

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

IRAQ

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Report on the Audit of UNDP Iraq Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Iraq (the Office) from 25 November to 6 December 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 31 August 2018. The Office recorded programme and management expenses of approximately \$400.3 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 weaknesses in leadership, human resources management, procurement, and financial resources management.

Good practice

The Stabilization Programme was established to restore essential services in post-conflict areas in the Country and to facilitate the return of Internally Displaced Persons. The Programme had been widely praised by donors in terms of its speed of delivery in challenging circumstances. Part of the success can be attributed to the establishment of a service centre expediting procurement processes. Furthermore, the Office was closely monitoring the full implementation of programme activities.

Key recommendations: Total = 7, high priority = 4

The seven recommendations aim to ensure the following:

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

Weaknesses in Office’s control environment (Issue 1)

A Management Consulting Team mission completed a review of the Office in April 2017 and a transformation plan was developed in May 2017. Due to delays in the implementation of the Management Consulting Team recommendations and transformation plan, the following issues were noted:

- Outdated job descriptions. The job descriptions of the Head of the Service Centre, Operations Manager, and Procurement Associate did not reflect the actual roles being performed.
- Outdated Internal Control Framework and delegations of authority. The Internal Control Framework was last updated in 2016 and did not reflect the changes in structure and senior management. In addition, the delegations of authority were not updated.
- Outdated standard operating procedures. The Office’s standard operating procedures had not been revised following the changes in the Office’s structure.
- Business Continuity Plan not updated and tested. The Office’s Business Continuity Plan was last updated in May 2017; however, it did not reflect changes in the Office’s organizational structure and was not tested.

Recommendation: The Office should enhance its control environment by: (a) fully implementing the transformation plan, including revising job descriptions and reporting, and updating the Internal Control Framework, delegations of authority, and the standard operating procedures; and (b) updating the Business Continuity Plan and completing an annual simulation exercise.

Weaknesses in human resources management (Issue 4)

Out of 134 staff in 2017, 54 had not yet started or completed their performance management and development processes. In addition, not all staff completed their mandatory courses and there was no regular follow up.

Recommendation: The Office should improve its human resources management by: (a) finalizing staff performance management and development processes for 2017 and 2018; and (b) ensuring the completion of mandatory training courses within the staff performance management and development learning plans and preparing and implementing a timetable for the completion mandatory courses.

Weak evaluation of bids (Issue 5) During the audit period, the Office processed a high volume of procurement cases, which included 746 submissions (\$638 million) to the relevant procurement review committees. However, past performance was not considered during the evaluation of bids. Within the audit sample of 20 performance assessment reports, three instances of non-performance had been reported by the Office. For example, the performance evaluation of a contractor indicated that no future contracts exceeding \$300,000 should be considered because the contractor was dealing with too many projects at the same time, impacting the overall quality of work. However, despite this performance assessment, the supplier was subsequently awarded two additional contracts valued at \$521,000 and \$648,000.

Recommendation: The Office should ensure that for future procurement exercises, past performance assessments of bidders are considered during the bid evaluations.

Lack of controls in using chart of accounts and managing contracts (Issue 7) There were 10 cases amounting to \$8.2 million relating to project activities that were incorrectly charged to overhead accounts.

In addition, the contract terms for one contract with a value of \$1.1 million required the first payment to be made at the completion of 90 percent of the work. However, the Office paid the first invoice amounting to \$458,075 covering 60 percent completion of work only. In another contract amounting to \$1.7 million, the contractor was supposed to be paid at 100 percent completion of work only. However, the Office made its first payment amounting to \$1.1 million when 63 percent of the work was completed.

Recommendation: The Office should strengthen controls in using the chart of accounts and managing contracts by: (a) providing training and oversight to staff in using the correct chart of accounts; and (b) ensuring that all payments adhere to the provisions of the contract signed with vendors – any amendments should be agreed upon and signed at the appropriate management level.

Management comments and action plan

The Resident Representative accepted all seven 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
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Helge S. Osttveiten
Director
Office of Audit and Investigations