

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

KENYA

Report No. 2003
Issue Date: 7 December 2018

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 16 September to 2 October 2018. 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 2017 to 30 June 2018. The Office recorded programme and management expenses of approximately \$38.4 million. The last audit of the Office was conducted by OAI in 2015.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **partially satisfactory/major improvement needed**, which means “The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.” This rating was mainly due to non-compliance with the Internal Control Framework, weaknesses in the implementation of Harmonized Approach to Cash Transfers, weak vendor management, and poor procurement planning and weak procurement processes.

Key recommendations: Total = 6, high priority = 4

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	3, 6	Medium
	1, 4, 5	High
Compliance with legislative mandates, regulations and rules, policies and procedures	2	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. All high (critical) priority recommendations are presented below:

Non-compliance with
Internal Control
Framework
(Issue 2)

The audit noted inadequate segregation of duties, staff Atlas profiles not aligned with their functional duties, and excessive number of staff with manager approver and project manager user profiles. For example, two staff members were each allocated Atlas user profiles of both vendor approver and treasury/finance at the same time. Also, two project associates were allocated project manager user profiles. Furthermore, 15 staff members had manager roles and another 18 staff members had project manager roles.

Recommendation 1: The Office should comply with the Internal Control Framework by ensuring that Atlas user profiles conform with segregation of duties and are properly aligned with functional duties and responsibilities including the number of manager level approvers and project managers.

Weaknesses in
implementation of
Harmonized Approach
to Cash Transfers
(Issue 3)

The audit team noted the following weaknesses:

- (a) The micro-assessments for the 2014-2018 programme cycle were done on an *ad hoc* basis and the assessment plan was not updated annually as required. For the next programming cycle (2018-2022), the Office had yet to develop a micro-assessment plan.
- (b) The Office made direct payments amounting to \$669,000 to 21 county governments between 1 January 2017 and 30 June 2018, although micro-assessments were not conducted. There were also no agreements in place between the Office and these 21 county governments even though they were identified as Responsible Parties in the project document.
- (c) The Office paid advances amounting to \$667,000 to two responsible parties that had been assessed with significant risk ratings.
- (d) The assurance plan developed by the Office did not include spot checks, which were required to ensure funds were expended adequately.

Recommendation 2: The Office should improve the implementation of HACT by: (a) ensuring that micro-assessments are conducted for entities with whom major activities are planned and that the correct cash transfer modality is applied in line with the risk rating; (b) including spot checks in the assurance plan based on the risk rating of each entity and conducting these spot checks as planned; and (c) ensuring that agreements are signed by responsible parties before payments are made.

Weak vendor
management
(Issue 5)

From a selected sample of 36 vendors, the audit team observed the following weaknesses: (a) there were 17 vendor forms that were not fully completed; (b) there were two vendor profiles that were created in Atlas in 2011 and 2015 but the supporting vendor forms were dated 18 September 2018; (c) there were 21 vendors with duplicate banking details; and (d) there was no justified business case for the creation of two vendor profiles.

Recommendation 4: The Office should improve vendor management by: (a) conducting a full vendor verification exercise for all active vendors, including ensuring vendor forms are fully completed, validated, and supported; (b) developing an adequate process to check that vendors do not already exist before being entered and approved; and (c) undertaking appropriate actions to

address weaknesses noted on the United Nations Development Support and United Nations Support to Country Programme vendor profiles.

Poor procurement planning and weak procurement processes (Issue 6)

In 2018, the procurement plan uploaded onto the Procurement Management Platform showed a total of \$1.3 million. However, at the time of the audit, the total procurement value was \$5.8 million. The audit team noted that the Office did not monitor and adjust the procurement plans to facilitate timely initiation and efficient implementation of procurement processes. In addition, the audit team noted that the Office had not considered using e-tendering as a procurement tool.

Recommendation 5: The Office should strengthen procurement management by: (a) maintaining a comprehensive and up-to-date procurement plan, which is to be uploaded onto the Procurement Management Platform to facilitate effective monitoring; and (b) considering using e-tendering as a procurement tool.

Implementation status of previous OAI audit recommendations: Report No. 1541, 15 December 2015.

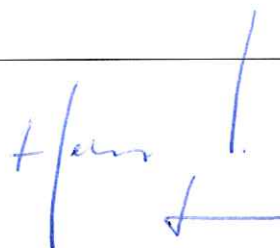
Total recommendations: 6

Implemented: 6

Management comments and action plan

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

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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