

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

KENYA

Report No. 1541
Issue Date: 15 December 2015

Report on the Audit of UNDP Kenya Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Kenya (the Office) from 14 to 28 September 2015. 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 and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – “One UN”, Harmonized Approach to Cash Transfers);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security).

The audit covered the activities of the Office from 1 January 2014 to 30 June 2015. The Office recorded programme and management expenditures of approximately \$48.8 million. The last audit of the Office was conducted by OAI in 2011.

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**, which means, “Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.” This rating was mainly due to low programme delivery, inadequate supporting documents not adequately verified, and procurement procedures not adhered to.

Key recommendations: Total = 6, high priority = 3

The six recommendations aim to ensure the following: (a) achievement of the organization’s strategic objectives (Recommendation 1 – medium priority, Recommendation 2 – high priority, and Recommendation 3 – medium priority); and (b) effectiveness and efficiency of operations (Recommendation 4 – high priority, Recommendation 5 – medium priority, and Recommendation 6 – high priority).

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 programme delivery (Issue 2)	Programme deliveries over available resources for the previous and current programme cycles were consistently low. Specifically, expenditures for 2012 and 2013 were \$43.9 million (or 53 percent) and \$57.1 million (or 80 percent),
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respectively. The expenditures for 2014 were \$28.3 million (or 62 percent) and as of September 2015, they were \$12.6 million (or 42 percent). The Office also showed a trend of under-budgeting its programme resources.

Recommendation: The Office should optimize programme resources by reviewing its budgeting process and reinforcing office implementation capacity.

Supporting documents
not adequately verified
(Issue 4)

The review of a selected sample of 64 payment vouchers amounting to \$668,700 identified vouchers with purchase order information that was not verified before processing the payments. Six payment vouchers totalling \$29,252 for conference and workshop costs were processed without reconciling the invoice to the actual lists of participants. Two payment vouchers totalling \$15,050 for stationery and equipment were processed even though there were discrepancies in the delivery note. A further review of records disclosed that subsequent changes in the requisitions and purchase orders, although certified and approved by responsible Office programme staff, were done without consultation with the respective implementing partners.

Recommendation: The Office should exercise due diligence when processing payments and disbursements to ensure the validity of transactions, including maintaining proper documentation.

Procurement
procedures not adhered
to (Issue 6)

The review of 28 purchase orders totalling approximately \$1.6 million identified 17 purchase orders valued at approximately \$1.2 million with e-requisitions created after the completion of the selection process. Furthermore, 13 of 17 purchase orders valued at approximately \$740,000 were created and approved after the delivery of goods and services. Ten purchase orders with a total value of \$716,400 where the pre-set criteria for competitive selection were not clearly stated in the Requests for Quotations. This resulted in a selection process that could not be substantiated.

Recommendation: The Office should adhere to procurement policies and procedures by: (a) discontinuing the practice of creating requisitions and purchase orders in Atlas after procurement is completed; and (b) carrying out a competitive selection process based on pre-set criteria.

Implementation status of previous OAI audit recommendations: Report No. 861, 21 March 2012.

Total recommendations: 3
Implemented: 3

Management comments and action plan

The Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.

A handwritten signature in blue ink is positioned above the printed name. The signature is stylized, with a large, sweeping 'H' and a long, curved line extending upwards and to the right.

Helge S. Osttveiten
Director
Office of Audit and Investigations