

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



*Empowered lives.  
Resilient nations.*

**AUDIT**  
  
**OF**  
  
**UNDP COUNTRY OFFICE**  
  
**IN**  
  
**KUWAIT**

**Report No. 2037**  
**Issue Date: 11 April 2019**

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## Report on the Audit of UNDP Kuwait Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Kuwait (the Office) from 11 to 22 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 1 January 2018 to 31 December 2018. The Office recorded programme and management expenses of approximately \$17 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/some improvement needed**, which means “The assessed governance arrangements, risk management practices and controls were generally established and functioning but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.” This rating was due to low delivery within the 2015–2018 programme, as well as weaknesses within travel management.

**Key recommendations:** Total = 5, high priority = 2

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	3	Medium
Effectiveness and efficiency of operations	2	High
Safeguarding of assets	1, 4	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	5	High

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendations are presented below:

Low delivery within  
2015–2018 programme  
(Issue 2)

For the programme cycle (2015–2018, extended to 2019) there was unspent budget of \$24 million as of December 2018, equivalent to 39 percent of the programme remaining unutilized. Low delivery was raised as the main concern during meetings with the Government and implementing partners. The main factors contributing to the low delivery were related to delays in recruitment and delays within procurement.

Recommendation: The Office should improve programme delivery by: (a) establishing projects of longer duration within the next programme cycle; (b) renegotiating the local policy requirement in which the Government is required to attend and endorse specific stages within the procurement and recruitment process; and (c) establishing minimum standards with expected time-frames for each stage within the recruitment and procurement process.

Weaknesses in travel  
management (Issue 5)

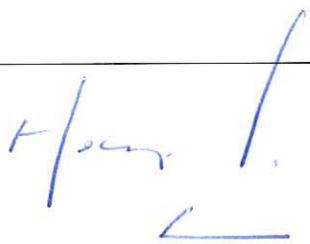
During the period under review, the Office processed 46 travel requests with a total value of \$133,168. In 2018, travel claims had not been submitted for any travels within the audit period. Therefore, the Office was not verifying whether the travel took place, and to what extent the travel advance had been utilized and settled.

Recommendation: The Office should require that the travel claims, including supporting documents, be submitted by the traveller for verification within two weeks of the end of the mission.

### Management comments and action plan

The Resident Representative accepted all five 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. Osttveiten  
Director  
Office of Audit and Investigations

## I. About the Office

The Office, located in Kuwait City, Kuwait (the Country) was established in 1968. The Office was fully supported by the host Government. The Office's programming was based on the Country Programme Document covering the period from 2015 to 2018, which was subsequently extended until 2019. The programme focused on the following areas: (a) policy and regulatory economic, social and environmental frameworks are in place to build for growth and sustainable development; (b) human development is accelerated through increased social empowerment; and (c) high-calibre human capital and governance and institutional management are efficient, transparent, accessible, competitive and accountable. In 2017, a realignment exercise was completed with support from the Regional Bureau for Arab States, where the objectives were to reposition UNDP as a more efficient, effective organization that demonstrates value for money. The Office consisted of 14 staff on fixed-term contracts and 24 service contract holders at the time of the audit.

## II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Staff and premises security: Staff and premises security area management was found to be adequate and all security measures were found to be in place. No reportable issues were identified.
- (b) United Nations leadership and coordination: Adequate controls were established to manage and lead the United Nations coordination in the Country.

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

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

Medium priority recommendations that had been implemented as advised by the Office (and independently validated by OAI) prior to the issuance of this report are not included in this report.

**High priority recommendations**, arranged according to significance:

- (a) Improve programme delivery (Recommendation 2).
- (b) Require that travel claims, including supporting documents, be submitted by the traveller for verification within two weeks of the end of the mission (Recommendation 5).

**Medium priority recommendations**, arranged according to significance:

- (a) Ensure adequate segregation of duties between the first level authority and the second level authority when submitting and approving transactions (Recommendation 1).
- (b) Strengthen project management (Recommendation 3).
- (c) Ensure compliance with cost recovery policies (Recommendation 4).

The detailed assessment is presented below, per audit area:

## A. Governance

### 1. Leadership

#### Issue 1 Lack of segregation of duties in approving transactions

The Internal Control Framework states that the segregation of duties between the first level authority and second level authority on any one transaction is ideally achieved by separately assigning either a 'project manager' profile or an 'approving manager' profile (i.e., senior manager level 2, or manager level 1) in Atlas (enterprise resource planning system of UNDP). Staff members who have both project manager and approving manager profiles in Atlas must not request and approve the same transaction.

During the review, the audit team noted that the Office had assigned three staff members with both the project manager and approving manager profiles in Atlas. For six transactions valued at \$395,890, the same staff member had requested and approved the purchase order for the same transaction.

Subsequent to the audit, the Office removed the conflicting roles from two of the three staff members and advised that management ensure that both rights not be exercised on the same transaction by the same individual.

The Office explained that these approvals occurred in 2018 during a period when there were limited staff with the required profiles within the Office.

A lack of segregation of duties in approving transactions may lead to unauthorized payments.

<b>Priority</b>	Medium (Important)
<b>Recommendation 1:</b>	
The Office should ensure the adequate segregation of duties between the first level authority and the second level authority when submitting and approving transactions; it should also select a back-up approver in case the primary approver is not available.	
<b>Management action plan:</b>	
In-house training will be provided on the Internal Control Framework for all staff members.	
Internal Control Framework mapping will be done to ensure segregation of duties (in particular the first and second level manager roles).	
<b>Estimated completion date:</b> June 2019	

## B. Programme

### 1. Project Design and Implementation

#### Issue 2 Low delivery within 2015–2018 programme

A development project is a time-bound instrument that delivers outputs that contribute to outcome-level development change reflected in the programme, along with the results delivered by other projects and instruments. The 'UNDP Programme and Operations Policies and Procedures' stipulate that each project involved in delivering outputs is defined in an approved project document. A multi-year work plan articulates activities to achieve outputs in a specified time period.

For the programme cycle (2015–2018) there was \$24 million of unspent project budget as of December 2018. This was equivalent to 39 percent of the programme being unutilized, and activities within each of the projects had yet to be completed.

The Office had 15 projects with an initial completion date of December 2018. The Country Programme Document had since been extended to 2019, and project extensions of between 3 and 19 months had been granted by the government counterpart. Low delivery was raised as the main concern during meetings with the Government and implementing partners.

Low delivery was caused by delays within recruitment and procurement but also because of the short delivery time-frames, as follows:

#### (i) Recruitment delays

The audit team reviewed all recruitment cases within 2018 (two fixed-term appointments and nine service contracts).

- It took between five and nine months to hire project managers/coordinators in four projects, which had a corresponding impact on delivery.
- There were delays in the hiring of programme staff. It required seven months to hire a Programme Analyst and 14 months to hire a Programme Associate.

There were several factors contributing to the delays within recruitment. The main causes were as follows:

- (a) The time taken between the preparation of the terms of reference and recruitment (in two cases, the preparation of the terms of reference required 9 and 10 days).
- (b) Long initial advertising period, followed by the requirement to re-advertise on account of lack of eligible candidates (Youth Coordinator position required 104 days, the Energy Coordinator position 43 days, KPPC Assistant 76 days, and the Programme Analyst, Sustainable Development position 85 days).
- (c) The time taken for short-listing, interviews, and endorsement (the time taken was one month or more).
- (d) Long periods between the offer date and the contract start date. This was a result of local law requiring employees to give between two- and three-months notice prior to resigning from their jobs (between 42 and 83 days in all cases).

The Office maintained a sheet to track the recruitment timelines; however, no analysis of the timeline for the different stages of the process was performed and there was no guidance on expected timelines for the recruitment process.

(ii) Procurement delays

The audit team reviewed a sample of 10 procurement cases for goods and services valued at \$6.5 million out of a total of 169 cases valued at \$14.8 million and nine cases of individual contracts with a value of \$1.1 million out of a total of 35 cases of individual contracts valued at \$2.6 million.

For individual contracts, the following factors contributed to the delays:

- Within the sample, the advertisement period was between 11–24 days (average of 17 days) though the 'UNDP Programme and Operations Policies and Procedures' allow for a minimum of five days. The Office explained the advertising period was often extended to two weeks due to constraints within the local market.
- The time taken to complete the evaluation of submissions was between 10 and 81 days (average of 33 days). The lengthy time-frame included late decisions on when to form the evaluation committee, lack of availability of staff to participate, and the Office's practice of having a government observer attend the bid evaluation.
- Following a Government decision, the Office followed a practice of conducting interviews for the procurement of every consultant; however, the guidelines allowed for a desk review to be completed for contracts up to \$100,000.
- Within the audit period, the Office procured 35 consultants, of which 7 exceeded \$100,000.
- Lack of staffing – The Procurement Unit consisted of a Procurement Associate, and this position had been vacant for six months and the recruitment was still ongoing at the time of audit. The procurement function was supported by two service contractors working within the project structure.
- The Office's practice included the requirement for the terms of reference to be agreed upon with the government counterpart prior to initiating the procurement process and again before signing the contract.

For the procurement of goods and services, delays were identified in 4 cases valued at \$6 million out of 10 cases valued at \$7.8 million. In addition to the above, the following factors contributed to longer processes:

- The advertising period was between 14–58 days (average of 29 days). In two instances, the advertising period required an extension due to low bid responses.
- The time taken to complete the evaluation of bids was between 21 and 110 days (average of 48 days). The same factors contributed to lengthy time-frames as mentioned above for the procurement of consultants.
- The development of the terms of reference for a procurement case valued at \$2.4 million lasted over six months.
- The requirement to clear the terms of reference and contracts with the government counterpart.

(iii) Delivery time-frame

The programme faced challenges with the short delivery time-frames, as 8 out of 15 projects had an initial implementation time-frame of 24 months and commenced in the second half of the programme cycle. Furthermore, while the projects received extensions, these extensions were not provided until November 2018, only one month before the initial end of the projects. This uncertainty regarding contract renewal contributed to



the departure of five project staff, which placed an additional burden on the remaining staff to meet the remaining delivery targets.

The low delivery caused by delays in recruitment and procurement along with short delivery time-frames led to delays in the achievement of programme objectives.

<b>Priority</b>	High (Critical)
<b>Recommendation 2:</b>  The Office should improve programme delivery by: <ul style="list-style-type: none"> <li>(a) establishing projects of a longer duration within the next programme cycle;</li> <li>(b) renegotiating the local policy requirement in which the Government is required to attend and endorse specific stages within the procurement and recruitment processes; and</li> <li>(c) establishing minimum standards with expected time-frames for each stage within the recruitment and procurement process. Each case should be tracked to determine expected timelines are adhered to. Where possible, use the simplified procurement processes allowed within the individual contract guidelines (e.g., shortened advertising period, desk review of offers).</li> </ul>	
<b>Management action plan:</b>  <ul style="list-style-type: none"> <li>(a) Project procurement plans will be prepared at the early stages of the projects and updated as required.</li> <li>(b) Recruitment process timelines will be tracked.</li> <li>(c) Vacancy announcements will be widely disseminated through social media.</li> </ul>	
<b>Estimated completion date:</b> October 2020	

### **Issue 3**      Weaknesses within project management

The 'UNDP Programme and Operations Policies and Procedures' require offices to ensure that project documents have required elements, such as well-defined project activities, outputs, and outcomes; project monitoring and evaluation; and transition arrangements. Further, offices must ensure adequate monitoring by documenting implementing partner selection procedures, preparing annual progress reports, and maintaining issue, monitoring and risk logs. The project board should meet at least annually to review achievement of project results, corresponding challenges and endorse the annual work plan at the start of the year.

The audit team selected five projects for detailed review and noted the following weaknesses:

#### (a) Inconsistencies within the project document

For three out of the five projects sampled, the information in the project documents was incomplete, specifically:

The Results and Resources Framework did not include annual output targets for two projects. In addition, the Results and Resources Framework targets were activity based, e.g., number of people trained, level of system completion (traffic project).

The lack of a well-formulated Results and Resources Framework could prevent effective monitoring of project implementation and results.

(b) Inadequate project oversight

- For the five sampled projects, the annual progress reports were excessive in length, prepared for compliance purposes and not shared with the government counterpart. In some cases, the reports were incomplete (e.g., did not include sections on challenges and lessons learned).
- The project boards had not endorsed the financial year 2018 annual work plans for three projects.
- The Office confirmed that the Combined Delivery Reports for Q3 and Q4 of financial year 2018 had not been signed by the government counterpart.
- The implementing partner selection process, including identification and assessment, had not been completed.
- The Atlas project monitoring module, including risk logs, had not been updated within the audit period for the sampled projects.

Without adequate monitoring systems, project risks and mitigating actions may not be identified in a timely manner, which may cause delays and cost overruns.

(c) Project sustainability

The 2017 Country Programme Evaluation concluded that the projects reviewed consisted of a concentration of output-based interventions that were not expected to produce long-term change.

Each of the three projects evaluated in 2018 included recommendations to strengthen project sustainability, such as through the development of a handover strategy to ensure sustainability of contracted services beyond the project end date.

The Office faced several challenges in the sustainability of projects: institutional strengthening was only considered at the end of the project rather than throughout the project life cycle; following delays in initiating the project, the emphasis had been on completing the required activities rather than building the capacity of the counterpart; and a sustainability plan had yet to be developed for one project.

The Office explained that due to the pressure to finalize existing activities within the current programme cycle (refer to issue 2 on low delivery), the activities relating to sustainability in some cases had been compromised.

Weaknesses in project management may put the Office at risk of not meeting its development objectives.

<b>Priority</b>	Medium (Important)
<b>Recommendation 3:</b>	
The Office should strengthen its project management by:	
(a) ensuring project documents follow the corporate template, including annual output targets, as well as information on how project results will be sustained;	

- (b) strengthening monitoring by utilizing the Atlas project module, documenting the implementing partner selection process, and preparing annual progress reports that adhere to UNDP reporting requirements; and
- (c) ensuring that annual work plans are endorsed by project boards at the beginning of each year, and Combined Delivery Reports are signed by the government counterpart at the end of each quarter.

**Management action plan:**

The Office will:

- (a) ensure project and portfolio documents follow the corporate template, or otherwise are quality assured by the Regional Hub or Development Impact Group, Bureau for Policy and Programme Support;
- (b) ensure Atlas project module training for project managers and programme officers; and
- (c) ensure annual or multi-year work plans are presented and endorsed by project boards.

**Estimated completion date:** June 2020

## C. Operations

### 1. Financial Resources Management

#### Issue 4 Weaknesses in financial management

UNDP can provide services to other United Nations entities in line with United Nations agency requests and the UNDP office's ability to respond to them if: (i) these are consistent with the regulations, rules, policies and procedures; and (ii) the requesting United Nations entity agrees to pay the costs and remains financially responsible. The services are governed by a Service Level Agreement, which specifies the service lines, prices, and time-frame of service provision.

Common services costs are shared among the agencies based on pre-agreed, relevant, objective criteria for each cost category, such as space occupied or respective numbers of personnel. These services are provided to several United Nations agencies resident in a given country, on the basis of a mutual agreement between resident United Nations agencies on which agency will manage the common services. The common services may include the provision of office space, janitorial services, travel, information and communication technology, procurement and human resources management.

The audit team noted the following weaknesses:

- The Office provided support services to the United Nations agencies in the Country, such as facilitating visas, airport pick-up, payroll management and separations. As at the time of the audit, no system had been established to track the services provided to the United Nations agencies and ensure the corresponding cost recovery. Therefore, it was not clear whether associated costs had been recovered for all the support services provided. The Office explained that prior to the de-linking process, the above-mentioned services were not provided on a regular basis.

- Furthermore, the Office had not signed Service Level Agreements with any of the eight United Nations agencies present in the Country. While the Office informed the resident agencies about the applicable Universal Price List and Local Price List, it had not established the terms and conditions for provision of services to the agencies, including the provision of performance monitoring and quality assurance.

The lack of an appropriate system to track the support services provided may result in the Office not recovering costs.

The Office managed the common services budget on behalf of eight United Nations agencies. The annual funding for the common services budget came from two sources, the host Government (contributing \$297,000) and United Nations agencies (contributing \$186,000, which included the UNDP portion of \$73,000). This budget covered common premises maintenance, security, cleaning services, and utilities.

A review of the status of the common services budget in Atlas disclosed that there was an opening balance of \$548,000 in 2019. The Office explained that the balance had accumulated from previous years starting in 2014. At the time of the audit, the Office was unable to confirm the exact balance, and further analysis was required, with the support of Headquarters, to determine the correct balance.

Without a clear understanding of the available common services budget, the Office may be unable to determine the available resources and corresponding common service charges.

Priority	Medium (Important)
<b>Recommendation 4:</b>  The Office should ensure compliance with cost recovery policies and improve management of the common services budget by: <ul style="list-style-type: none"> <li>(a) establishing a tracking system to record the services rendered to the United Nations agencies, recovering the costs at regular intervals, and reconciling services provided with cost recovered;</li> <li>(b) signing a Service Level Agreement with each respective United Nations agency for which the Office provides support services to establish the terms and conditions for the provision of services to the agencies including the provision of performance monitoring and quality assurance; and</li> <li>(c) following up with the Bureau for Management Services to determine the available common services budget and determine the required future contributions from the United Nations agencies.</li> </ul>	
<b>Management action plan:</b>  The Office will take the following actions: <ul style="list-style-type: none"> <li>(a) All memorandums of understanding on common services to be signed by newly joined resident agencies.</li> <li>(b) Timely billing of services provided per the Universal Price list or Local Price List based on <i>ad hoc</i> requests.</li> <li>(c) Follow up with the Bureau for Management Services to determine the available common services budget.</li> </ul>	
<b>Estimated completion date:</b> September 2019	

## 2. ICT and General Administrative Management

### Issue 5 Weakness in travel management

As per the 'UNDP Programme and Operations Policies and Procedures', the travel claim provides appropriate documentation that the travel occurred; enables the traveller to claim reimbursement of additional travel expenses; and, if the travel advance exceeds the amount of reimbursable expenses, it enables the traveller to reimburse for any overpayments. All staff members, as well as non-staff members, when their travel is organized and paid for by UNDP, are required to submit a travel claim accompanied by proof of travel, including boarding passes, the official itinerary and receipts for miscellaneous expenses, if applicable. The travel claim must be signed-off by an approving officer verifying that the mission occurred and that any expenses comply with policies and are approved. If the traveller fails to submit travel claims for two consecutive missions within 60 days of the completion of his/her mission, no further advances should be made until all outstanding claims are settled.

During the period under review, the Office processed 46 travel requests with a total value of \$133,168. In 2018, travel claims had not been submitted for any travels within the audit period. Therefore, the Office was not verifying whether the travel took place, and to what extent the travel advance had been utilized and settled.

The Office was not aware of the requirement to submit a travel claim, including the subsequent review and approval process.

If travel claims are not processed, there is a risk that unused advances will not be returned, which may result in the misuse of resources.

<b>Priority</b>	High (Critical)
<b>Recommendation 5:</b>	
The Office should require that travel claims, including supporting documents, be submitted by the traveller for verification within two weeks of the end of the mission.	
<b>Management action plan:</b>	
The travel claim form and travel claim process will be explained clearly to all staff members.	
The Office will create travel/mission plans for all staff members for each quarter, which also serves as tracking sheet for the submission of travel claims.	
<b>Estimated completion date:</b> December 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.