

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE KINGDOM OF BAHRAIN

Report No. 2036
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Report on the Audit of UNDP Bahrain Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Bahrain (the Office) from 10 to 21 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 and human resources management).

The audit covered the activities of the Office from 1 January to 31 December 2018. Due to unforeseen circumstances that resulted in one member of the audit team having to leave early, the audit did not cover the areas of staff and premises security or United Nations leadership and coordination. Also, the areas of financial resources management, ICT and general administrative management and procurement were reviewed remotely. The Office recorded programme and management expenses of approximately \$3.9 million. The last audit of the Office was conducted by OAI in 2014.

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 **unsatisfactory**, which means, "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." This rating was mainly due to weaknesses in governance and in the management of both programme and operations activities.

Key recommendations: Total = 11, high priority = 9

The 11 recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 2, 3, 4	High
Reliability and integrity of financial and operational information	5	High
Effectiveness and efficiency of operations	6, 9	High
Safeguarding of assets	11	High
Compliance with legislative mandates, regulations and rules, policies and procedures	8	High
	7, 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:

Weak control environment (Issue 1)	<p>The audit team noted the following shortcomings that were negatively impacting the Office: (a) inefficient organizational structure and distribution of staff roles and responsibilities; (b) unclear roles among UNDP, the Resident Coordinator Office and nationally implemented projects; and (c) low Global Staff Survey results.</p> <p><u>Recommendation:</u> The Office should improve the control environment by: (a) revising the organizational structure, job descriptions and reporting lines; and (b) developing, with the support of the Regional Bureau, an action plan to address the issues reported to the Bureau as well as the issues resulting from the Global Staff Survey.</p>
Reduction in Government contributions to the Office (Issue 2)	<p>By the end of January 2019, due to austerity measures, the Government communicated a reduction of its total contribution to \$1 million, to be allocated to the Office costs and Direct Project Costing altogether. In addition, it requested the downsizing of the Office to be in place by June 2019.</p> <p><u>Recommendation:</u> The Office should balance income and expenditures to ensure financial sustainability. The Office could, with participation of the Regional Bureau, strengthen its financial sustainability by communicating the Office's costs to the Government with the aim of receiving contributions that fully cover the Office's costs, securing its physical presence in the Country, and providing the assistance requested by the Government in the signed Standard Basic Assistance Agreement. The Office could also align its expenditures with the contributions received by ensuring a structure that is fit for purpose with the available financial envelope.</p>
Low quality of Country Programme implementation (Issue 3)	<p>The Country Programme Document covered the programme cycle 2017–2020, with a total budget of \$12 million. By the end of 2018, the mid-term cycle of the Country Programme Document, only 29 percent of its budget was implemented.</p> <p><u>Recommendation:</u> The Office should expedite implementation of the Country Programme Document and strengthen monitoring by the Country Programme Board.</p>
Weaknesses in project management (Issue 4)	<p>The audit team reviewed a sample of six projects, comprising of six outputs in Atlas (enterprise resource planning system of UNDP). Three of the projects were nationally implemented and the other three were directly implemented. Deficiencies were in: (i) the design of projects; and (ii) project implementation and monitoring.</p> <p><u>Recommendation:</u> The Office should strengthen project management in the design of projects, and project implementation and monitoring.</p>

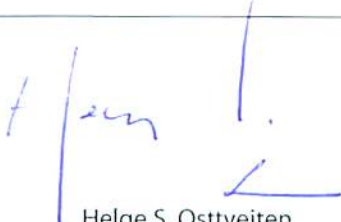
Inadequate use of project funds (Issue 5)	<p>The audit team noted that: (a) dormant project funds were used to fund other projects without authorization from the donor; and (b) project expenditures were charged to the Office and the Resident Coordinator Office budget.</p> <p><u>Recommendation:</u> The Office should improve the management of project funds by: (a) expediting the closure of dormant projects; and (b) reversing transactions where expenditures have been charged to incorrect projects and implementing the correct budget override policy.</p>
Deficiencies in procurement management (Issue 6)	<p>The audit team noted the following: (a) there was no comprehensive procurement plan in place; (b) weaknesses in the use of the procurement module in Atlas; and (c) non-adherence to procurement principles.</p> <p><u>Recommendation:</u> The Office should adhere to the UNDP procurement principles and all relevant policies and improve oversight and controls by: (a) preparing a comprehensive procurement plan; (b) ensuring that procurement activities are well documented, starting with raising e-requisitions in Atlas and issuing purchase orders in Atlas prior signing contracts; and (c) adhering to the requirements to conduct competitive and transparent recruitments and using the direct contracting modality when engaging consultants only when valid justification exists and value for money is ensured.</p>
Contracting and assigning UNDP staff members to a nationally implemented project (Issue 8)	<p>In February 2017, a one-year detail assignment to a government ministry was approved for a staff member to act as Executive Director of a specific project. Also, another staff member was recruited using a fixed-term appointment in May 2018 to serve as Project Associate with the same project.</p> <p><u>Recommendation:</u> The Office should discontinue the practice of engaging and contracting UNDP staff members for nationally implemented projects.</p>
Weaknesses in recruitment and human resources management (Issue 9)	<p>During the review of a sample of recruitment processes for three fixed-term appointment staff members and five service contract personnel, the following was noted (a) international recruitment was used for General Service staff members and service contract holders; (b) recruitment processes deviated from UNDP principles; and (c) the service contract modality was not properly used.</p> <p><u>Recommendation:</u> The Office should strengthen its control over human resources activities by: (a) conducting local recruitment of staff members and service contract holders, ensuring that personnel engaged under the service contract modality possess the proper authorization to work in the Country; (b) conducting a competitive and transparent process for filling new positions documenting all the steps of the recruitment processes and explaining the rationale for not considering some candidates; and (c) avoiding the use of the service contract modality for core functions.</p>
Weaknesses in vehicle management (Issue 11)	<p>The audit team noted weaknesses in: (a) the management of the vehicles; (b) recording of use of vehicles; and (c) monitoring of fuel consumption and maintenance.</p>

Recommendation: The Office should improve vehicle management by: (a) effectively implementing cost recovery for services provided to the Resident Coordinator Office; (b) improving the recording of the vehicle log books including information on purposes of the trips, which is needed for adequate cost recovery, including recovery for personal use; and (c) implementing effective monitoring of vehicle use and fuel consumption.

Management comments and action plan

The Resident Representative accepted all 11 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 S. Ostveiten
Director
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I. About the Office

The Office is located in Manama, Kingdom of Bahrain (the Country). The Country is a high income country, considered by the UNDP Executive Board as a Net Contributing Country (NCC) where the Government fully funds the Office's costs and project activities of UNDP. At the time of the audit, the Office was comprised of eight staff members and five service contract holders. The Country Programme Document for 2017–2020 focused on the following areas: a) support to economic diversification and efficient social service delivery; and b) support to make Bahraini institutions and programmes effective, responsive and accountable in line with international standards and practices. The Resident Coordinator Office was delinked from UNDP in December 2018.

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Operations/Information and communication technology. The information and communication technology controls and procedures were found to be adequate.

OAI made nine recommendations ranked high (critical) and two 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) Improve the control environment (Recommendation 1).
- (b) The Office should balance income and expenditures to ensure financial sustainability (Recommendation 2).
- (c) Expedite the implementation of the Country Programme Document and strengthen monitoring by the Country Programme Board (Recommendation 3).
- (d) Strengthen project management (Recommendation 4).
- (e) Adhere to UNDP procurement principles (Recommendation 6).
- (f) Improve management of project funds (Recommendation 5).
- (g) Discontinue the practice of engaging and contracting UNDP staff members for nationally implemented projects (Recommendation 8).
- (h) Strengthen controls over human resources activities (Recommendation 9).
- (i) Improve vehicle management (Recommendation 11).

Medium priority recommendations, arranged according to significance:

- (a) Strengthen controls in procurement monitoring (Recommendation 7).
- (b) Conduct salary surveys to update the salary scales for locally recruited staff members as well as the remuneration scales for service contract holders (Recommendation 10).

The detailed assessment is presented below, per audit area:

A. Governance

1. Leadership

Issue 1 Weak control environment

The 'Operational Guide of the Internal Control Framework' for UNDP outlines that each Head of Office has overall responsibility for establishing and maintaining adequate internal controls in his/her office. The control environment, a component of the internal control system, sets the tone of an organization, and encompasses ethical values, management's philosophy and operating style, organizational structure, assignment of authority and responsibility, human resources policies and practices, and efficiency, competence and integrity of personnel.

The audit team noted the following shortcomings that were negatively impacting the Office:

- (a) Inefficient organizational structure and distribution of staff roles and responsibilities

The last Change Plan was approved by the Regional Bureau for Arab States in 2015 and finalized in 2018, two years later than planned. The proposed functional structure was implemented by the Office with some changes:

Programme structure

- Staff functions and reporting lines did not follow the approved structure and job descriptions of staff. The layered reporting lines, distinguishing between staff with various levels of experience, were not followed, creating unclear roles and responsibilities.
- The Office recruited a Programme Associate under the service contract modality even though it was a core function post.
- The programme set-up did not have an independent mechanism for project assurance and monitoring as these tasks were managed at the senior management level, who were also the ones leading the projects and initiatives.

Operations structure

- Core UNDP functions such as procurement and human resources were performed by service contractors (see Issue 9).
- An Executive Associate (G6) post was kept vacant because of a future reprofiling exercise.

The Office informed the audit team that the distribution of functions and positions would be reviewed with the reprofiling exercise, responding to new needs of the Office.

- (b) Unclear roles among UNDP, the Resident Coordinator Office and the nationally implemented projects

The audit team noted weaknesses in the management of the Office's resources by the Resident Coordinator Office for nationally implemented projects:

- The Resident Representative through the Resident Coordinator Office directly managed a UNDP project without coordinating with the responsible programme staff. The audit team also noted:

- Consultants were contracted by the Resident Coordinator Office to complement project activities with technical and substantive support, such as the development of project documents, attending meetings with the project stakeholders and serving as focal points of projects.
- Procurement of goods and services as well as consultants were led by the former Resident Representative/Resident Coordinator Office.
- Project expenditures charged to the Office and the Resident Coordinator Office budget (see Issue 5).

These situations described above revealed that the unclear roles and responsibilities within the Office were also affecting its interactions with the Resident Coordinator Office and nationally implemented projects. OAI is not raising a recommendation in this respect, due to the delinking of the Resident Coordinator Office from UNDP effective 1 January 2019, when it began reporting to the Secretary-General of United Nations.

(c) Low Global Staff Survey results

The 2018 Global Staff Survey results showed, in all dimensions, lower scores than the regional average scores. Among the categories with the greatest differences were: Alignment; Leadership/Direction; Diversity & Inclusion; Ethics & Ethical behavior; Openness & Trust; and Performance Management.

The Office indicated that it underwent difficult transitions in 2018, and some alleged incidents that led to interventions by the Regional Bureau. The Regional Bureau's mission had not yet produced results and the Office was following up on the status of this review.

A weak control environment may have a negative impact on internal controls, while a negative working environment may affect staff well-being and ultimately put the Office's overall performance at risk.

Priority	High (Critical)
Recommendation 1:	
The Office should improve the control environment by:	
<ul style="list-style-type: none"> (a) revising the organizational structure, job descriptions and reporting lines; and (b) developing, with the support of the Regional Bureau, an action plan to address the issues reported to the Bureau as well as the issues resulting from the Global Staff Survey. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The above recommendations would be broadly addressed by the reprofiling process that the Office has been planning since late 2018. Once completed, it will ensure clearer roles and ensure that core functions will be performed by staff, thereby avoiding the need for consultants to perform those functions. (b) The Office organized a staff retreat in April 2019, directly addressing the main challenges that emerged from the 2018 Global Staff Survey. An action plan has emerged from the staff retreat that will be implemented throughout the year. 	
The Office's management received authorization from the Bureau to engage, under detail assignment, a NY-based experienced Programme Manager to support the Office's management on a number of key tasks, including coordinating actions towards the improvement of the work environment, as well as	

preparing the groundwork for the reprofiling. This Programme Manager has been in the Country since mid-March and will remain for an initial period of seven weeks.

Estimated completion date: December 2019

OAI Response

OAI acknowledges the actions taken by management, these will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

2. Corporate direction

Issue 2 Reduction in Government contributions to the Office

In accordance with the provisions of the Standard Basic Assistance Agreement that govern UNDP operations in programme countries, host governments are expected to contribute towards the cost of Country Offices. Executive Board decision 2013/30 regulates the contributions to Country Offices in Net Contributing Countries (NCC). The Country, as a high income country, falls under the NCC where the Government fully funds the Office's costs and project activities.

By the end of January 2019, due to austerity measures, the Government communicated a reduction of its total contribution to \$1 million, to be allocated to the Office costs and Direct Project Costing altogether and in the same proportions. In addition, it requested the downsizing of the Office to be in place by June 2019. In the last two years, the contributions the Office received from the Government were not sufficient to cover the Office's operating expenses.

The Office was engaging in discussions with the Government on the needed minimal resources for the Office's operations. The Regional Bureau's Deputy Director visited the Country in March 2019 to highlight the importance of a commitment by the Government to support UNDP.

Priority High (Critical)

Recommendation 2:

The Office should balance income and expenditures to ensure financial sustainability. The Office could, with participation of the Regional Bureau, strengthen its financial sustainability by communicating the Office's costs to the Government with the aim of receiving contributions that fully cover the Office's costs, securing its physical presence in the Country, and providing the assistance requested by the Government in the signed Standard Basic Assistance Agreement. The Office could also align its expenditures with the contributions received by ensuring a structure that is fit for purpose with the available financial envelope.

Management action plan:

Part of the Management Change Team's functions are to analyse the financial sustainability of the Office, with support by the Office's management. That will ensure a structure that is fit for purpose, with the available financial envelope.

Estimated completion date: December 2019

B. Programme

1. Quality assurance process

Issue 3 Low quality of Country Programme implementation

The 'UNDP Programme and Operations Policies and Procedures' stipulate that UNDP programming comprises the planning, implementation, reporting and evaluation of development results with partners through UNDP support. The Country Programme Document stipulated that the Board or Committee of the Country Programme, comprised of Government representatives and UNDP, would make strategic decisions on the Country Programme, oversee alignment with national priorities, and ensure it is effectively implemented. The Board would meet at least four times a year to monitor projects to agree on corrective actions should results be delayed or off target.

The Country Programme Document covered the programme cycle 2017–2020, with a budget of \$12 million. By the end of 2018, the mid-term cycle of the Country Programme Document, approximately 29 percent of its budget was implemented. The audit team noted the following:

(a) Delays in the Country Programme Document implementation

- The Country Programme Document was intended to finance a total of 23 projects during the programme cycle — 20 new and 3 already existing projects. As of the date of the audit, however, only seven new projects were initiated.
- New projects had smaller budgets than planned in the Country Programme Document and Government contributions were delayed for existing and new projects. For instance, a new project was to receive a contribution of \$132,000 in September 2017; however, the Office had received only half of the contribution by January 2018.

In 2018, the Government contributions more than doubled from those in 2017 (from \$1.1 to \$2.6 million). However, the delayed and still limited contributions, of around \$3.7 million by the end of 2018, affected the pace and quality of the programme implementation.

(b) Lack of Country Programme Document review and monitoring by the Country Programme Board

The Country Programme Board had not held meetings after the Country Programme Document implementation and no annual reviews and monitoring of the alignment and programme implementation had taken place in 2017 or 2018.

The Country Programme Document Board/Committee met in December 2016. After that, the Strategic Partnership Framework, comprised of the Government and the relevant line ministries, was launched and all of the United Nations agency programmes in the Country, including UNDP, were followed up with through the Strategic Partnership Framework coordination mechanism. However, the Country Programme Document outcomes and outputs could not be linked with the Strategic Partnership Framework priorities.

The lack of monitoring and periodic reviews may limit the ability to achieve Country Programme outcomes.

Priority	High (Critical)
Recommendation 3:	
The Office should expedite the implementation of the Country Programme Document and strengthen monitoring by the Country Programme Board.	
Management action plan:	
The Government has just approved the final version of the new Government Action Plan 2019–2022. In light of that, the Strategic Partnership Framework will be updated later in 2019 or in early 2020. The Country Programme Document review will stem from that Strategic Partnership Framework review exercise, as well as the pending Independent Country Programme Evaluation.	
Estimated completion date: March 2020	

2. Programme/Project design and implementation

Issue 4 Weaknesses in project management

The 'UNDP Programme and Operations Policies and Procedures' provide guidance on the design and implementation of projects. UNDP provides support services upon request from the implementing partner, for activities within the project document or/and annual work plan, in accordance with its regulations, rules and procedures.

The audit team reviewed a sample of six projects, comprising six outputs in Atlas. Three of the projects were nationally implemented and the other three were directly implemented. The following was noted:

Design of projects

- Project documents did not include a multi-year work plan and the annual work plans did not include details of the activities, the budget for each activity, the timeframe for their implementation, and the responsible party to implement the activities. Thus, it was unclear how the monitoring of the implementation of activities and the progress of the project was assessed.
- One project did not include a cost sharing agreement with the Government although there was a substantial contribution of \$160,000. The Office explained that the exchange of letters was used as the contribution by the main thematic counterpart and was below \$100,000. The remaining contribution came from the relevant government ministry, according to Strategic Partnership Framework arrangements.

Project implementation and monitoring

- There was no evidence that the Project Board or Steering Committee was consistently in place to provide oversight on project implementation. In two out of four cases, notes to the files were provided instead of meeting minutes. The Office explained that the Strategic Partnership Framework meetings discussed the progress of the projects. However, the minutes of these meetings were not available.

- For two projects, the quarterly progress reports were not provided.
- Projects did not include budgets for monitoring activities and evaluation.
- One project created to register the Direct Project Costing collection from the Government was set in Atlas as a development project. Subsequent to the audit, the Office corrected the project type in Atlas.
- Another project started in January 2015 with an end date of December 2019 and a total budget of \$583,155. The purpose of the project was unclear as it did not have a project document or concept note that described the purpose of the project. The annual work plan for 2018 included only one activity: "Short-term technical advisory." In addition, the project did not report results in the Results Oriented Annual Report or any other programme document as required for engagement facility projects. Subsequent to the audit, the Office provided the project concept note.

The lack of effective monitoring may prevent the Office from determining whether intended programme and project results are being achieved and whether corrective actions are necessary.

Priority	High (Critical)
Recommendation 4: The Office should strengthen project management in the following two areas: (a) Design of projects, by <ul style="list-style-type: none"> i. preparing annual work plans and project progress reports, to include results-based information, to monitor performance, and preparing and signing cost sharing agreements for the contribution of funds to projects. (b) Implementation and monitoring, by <ul style="list-style-type: none"> ii. having the Project Board or Steering Committee meetings for all projects on a regular basis, undertaking substantive reviews of progress of projects, implementing budget revisions including budget for monitoring activities, and ensuring that the use of the Engagement Facility project adheres to the applicable guidelines, and activities are reported on the Results Oriented Annual Report. 	
Management action plan: (a) Annual work plans and progress reports will be prepared and project budgets will include monitoring activities. (b) Project Board meetings will take place regularly for all projects, substantive reviews reflected in Atlas will be discussed within Project Boards, and the impact of the Engagement Facility will be duly reported in the Results Oriented Annual Report. Estimated completion date: December 2019	
OAI Response OAI acknowledges the actions taken by management; these will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

C. Operations

1. Financial resources management

Issue 5 Inadequate use of project funds

According to the 'UNDP Financial Regulations and Rules', offices do not have authority to enter into commitments in the absence of available cash. Nevertheless, special circumstances in a particular office may justify short-term deficits, and the Head of Office is responsible for defining a budget override policy for the office according to risk management guidelines.

(a) Dormant project funds used to fund other projects

A project that was put on hold by the Office following a notification from the counterpart in 2015 on the cancellation of project activities was used to transfer funds as loans in October 2017 to two other projects. In December 2018, the funds for one of the projects were refunded. As of the date of the audit, funds transferred to the other project were not refunded. The Office shared that these would soon be received.

(b) Charging project expenditures to the Office and the Resident Coordinator Office budget

The audit team noted that expenditures related to project activities were charged to the Office and Resident Coordinator Office budgets instead of the corresponding project budgets:

- Expenditures of \$22,400 for consultancy services to "provide expertise in the drafting, development and finalization of project documents" were charged against the budget of the RC office. The office explained that the description of expenses in Atlas was not accurate and these functions were technical support functions.
- Expenditures of \$19,500 for a consultancy for a project were charged to the Resident Coordinator Office budget. The Office explained that it was a technical contribution by the Resident Coordinator Office to the project.

Subsequent to the audit, the Office provided the Budget Override Policy for the Country, which was approved in December 2016. However, the rights to approve the budget overrides were not set in Atlas.

Intentional overrides of internal controls may weaken the overall control environment.

Priority	High (Critical)
Recommendation 5:	
The Office should improve its management of project funds by:	
<ul style="list-style-type: none"> (a) expediting the closure of dormant projects; and (b) reversing transactions where expenditures have been charged to incorrect projects and implementing the correct budget override policy and setting approving override authority in Atlas. 	

Management action plan:

- (a) The dormant project is expected to be closed, and a new project to be set up with the remaining resources.
- (b) The Office's budget override policy in place will be duly reviewed and alignment ensured with corporate policies.

Estimated completion date: August 2019

2. Procurement

Issue 6 Deficiencies in procurement management

The 'UNDP Programme and Operations Policies and Procedures' state that the following general principles must be applied to all phases and types of procurement: (i) best value for money; (ii) fairness, integrity and transparency; (iii) effective competition; and (iv) UNDP's best interests.

During 2018, the Office issued a total of 292 purchase orders amounting to \$1.8 million; 141 out of the 292 purchase orders amounting to \$0.7 million were issued for the procurement of individual contractors.

The audit team noted the following:

(a) Incomplete procurement plan

There was no comprehensive procurement plan in place. The 2018 procurement plan included 17 procurement cases for \$0.6 million. During 2018, the Office issued 292 purchase orders for \$1.8 million. The procurement plan was not adjusted during the year to include additional needs. The Office explained that it underestimated the amount of procurement activities and that for 2019 a more detailed procurement plan was being prepared.

(b) Weaknesses in the use of the Atlas procurement module

The analysis of the procurement transactions disclosed the following:

- 81 purchase orders amounting to \$568,179 were raised in Atlas without an e-requisition.
- 44 purchase orders amounting to \$403,160 were created after the goods/services were received, and 12 purchase orders amounting to \$66,549 were approved after the goods/services were received.
- The audit team reviewed a sample 19 procurement cases of goods and services and noted that in 12 cases the Office signed a contract with the supplier prior to the issuance of the purchase order in Atlas, with times ranging between 12 and 225 days.

(c) Non-adherence to procurement principles during procurement activities

From the review of 19 cases for the procurement of goods and services, the following was noted:

- In 11 instances amounting to \$353,909 the supporting documentation of the procurement processes, such as justifications of the requisition, sourcing of suppliers, solicitation and evaluation of offers, were

not provided, and thus it was not clear whether the procurement processes were conducted in alignment with the principles of competitiveness, fairness, transparency, and value for money.

The audit team also reviewed 16 cases of individual contracts amounting to \$441,418 and noted the following:

- In 13 out of the 16 cases, the modality of contracting was direct contracting. In all cases, the sourcing of the candidate, confirmation of availability of the candidate, the financial proposal and the assessment of the financial proposal and value for money were not provided.
- Out of the 13 cases of direct contracting, 9 instances for the justifications in the note to the file submitted and approved by the Head of Office were “There has been a previous determination or there is a need for standardization.” However, none of these consultants had been previously engaged as contractors by the Office. Proper justification of the direct contracting was not provided.
- In the remaining three cases, the supporting documents of the requisition, sourcing of candidates, solicitation and evaluation of offers were not provided. In one of the three cases, the Resident Coordinator Office engaged an individual contractor without defining the terms of reference related to the services supposed to be carried out.

Failure to adhere to UNDP policies and principles may result in inefficient practices, future liabilities and financial losses for the Office. Ineffective oversight over procurement activities may lead to unfair procurement practices and not providing value for money for the organization. Further, the lack of competitive and transparent procurement processes may expose the Office to significant reputational risks.

Priority	High (Critical)
Recommendation 6:	
The Office should adhere to the UNDP procurement principles and all relevant policies and improve oversight and controls by:	
<ul style="list-style-type: none"> (a) preparing a comprehensive procurement plan; (b) ensuring that procurement activities are well documented, starting with raising e-requisitions in Atlas and issuing purchase orders in Atlas prior signing contracts; and (c) adhering to the requirements to conduct competitive and transparent procurements and using the direct contracting modality when engaging consultants only when valid justification exists and value for money is ensured. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office is in the process of preparing a procurement plan for 2019, and in close consultation with the regional procurement advisor. The Office is currently awaiting a few authorizations from the Chief Procurement Officer (including the appointment of the Resident Representative as “Head of Procurement”). (b) An overhaul of the Office’s procurement processes and resources will be implemented, which will include all colleagues involved in procurement. The Office’s realignment will ensure a more dedicated and prepared procurement function in place, particularly focusing on the high volume of procurement requested by the project. 	

- (c) Justification for direct contracting will be strictly enforced. Procurement training will be carried out for which support by the Regional Hub will be requested.

Estimated completion date: December 2019

Issue 7 Lack of review by the Contracts, Assets and Procurement Committee

According to the 'UNDP Programme and Operations Policies and Procedures', any contract or series of contracts including amendments to be awarded to a vendor in a calendar year that in aggregate have a cumulative value above \$50,000 and up to the standard delegated procurement authority of \$150,000, shall be reviewed under the direct review modality by the chairperson of the Contracts, Assets and Procurement Committee. This is to ensure procurement activities are conducted in line with accepted professional purchasing practices and appropriate rules and regulations.

During 2018, none of the seven vendors where the total contracts amounted to around \$0.5 million, including amendments awarded to them, and had a cumulative value above \$50,000 in a calendar year, were submitted to the Contracts, Assets and Procurement Committee through the Advisory Committee on Procurement (ACP) Online platform for review and approval. Out of seven cases, only one case amounting to \$63,850, was manually submitted to the Committee for review, which was a procurement carried out by UNDP on behalf of another United Nations agency. Subsequent to the audit, the Office informed the audit team that it started using the ACP Online platform.

Without appropriate reviews of relevant procurement cases, the Office runs the risk of not detecting procurement activities that are not conducted in line with accepted professional purchasing practices and appropriate rules and regulations.

Priority	Medium (Important)
Recommendation 7:	
The Office should strengthen controls in procurement monitoring by submitting all procurement cases that meet the procurement thresholds to the procurement review committee through the ACP Online platform.	
Management action plan:	
In line with the previous recommendation, the Office will strengthen all procurement processes and monitoring. The procurement review committee has been updated and coordinated in April through the ACP Online platform. The Office will also ensure procurement training, including the role of the Contracts, Assets and Procurement Committee and enforcement of that role.	
Estimated completion date: August 2019	
OAI Response	
OAI acknowledges the actions taken by management; these will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

3. Human resources management

Issue 8 Contracting and assigning UNDP staff members to a nationally implemented project

A detail assignment is a UNDP internal practice of staff members going on temporary assignments to other units within UNDP offices at country, regional and HQ levels.

In February 2017, a one-year detail assignment to a government ministry was approved for a staff member to act as Executive Director of a specific project. The project was a nationally implemented project under the portfolio of the staff member, who had a project assurance role carrying out independent oversight and monitoring functions. The detail assignment was incorrectly used and also created a conflict of interest with the staff member's functions.

Another staff member was recruited using a fixed-term appointment in May 2018 to serve as Project Associate with the same project. The staff member was responsible for, among other functions, procurement activities for the project, which were under the support services provided by the Office. The Office explained that during the audit period the staff member was directly supervised by the Office's management, and functionally managed by the project's Executive Director, and Project Manager.

The Office did not provide approval from the Office of Human Resources for the assignment of the UNDP staff member to nationally implemented projects.

Engaging staff members for nationally implemented projects that are under UNDP monitoring and supervision may create conflicts of interest and reputational risks for the organization.

Priority	High (Critical)
Recommendation 8:	
The Office should discontinue the practice of engaging and contracting UNDP staff members for nationally implemented projects.	
Management action plan:	
The practice of having UNDP staff members work in nationally implemented projects will be fully discontinued.	
Estimated completion date: June 2019	

Issue 9 Weaknesses in recruitment and human resources management

The UNDP Recruitment and Selection Policy prescribes that posts in the General Service category are subject to local recruitment. In addition, recruitment processes must adhere to UNDP principles, and the appropriate contract modality must be used.

(a) International recruitment of General Service staff members and service contract holders

During the review of a sample of recruitment processes for three fixed-term appointment staff members and five service contract personnel, the following was noted:

- The advertisement for General Service and service contracts did not include a disclaimer about the local recruitment nature of the process and the Office contracted service contract holders before the candidates and families had obtained a work permit/resident permit in the Country.

(b) Recruitment processes did not adhere to UNDP principles

From the sample review of recruitment processes for General Service and service contract holders, the following was noted:

- In seven out of eight processes, the screening processes of shortlisted service contract candidates were not documented and provided to the audit team.
- No justification or documentation provided on the selection of service contract candidates when there was more than one “full recommended” candidate.
- A selected General Service candidate was reporting to a service contract project manager.

In the specific case of the recruitment of service contract holders for projects, the following was noted:

- The Office issued certification of employment to service contract holders as ‘staff members’ of UNDP. Subsequent to the audit, the Office indicated that this practice was discontinued.

(c) Improper use of service contract modality

The Office also used the service contract modality to engage personnel in core functions such as programme, procurement, human resources and information and communication technology. The Office stated that possible budget restrictions caused the temporary allocation of these functions to service contract holders.

By not documenting compliance with recruitment policies and procedures for General Service and service contract personnel, there is no assurance that recruitment was fair, competitive, and transparent, or that the most qualified candidate was selected.

Priority	High (Critical)
Recommendation 9:	
The Office should strengthen its controls over human resources activities by:	
<ul style="list-style-type: none"> (a) conducting local recruitment of General Service staff members and service contract holders, ensuring that personnel engaged under the service contract modality possess the proper authorization to work in the Country; (b) conducting a competitive and transparent process for filling new positions, documenting all the steps of the recruitment processes and explaining the rationale for not considering some candidates; (c) avoiding the use of the service contract modality for core functions. 	

Management action plan:

- (a) While aware of the negative implications in terms of limiting the pool of expertise available, the Office's management will align with the service contract policy, and limit recruitment to candidates who hold valid resident permits.
- (b) All fixed-term appointment and service contract recruitment process steps will be documented, including the selection processes (screening and interview), as well as the rationale for choosing the final candidate.
- (c) The service contract modality for personnel to perform core functions will be discontinued, and this will be the criteria for the related recruitments and realignment.

Estimated completion date: December 2019

Issue 10 Salary surveys for staff and service contract holders not conducted

The 'Manual for Salary Surveys' states that salaries for locally recruited staff are established through labour market surveys of the employers presumed to be among the best in the locality. On a five-year cycle, comprehensive salary surveys are carried out to identify the employers that offer the best overall conditions against which to reference United Nations salaries.

The audit team noted that the General Service and National Officer salary scales had not been revised since April 2014 and no interim or comprehensive surveys were conducted.

Likewise, the service contract holder remuneration scale had not been revised since January 2010.

Not updating the salary and remuneration scales may contribute to low staff and personnel morale.

Priority	Medium (Important)
Recommendation 10:	
The Office should conduct salary surveys to update the salary scales for locally recruited staff members as well as the remuneration scales for service contract holders.	
Management action plan:	
The Office's management will continue to seek responses and actions from the UN Office of Human Resources Management regarding the final results from the salary survey for staff members and will start working with the consulting company for the remuneration scales for service contract holders.	
Estimated completion date: September 2019	

4. General administration management

Issue 11 Weaknesses in vehicle management

The 'Operational guidance on support to United Nations Development System (UNDS) and business continuity for UNDP' provides guidance on the types of services and cost recovery policy for the Resident Coordinator (RC) system and instructs Country Offices to ensure that meticulous services logging and tracking are applied as with any other non-UNDP client for transactions involving UN Resident Coordinator System in 2019.

The 'UNDP Programme and Operations Policies and Procedures' prescribe that the Head of Office is the only UNDP senior management staff to whom a representational vehicle can be assigned on a full-time basis. This assigned representational vehicle shall only be used for official business. Also, if the Head of Office authorizes the use of an official vehicle for unofficial purposes to staff members, including to himself/herself, the terms of such authorization, including cost, should be clearly documented. In cases where the vehicle is used by the Head of Office for unofficial purposes, the document must be signed by the Resident Representative/Head of Office and Regional Bureau Director.

The audit team noted the following:

(a) Management of vehicles

After the delinking of the Resident Coordinator and Resident Representative functions in December 2018, the vehicle used by the Resident Coordinator and the overtime of the assigned driver was kept under the management of the Resident Coordinator Office. As of the date of the audit, no cost was recovered from the use of the vehicle. Further, there was no a system in place to recover costs associated with the use of the vehicle by the Resident Coordinator Office.

(b) Recording of use of vehicles

The review of the 2018 vehicle log books disclosed the following:

- Justifications did not specify whether the use of the vehicle was for official business. Drivers recorded "used by the RC" when they found differences in mileage but had not driven the vehicle. The Office explained that this occurred when the former Head of Office (Resident Coordinator/Resident Representative) drove the car to attend weekend official events to avoid incurring driver overtime.
- In three instances and according to the log book, the Head of the Office used the assigned vehicle for trips to and from the airport in relation to business trips where the terminal expenses were fully paid. Subsequent to the audit, the Office indicated that the terminal expenses mistakenly paid in excess were fully recovered.
- Time in and out of the trips as well as passenger and driver names were not consistently recorded in the log books.
- For processing driver overtime, the request was reviewed against the agenda of the Resident Coordinator rather than the vehicle log books.

(c) Monitoring of fuel consumption and maintenance

Although the Office had a card system for refueling, billing and reporting, there was no monitoring of the monthly fuel consumption based on the distances of the trips and the quantity of the fuel procured. In addition, there was no evidence of an annual maintenance schedule for each vehicle.

Lack of oversight and non-compliance with the organization's policies regarding vehicle management might lead to the misuse of resources as well as reputational risks for UNDP.

Priority	High (Critical)
Recommendation 11:	
The Office should improve vehicle management by:	
<ul style="list-style-type: none"> (a) effectively implementing the cost recovery for services provided to the Resident Coordinator Office following the 'Operational guidance on support to UNDS and business continuity for UNDP'; (b) improving the recording of the vehicle log books including information on purposes of the trips, which is needed for adequate cost recovery, including recovery for personal use; and (c) implementing effective monitoring of vehicle use and fuel consumption. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office's management is expecting to finalize the local service level agreement with the Resident Coordinator Office over the next few weeks. Standard operating procedures on vehicle management will be set in place, to ensure that while management of vehicles continues to fall under full UNDP responsibility, the Resident Coordinator Office as user of those services is informed on the process. (b) The drivers will be instructed to improve recording in the vehicle log books, including information on purposes of the trips, and supervision of that recording will be enforced. (c) Monthly reports of vehicle use and fuel consumption will be established, as well as annual maintenance schedules. 	
Estimated completion date: June 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 not included in this report.