United Nations Development Programme
Office of Audit and Investigations

Audit

of

undp multi-country office

in

Samoa

Report No. 1913
Issue Date: 26 April 2018

(redacted)
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Report on the Audit of UNDP Samoa
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Samoa (the Office) from 20 February to 2 March 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 January 2018. The Office recorded programme and management expenses of approximately $13.5 million for three countries and one territory covered by the Samoa Multi-Country Office. 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 mainly due to the misalignment of programme resources.

Key recommendations: Total = 5, high priority = 1

The five recommendations aim to ensure the following:

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Recommendation No.</th>
<th>Priority Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achievement of the organization’s strategic objectives</td>
<td>1</td>
<td>High</td>
</tr>
<tr>
<td>Compliance with legislative mandates, regulations and rules, policies and procedures</td>
<td>2, 5</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>3, 4</td>
<td>Medium</td>
</tr>
</tbody>
</table>

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 recommendation is presented below:
Utilization of resources not optimal (Issue 1) There was a significant misalignment across the programme resource performance targets as set by the Office under its budget, compared to what was agreed with the Regional Bureau under the IWP. The Multi-Country Office had a set programme budget of $14.2 million in 2016 and $19.7 million in 2017, while IWP targets agreed with the Bureau for the same resources were $9.7 million (68 percent) and $10 million (51 percent), respectively. Programme delivery rates amounted to $11.4 million and $11.5 million, representing 68 percent and 59 percent of the available resources in 2016 and 2017. The programme resource allocation process did not appear to show a close correlation of budget and IWP targets for the same resource levels. The Office was therefore not fully utilizing the available funding and budgets in Atlas.

**Recommendation:** The Office should enhance programme efficiencies and the budgeting/resource allocation process by ensuring programme budgets and IWP targets are more closely aligned, taking into consideration the available resources and making necessary adjustments as warranted.

**Implementation status of previous OAI audit recommendations:** Report No. 1553, 2 December 2015.

- Total recommendations: 9
- Implemented: 9

**Management comments and action plan**

The Director of the Regional Bureau for Asia and the Pacific, and the Resident Representative accepted all of the recommendations and are 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. Oostveiten
Director
Office of Audit and Investigations
I. About the Office

The Office, located in Apia, Samoa (the Country) is a Multi-Country Office covering three countries and one territory, namely: Samoa, Cook Islands, Niue, and Tokelau, respectively. At the time of the audit fieldwork, the Office was comprised of 20 staff, 6 service contract holders, 7 UN Volunteers and 1 intern. The Office initiated the 2018 2022 UN Pacific Strategy (equivalent to the United Nations Development Assistance Framework), with six outcome areas, namely: climate change, disaster resilience and environmental protection, gender equality, sustainable and inclusive economic empowerment, equitable basic services, governance and community engagement, and human rights. The coordination function of the 14 Pacific Island Countries and Territories (PICTs) is shared between the Fiji and Samoa Resident Coordinator Offices (10 and 4 countries and territories, respectively), with joint UN Country Team meetings held monthly.

II. Audit results

Satisfactory performance was noted in the following areas:

(a) Financial resources management: Payment processing, disbursements and banking activities were found to be compliant with UNDP financial policies and procedures.

(b) General administration management: General administration controls were well established and functioning adequately. The management of assets was found to be in line with UNDP policies and procedures.

(c) Staff and premises security: The Office was compliant with the Minimum Operating Security Standards

(d) Procurement: Procurement of goods and services undertaken by the Office were generally in compliance with UNDP policies and procedures.

OAI made one recommendation ranked high (critical) and four recommendations ranked medium (important) priority.

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

High priority recommendation:
(a) Enhance programme efficiencies and the budgeting/resource allocation process (Recommendation 1).

Medium priority recommendations, arranged according to significance:
(a) Enhance project management (Recommendation 2).
(b) Review the clustering of countries and territories under the jurisdiction of the Samoa and Fiji Multi-Country Offices (Recommendation 5, corporate).
(c) Reinforce the completion of the mandatory courses (Recommendation 3).

The detailed assessment is presented below, per audit area:
A. Programme

1. Programme/project design and implementation

Issue 1  Utilization of resources not optimal

The ‘UNDP Programme and Operations Policies and Procedures’ stipulate that annual work plans should articulate activities to be implemented in a given year, with these activities evenly spread out across each quarter to ensure reasonable and sustained progress towards project results. The budget should be realistic and adjusted accordingly during the course of the year.

According to the 2017/18 Integrated Work Plan (IWP) guidelines, offices were required to review and update estimated non-core programme delivery targets by funding stream for the current year and beyond and consult closely with their respective Bureaux regarding these targets.

The review of the overall programme resources, delivery and budgets set in Atlas noted the following:

| Table 1: 2016-2018 budget, resources available, IWP target, and expenditures for three countries and one territory (Samoa, Niue, Cook Islands and Tokelau) |
|---------------------------------|-----------------|-----------------|-----------------|
| **Programme and management**    | 2016 ($ millions) | 2017 ($ millions) | 2018 ($ millions) |
| Description                     | Available resources | 18.3 | 21.3 | 15 |
|                                 | Budget            | 16   | 21.7 | 24 |
|                                 | Utilization       | 13   | 13.5 | n/a |
|                                 | IWP target (67% of budget) | 10.7 | 11.5 | 15.5 |
| **Programme only**              | 2016 ($ millions) | 2017 ($ millions) | 2018 ($ millions) |
| Description                     | Programme resources | 16.6 | 19.5 | 14.3 |
|                                 | Programme budget  | 14.2 | 19.7 | 22 |
|                                 | Programme utilization | 11.4 | 11.5 | n/a |
|                                 | IWP programme target (68% of budget) | 9.7 | 10 | 14.4 |
| **Source:** Executive Snapshot  |                  |                  |                  |

The Multi-Country Office had a set programme budget of $14.2 million in 2016 and of $19.7 million in 2017, while IWP programme targets agreed with the Bureau were $9.7 million (68 percent) and $10 million (51 percent) respectively. Programme utilization amounted to $11.4 million and $11.5 million or 68 percent and 59 percent of the available resources in 2016 and 2017. The same trend can be identified when the costs of management are included. There was therefore a significant misalignment between the IWP target, budget, and available resources. As a result, the Office was not fully utilizing the available funding and budgets in Atlas.

There were no adjustments made to the IWP target during the course of the year to ensure that the IWP targets were more closely aligned with the budgets and available resources.
In response to the draft audit report, the Regional Bureau for Asia and the Pacific stated that there was no absolute formula for assigning delivery targets to Country Offices. However, considerations such as resource availability, the Office's sustainability and the Office's capacity to deliver among others were taken into account.

<table>
<thead>
<tr>
<th>Priority</th>
<th>High (Critical)</th>
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<tbody>
<tr>
<td><strong>Recommendation 1:</strong></td>
<td>The Office should enhance programme efficiencies and the budgeting/resource allocation process by ensuring programme budgets and IWP targets are more closely aligned, taking into consideration the available resources and making necessary adjustments as warranted.</td>
</tr>
<tr>
<td><strong>Management action plan:</strong></td>
<td>Management will adjust programme budgets to align with the IWP targets with maximum tolerance of 20 percent.</td>
</tr>
<tr>
<td><strong>Estimated completion date</strong></td>
<td>September 2018</td>
</tr>
</tbody>
</table>

**Issue 2 Project management weaknesses**

The ‘UNDP Programme and Operations policies and Procedures’ require offices to adhere to project management procedures for proper implementation and management of programmes and projects, in order to achieve organizational objectives.

The Office had 22 ongoing projects, 17 of which were nationally implemented, and 5 of which were directly implemented by the Office. Six projects were reviewed with total incurred expenditures of $7 million during the audit period, representing 77 percent of programme delivery.

The following weaknesses were noted:

(a) **Project extensions without justification.** Two projects were extended twice without any documented justification to explain reasons for the extension. In the case of another project, the Atlas project duration (January 2014 to December 2020) was longer than the duration in the project document (August 2014 to July 2019).

(b) **Annual work plans not in prescribed in UNDP format.** For all six projects, the annual work plans for 2017 did not indicate baselines, indicators and targets as required, even though baselines and indicators were included in the results frameworks of the project documents. Further, annual budgets entered in Atlas did not match what was reflected in the annual work plans. For example, one project had an Atlas budget of $2.2 million, however, the latest version of the annual work plans reflected a budget of $3.6 million.

(c) **Absence of project monitoring and assurance plans.** While the inception workshop reports for these projects outlined the requirement for project level and assurance monitoring, there were no detailed monitoring plans outlining the indicators to be monitored, monitoring activities to be undertaken and
when, and persons responsible for monitoring. Programme monitoring reports were not provided for four of the projects reviewed. The Office’s management stated that assurance monitoring was undertaken by programme staff, although these were not always documented.

(d) In the 2017 IWP, the Office had indicated as an activity to ‘prepare and launch a new monitoring and reporting framework for the Country Office with particular attention on effective project assurance’. However, this had not yet been established at the time of the audit fieldwork.

(e) **Delayed closure of projects.** As per Atlas, 17 projects had not been operationally closed, even though activities for these projects had already ended. Further, two projects that had been operationally closed for more than 12 months had not been financially closed.

The Office may not be able to accurately determine results achieved in the absence of proper project management.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
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**Recommendation 2:**

The Office should enhance project management by:

(a) preparing written justifications whenever extending project end dates and aligning the annual workplan budgets with those in Atlas;
(b) developing a comprehensive monitoring plan that includes the monitoring and assurance activities to be undertaken, when, and by whom, and documenting the monitoring outcome; and
(c) closing projects in Atlas that have ended operationally or financially in a timely manner.

**Management action plan:**

The management will ensure:

- Justification for extending project lifetimes are recorded in the budget cover page
- Annual workplan budgets are aligned with those in Atlas and that justification for revisions are recorded in the project budget revision cover page.
- Establishing a monitoring plan that includes assurance activities with details including time, place, person conducting monitoring and the monitoring report.
- Atlas projects that have ended financially and operationally to be closed in a timely manner.

**Estimated completion date:** July 2019
B. Operations

1. Human resources

Issue 3  
Mandatory courses not completed

The ‘UNDP Programme and Operations Policies and Procedures’ require all UNDP personnel to complete a series of seven mandatory courses.

As of 14 December 2017, the rates of non-completion varied from 32 to 68 percent for the seven mandatory courses, as indicated in the table below.

<table>
<thead>
<tr>
<th>Table 2: Status of completion of mandatory training courses of 28 staff</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic Security in the Field</strong></td>
</tr>
<tr>
<td>--------------------------------</td>
</tr>
<tr>
<td>Number of staff who completed</td>
</tr>
<tr>
<td>Number of staff who had not completed</td>
</tr>
<tr>
<td>Percentage of non-completion</td>
</tr>
</tbody>
</table>

Source: UNDP Multi-Country Office, Samoa

Only 10 staff (35 percent) out of 28 staff had completed all seven mandatory courses. Of the 19 Basic Security in the Field certificates obtained by staff, 3 had expired as of 14 December 2017. Similarly, for the Advanced Security in the Field certificates, 2 out of 17 certificates had expired as of 14 December 2017.

The Office’s management explained that the low completion rate was due to other competing tasks and operational priorities. The Office had sent out several reminders to staff. The Office had designated the last Friday of each month for learning. However, no office wide learning plan had been developed. The completion of mandatory courses was included as staff performance management development knowledge/training indicators for some staff, while it was not for others. Even when it was included, staff did not always complete the mandatory courses.

Failure to complete these mandatory training courses may negatively impact staff knowledge and capacity to deal with issues and situations within and outside of the Office.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
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<tbody>
<tr>
<td><strong>Recommendation 3:</strong></td>
<td></td>
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<tr>
<td>The Office should reinforce the completion of the mandatory courses within a specified time frame by developing an office-wide learning plan, and including mandatory training completion as a training indicator in the performance management development of all staff.</td>
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</tbody>
</table>
Management action plan:

Management will enforce completion of mandatory courses within the specified time frame.

**Estimated completion date:** September 2018

[NOTE: This section has been redacted as it is deemed to contain sensitive information.]
C. United Nations leadership and coordination

Issue 5  Corporate issue: UNDP Multi-Country representational structure and cost implications

As part of the UN Reform agenda, the UN aims at improving the efficiency and effectiveness of operations, rationalizing structures, building a global and dynamic work force, and encouraging innovation in every area, so as to maximize impact and make the most of UN resources.

The UN Pacific Strategy 2018-2022 was a five year strategic framework that outlined the collective response of the UN system to the development priorities in 14 PICTs, namely Cook Islands, Fiji, Federated States of Micronesia, Kiribati, Nauru, Niue, Palau, Republic of Marshall Islands, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, and Vanuatu. As of 2016, the total population of these PICTs was 2.4 million \(^1\) The Joint UN Country Team, based in Fiji and Samoa, was guided by two UN Resident Coordinators. Ten PICTs were clustered under the Fiji Resident Coordinator Office. The Samoa Resident Coordinator Office coordinates the UN interventions in three countries and one territory: Samoa, Cook Islands, Niue and Tokelau, respectively with a total population of 218,000. The coordination of the UN’s work is maintained by a network of Joint Presence Offices (JPOs) staffed by individual country coordination officers and hosted by the respective PICT governments.

The audit team reviewed the current funding structure of the Office, the evolving economic status of the countries and territory that fall within the Office’s purview, and the resources available, including the office premises provided at no cost by the Government of Samoa. The following weaknesses were noted:

(a) Two JPO positions in the Cook Islands and Niue were funded through Target for Resource Assignment from the Core (TRAC) funds by the Office at a proforma cost of $132,000 annually. As these positions were providing support services to other agencies as well, the associated costs should have been

\(^1\) UN Pacific Strategy 2018-2022
shared among the resident UN agencies. UNDP had to bear the cost burden, placing undue financial constraint on the Office.

(b) Five staff were fully funded from programme TRAC funds, through Direct Project Costing. The level of TRAC funds had declined globally for UNDP over the last two years. The Office may be impacted negatively should the level of TRAC funding further decline. Furthermore, the proforma cost of the Deputy Resident Representative was fully charged to extrabudgetary resources at a cost of $250,000 annually. Therefore, the ability of the Office to charge staff costs against these funds as Direct Project Costing could be limited.

During the April 2017 quarterly review, the Regional Bureau for Asia and the Pacific requested the Office to review the management budget expenditure carefully and to follow up on the delivery.

(c) The Cook Islands had recently been categorized as a high-income country (awaiting formal approval) and would therefore not qualify for UN support. Similarly, Tokelau was eligible for funding from New Zealand only. Therefore, the bulk of the work of the Samoa Resident Coordinator Office work would be in Samoa and Niue only.

(d) Cost-free premises: The Office relocated to new premises provided by the Government of Samoa at no cost. In addition to UNDP, there were other UN agencies occupying the premises. These agencies had already requested additional space to house staff that would be relocated from the Fiji Multi-Country Office where the living costs were higher. Further, five UN agencies/entities already maintained their headquarters in Samoa, with a coverage of the majority of the PICTs.

Adjusting the administration of the PICT portfolio between the Multi-Country Offices of Samoa and Fiji may enhance cost efficiencies.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
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<tbody>
<tr>
<td><strong>Recommendation 5:</strong></td>
<td></td>
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<tr>
<td>The Regional Bureau for Asia and the Pacific should review the clustering of countries and territories under the jurisdiction of the Samoa and Fiji Multi Country Offices with the view of providing a sustainable base to both Multi Country Offices.</td>
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</tbody>
</table>

**Management action plan:**

The Regional Bureau for Asia and the Pacific takes note of the recommendation, with the understanding that cost is only one of the considerations that determine a sustainable base for the Multi Country Offices. The Regional Bureau for Asia and the Pacific notes that the 2016 Quadrennial Comprehensive Policy Review resolution mandates the UN development system to conduct a review of Multi Country Offices.

The Regional Bureau will support the review effort of the UN Secretary-General expected to happen in 2018, and determine a course of action based on the outcome of this review in consultation with all relevant partners.

**Estimated completion date** October 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**.