

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP MULTI-COUNTRY OFFICE

IN

SAMOA

Report No. 1553
Issue Date: 2 December 2015

Report on the Audit of UNDP Multi-Country Office in Samoa Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UNDP Multi-Country Office in Samoa (the Office) from 7 to 14 October 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, 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 September 2015. The Office recorded programme and management expenditures of approximately \$17 million. The last audit of the Office was conducted by OAI in 2010 with a subsequent follow-up audit in 2012.

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 weaknesses in the Office's project assurance activities, management of individual contracts and cash advances to implementing partners.

Key recommendations: Total = 9, high priority = 2

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	7	Medium
Effectiveness and efficiency of operations	1, 3, 5	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	6, 8	High
	2, 4, 9	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:

Inadequate controls
over cash advances to
implementing partners
(Issue 6)

The audit reviewed a sample of 12 Funding Authorization and Certification of Expenses (FACE) forms for cash advances of \$5 million made to four implementing partners for implementing project activities during the audit period. However, none of the FACE forms reviewed were supported by bank statements proving the cash balances available with the implementing partners. This shortcoming occurred due to inadequate guidance or supervision.

In 4 out of the 12 FACE forms reviewed, two implementing partners had spent more than the authorized advances. Subsequently, these implementing partners requested a reimbursement for the amount overspent totalling \$0.4 million. There was no evidence to indicate that these implementing partners had consulted the Office or received management's clearance before spending more than the allocated advances.

Recommendation: The Office should enhance controls over the management of advances to implementing partners by: (a) obtaining bank statements from implementing partners or alternatively obtaining adequate evidence to indicate the usage of funds and remaining fund balance; and (b) ensuring that the Office's management is appropriately consulted and clears any requests from implementing partners to spend more than their allocated advances.

Inadequate
management of
individual contracts
(Issue 8)

The Office carried out a significant number of procurement activities through direct contracting during the audit period. For instance, 29 percent of procurement contracts amounting to \$0.3 million were undertaken using direct contracting. The justifications for direct contracting in six cases (valued at \$230,000) out of the seven procurement cases reviewed (amounting to \$276,000) were that there was no competitive marketplace and there was a genuine exigency for the requirements. However, the Office had not been able to provide evidence that there was no competitive marketplace and the explanation for the genuine exigency was inadequate. The Office reported that they had taken efforts to exercise greater prudence, and as a result reduced the total number of direct contracting of individual consultants in 2015 to only three. In one instance, the Office awarded an individual contract to a consultant amounting to \$63,000, contrary to the advice of the Chief, Regional Advisory Committee on Procurement (RACP).

Recommendation: The Office should enhance controls over the management of individual contracts by: (a) ensuring that direct contracting is undertaken only in accordance with UNDP Financial Rule No. 121.05; and (b) seeking advice from the Chief, RACP, when needed and abiding by it.

Implementation status of previous OAI audit recommendations: Report No. 984, 21 August 2012.

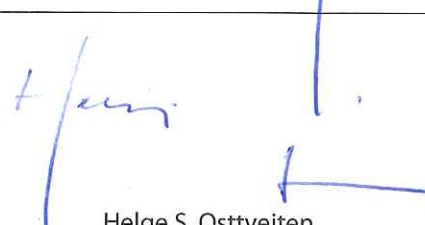
Total recommendations: 4

Implemented: 4

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.

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Helge S. Ostveiten
Director
Office of Audit and Investigations