the 2017 year-end and 2018 mid-year reporting (cost of $11,600) because they were not found on the floor, but justifications were not documented in the reporting. These printers were eventually removed from in-service report and considered lost. An internal investigation was not conducted to determine the cause of the loss and to hold accountable those responsible for the loss as required by 'UNDP Programme and Operations Policies and Procedures'.

Subsequent to the audit, the Office initiated processes for the implementation of a centralized register for non-capital assets and supplies as well as segregation of duties between asset reporting and verification.

There was non-compliance with asset verification procedures in that the Asset Focal Point was also overseeing the asset verification process instead of the Office nominating the Asset Verification Coordinator as required by 'UNDP Programme and Operations Policies and Procedures'. There was also weak capacity for assets management. As a result, there was a risk of loss of resources and fraud.

| **Priority** | Medium (Important) |
|---|---|
| **Recommendation 8:**<br><br>The Office should strengthen inventory and asset management procedures by:<br><br>(a) establishing and maintaining centralized registers for non-capital assets and supplies – new items purchased should be recorded before issuing for use; | |

(b) establishing segregation of duties between asset reporting (by the Assets Focal Point) and physical verification (by the Asset Verification Coordinator) and ensuring that staff working on asset management are adequately trained; and

(c) ensuring in the future that losses/damages to assets are investigated and those responsible are held accountable.

**Management action plan:**

The Office will ensure:

(a) Regular updating of the centralized asset registers on a bi-annual basis.

(b) Adherence to the established focal point system on segregation of duties between asset reporting (by the Asset Focal Point) and physical verification (by the Asset Verification Coordinator).

(c) Due diligence (investigation and recovery, where applicable) on any assets confirmed unaccounted for. Training on assets management is part of the Rollout Plan 2019. Existing learning resources (Talent Development Centre and webinars on assets management) will be availed to the Asset Management Team.

**Estimated completion date:** December 2019

## 3. Human Resource Management

**Issue 9** Weak recruitment process for service contracts

The 'UNDP Programme and Operations Policies and Procedures' stipulate that Offices should comply with organizational standards for competitive and transparent selection processes to ensure that the person selected is the best qualified candidate. Good office practice is for units that require consultants to develop the contract requirements. This should include minimum qualifications and years of experience that are relevant to the function to be performed. In addition, the requesting unit needs to specify which of the requirements stated are essential for the function and which are desirable. The requirements are then submitted to the Human Resources Unit to prepare the job advertisement and facilitate the recruitment.

From five selected cases (representing 50 percent of all recruitment completed in 2018 which comprised of recruitment of only service contracts), the following weaknesses were noted:

1. There was no evidence that the request for recruitment was from an implementing partner/requesting unit. All requests for recruitment were initiated by the programme unit within the Office.
2. There was no link between the recruitment requirements given by the requesting unit and the resultant advertisement placed by the Human Resources Unit. For all five selected cases, the qualification, years of experience and the requirements for the vacancy given by the requesting unit to the Human Resources Unit for advertisement differed from the requirements listed on the actual advertisement.
3. The Human Resources Unit did not verify the number of years of relevant experience that shortlisted candidates detailed on their application forms to ensure that candidates had the required relevant experience. The audit team noted there were two cases where the successful candidates did not have the required qualifications or relevant experience as stipulated in the advertisement.

The Office explained that changes were made by the Human Resources Unit to the contract requirements to match those of the proposed salary scale and that requesting units did not understand the significance of separating requirements into essential and desirable. Additionally, there was no evidence that once the changes were made, these were communicated and agreed to by the requesting unit.

Weak recruitment practices may result in the Office not hiring the most qualified candidates, which may lead to reputational risks for the Office.

| **Priority** | Medium (Important) |
|---|---|

**Recommendation 9:**

The Office should improve recruitment practices by:

(a) ensuring that all requests for recruitment originate from the respective implementing partner;

(b) ensuring that all changes made on recruitment requirements are discussed, agreed and signed off by the requesting unit and train all requesting units to understand and differentiate between the essential and desirable job requirements and list accordingly in the recruitment request; and

(c) developing processes and controls that will ensure and verify that shortlisted candidates have the minimum qualifying criteria in terms of minimum required qualification and relevant work experience. Qualifications of successful candidates should be verified with the respective educational institutions as part of the selection process.

**Management action plan:**

The Office undertakes to improve on the following on human resources standard operating procedures:

(a) The Human Resources Unit will develop a checklist for shortlisting verification to be included in recruitment processes and to be cleared by the Head of the Human Resources Unit, as per standard operating procedure, which will be updated by 30 May.

(b) The Office will review the existing standard operating procedure on human resources and organize an orientation session as part the its Learning Plan 2019 to ensure that due diligence is consistently done on matching job descriptions to qualifications, experience and defined process on amendments before adverts are sanctioned.

**Estimated completion date:** June 2019

**Issue 10** Non-compliance with corporate mandatory training policies

UNDP's mandatory courses reinforce organizational values and norms. It is expected that all staff members, including managers and supervisors, complete the UNDP mandatory courses and obtain their certificates of completion within six months of their joining the organization.

The Office had a 47 percent non-completion rate for mandatory courses. From a total of 37 staff members including service contract holders:

| Mandatory Course | No. of staff that have not completed | Percentage outstanding |
|---|---|---|
| The Gender Journey: Thinking outside the box | 18 | 48 |
| Ethics and Integrity at UNDP | 10 | 27 |
| Prevention of Harassment, Sexual Harassment and Abuse of Authority | 18 | 48 |
| Legal Framework: What every staff should know | 22 | 59 |
| UN Human Rights and Responsibilities | 21 | 56 |
| Prevention of Sexual Exploitation and Abuse of the Local Population (PSEA) | 16 | 43 |
| Average | | 47 |

Staff gave an explanation that time was a factor in the completion of mandatory training and management stated that there was a challenge with regard to language.

By not completing mandatory training courses, staff may not be aware of the organization's policies and procedures.

**Priority** Medium (Important)

**Recommendation 10:**

The Office should ensure that all staff members complete all mandatory courses immediately.

**Management action plan:**

The Office takes note of the recommendations. The interim senior management has immediately issued a memo for all concerned staff to complete the mandatory courses immediately. This has seen some positive movement as noted in the updated status. Moving forward, the Office's senior management will:

(a) Officially designate a Learning Manager to be assisted by a Country Office Learning Team to be constituted before the end of May 2019.

(b) Support the Learning Team to develop a Learning Plan and dedicate 1-2 hour- learning slots per week or bi-weekly, especially for new staff, UN Volunteers and service contract holders.

**Estimated completion date:** May 2019

## Definitions of audit terms - ratings and priorities

### A. AUDIT RATINGS

- **Satisfactory** — 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.

- **Partially Satisfactory / Some Improvement Needed** — 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.

- **Partially Satisfactory / Major Improvement Needed** — 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.

- **Unsatisfactory** — The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

### B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** — 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.

- **Medium (Important)** — Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.

- **Low** — Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are <u>not included in this report</u>.