UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

BURKINA FASO

Report No. 2094

Issue Date: 12 December 2019

(REDACTED)

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Report on the Audit of UNDP Burkina Faso
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Burkina Faso (the Office) from 23 September to 4 October 2019. 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.[1]

The audit covered the activities of the Office from 1 January 2018 to 30 June 2019. The Office recorded programme and management expenses of approximately $18.5 million. The last audit of the Office took place 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 the Office's financial sustainability being at risk, the need for a review of the Country Programme Document targets, and delays in the formulation and initiation of new projects.

Key recommendations: Total = **13,** high priority = **3**

The 13 recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	3, 5	High
	1, 4	Medium
Effectiveness and efficiency of operations	6	High
Safeguarding of assets	7, 8	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	2, 9, 10, 11, 12, 13	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:

[1] This audit covered the activities under this area only for 2018.

Office's financial sustainability at risk (Issue 3)	The Office's financial sustainability was at risk, the audit team noted that: ▪ The Office faced significant challenges related to resource mobilization. Where on average $1 of core resources contributed to mobilizing $4 of non-core resources in the Regional Bureau for Africa, the Office was lagging with $1 of core generating $2 of non-core resources. ▪ There was low mobilization of resources from traditional international donors. While the audit team noted a notable attempt to get local government cost-sharing, this initiative was not successful as only $6 million of the targeted $350 million had materialized one year toward the end of the programme cycle. ▪ The allocation of core resources decreased from $1.15 million in 2018 to $0.6 million in 2019. ▪ The staffing level of the Office made sustainability risky. The Office had maintained 13 service contract holders who performed core management work, which was not in line with UNDP policies. ▪ The organizational structure of projects was not always commensurate with the level of delivery and activities to be implemented. Recommendation: To improve financial sustainability, the Office should: (i) finalize the review of the financial sustainability strategy; (ii) adapt its operational and project costs to the resources and the level of activities; and (iii) increase non-core resource mobilization efforts to bring performance in line with the Regional Bureau for Africa average.
Unrealistic Country Programme Document targeted results (Issue 5)	To achieve the outcomes planned for the programme period 2018–2020, a budget of $377 million was set in the Country Programme Document. At the time of the audit, the Office was about two thirds of the way through the programme period, but had only managed to deliver $21 million, compared to the linear projection estimated at $220 million. Recommendation: Prior to requesting an extension of the Country Programme Document, the Office should review it and ensure that programme and resource targets are realistic.
Delayed formulation and initiation of new projects (Issue 6)	There were delays in the formulation and initiation of new projects. In three cases, there was almost two years between the receipt of the project document and its submission to the Local Project Appraisal Committee for review. Additionally, two projects with durations between two and three years started their activities six months after the start date indicated in the project documents. The audit team also noted that the recruitment of the project teams was completed between 8 and 10 months after the start date of the projects. Recommendation: The Office should enhance project formulation and implementation by: (i) timely preparing and conducting quality control of project documents and ensuring their timely review by the Local Appraisal Project Committee; and (ii) completing recruitment processes in a timely manner to prevent delays in the implementation of project activities.

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Implementation status of previous OAI audit recommendations: Report No. 1497, 21 January 2016.
Total recommendations: 9
Implemented: 9

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 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 Osttveiten
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Director
Office of Audit and Investigations

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I. About the Office

The Office is located in Ouagadougou, Burkina Faso (the Country). At the time of the audit, the Office was comprised of 43 staff members, 52 service contract holders and 47 United Nations Volunteers (7 international and 40 national). The Country Programme Document for 2018–2020 focused on the following areas: (i) institutional efficiency, rule of law, social cohesion, and security; (ii) inclusive and sustainable growth, decent work and food security; and (iii) resilience to the effects of climate change, natural disasters and humanitarian emergencies. The Office had a portfolio of 30 development projects:12 nationally implemented and 18 directly implemented.

II. Audit results

OAI made 3 recommendations ranked high (critical) and 10 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 recommendations, arranged according to significance:

(a) Improve financial sustainability (Recommendation 3).
(b) Review and ensure that programme and resource targets are realistic (Recommendation 5).
(c) Enhance project formulation and implementation (Recommendation 6).

Medium priority recommendations arranged according to significance:

(a) Strengthen risk management and project monitoring (Recommendation 4).
(b) Enhance gender equality and empowerment of women (Recommendation 1).
[redacted]
(d) Ensure that all UNDP mandatory training courses are completed (Recommendation 2).
(e) Improve the management and control of cash transfers to implementing partners (Recommendation 7).
(f) Improve the management of HACT (Recommendation 13).
(g) Enhance oversight and performance over procurement processes (Recommendation 10).
(h) Improve management of human resources (Recommendation 11).
(i) Reinforce monitoring and oversight over assets (Recommendation 8).
(j) Strengthen the effectiveness and efficiency of the procurement function (Recommendation 9).

The detailed assessment is presented below, per audit area:

A. Governance

1. Leadership

Issue 1 Gender equality and empowerment of women areas need improvement

The 2018–2021 UNDP Gender Equality Strategy embodies the organization's strong corporate commitment to deepen its efforts in promoting gender equality and women's empowerment. It is designed to complement and reinforce UNDP's 2018–2021 Strategic Plan by defining in a more detailed manner how attention to gender equality and women's empowerment will strengthen action in all areas of work. The gender marker indicators (GEN) enable UNDP to track and monitor the gender-responsiveness of projects through a four-point scale rating system (ranging from 0 to 3) indicating their contribution toward the achievement of gender equality.

The following weaknesses were noted:

- The female staff represented 29 percent of the Office's total work force, and 26 percent of the staff at the professional level. While acknowledging the efforts made by the Office to improve the gender ratio from 12 percent in 2018 to 26 percent in September 2019, further efforts were needed to reach the 40 percent target mentioned in the 2019–2020 gender seal certification strategy. The audit team reviewed the strategy document to assess its effectiveness and relevance and noted that two out of the three actions planned (informing colleagues about recruitments and periodically reviewing the staffing table) were not sufficiently relevant to impact the Office's gender ratio. The lack of appropriate action plan could jeopardize the achievement of the gender parity objectives.
- Absence of a formal mechanism for gender mainstreaming in project and programme design.
- Projects' contributions to gender-related goals needed improvement as 70 percent of the Office's projects were linked to either GEN-0 or GEN-1, meaning that they made "no contribution" or only "some contribution" to gender goals. Meanwhile, the remaining 30 percent of projects contributed to the GEN-2 indicator, meaning that a "significant objective" was planned on gender. The Office's portfolio did not have projects contributing to GEN-3 (which indicates that the principal purpose was to advance gender equality). The Office's gender strategy for 2018–2020 aimed to dedicate at least 15 percent of all country programmatic resources to gender marker indicator GEN-3.
- Delays were noted in the implementation of the Office's gender strategy for 2018–2020. A sample of 6 out of 11 activities were not timely implemented.

The exceptions indicated above might result in the non-achievement of results on gender equality and women's empowerment.

Priority	Medium (Important)
Recommendation 1: The Office should enhance gender equality and the empowerment of women by: (a) formalizing a mechanism for gender mainstreaming in programme and projects in order to improve their gender-responsiveness; and (b) closely monitoring the gender strategy to ensure that activities are timely implemented.	

Management action plan:

The Office will implement the following actions:

(a) A formal mechanism will be established to ensure gender mainstreaming in project and programmes.
(b) All positions advertised will include the clause encouraging female applications.
(c) All senior managers will have gender promotion as part of their goals in the Performance Management Development documents.
(d) The gender sensitive recruitment policy will be systematically shared with hiring managers, to ensure compliance during recruitment processes.
(e) A review of the current project portfolio will be finalized to ensure that at least 50 percent of the project portfolio is qualified as GEN-2.

Estimated completion date: December 2020

Issue 2 Low completion rate of UNDP mandatory training courses

UNDP mandatory training courses are necessary tools to ensure that staff and managers understand the various policies, regulations, principles and values, as well as the goals and objectives of the organization. All staff members must complete the mandatory courses and obtain their certificates of completion no later than six months after commencing duties.

The audit disclosed the lack of monitoring on the completion of these courses, and the failure of staff to recognize the importance of these mandatory training courses. The table below shows the percentage of the Office's personnel (staff members and service contract holders) who had not completed the mandatory training courses:

Mandatory training	Non-completion percentage
UNDP Legal Framework	36%
UN Human Rights and Responsibilities	35%
Ethics and Integrity at UNDP	31%
Fraud and Corruption Awareness and Prevention	30%
Prevention of Sexual Exploitation and Abuse of the Local Population	30%
Prevention of Harassment, Sexual Harassment and Abuse of Authority	25%
BSAFE	24%
Gender Journey	22%

Failure to complete mandatory training courses may result in staff not being aware of the organization's values and principles, and in not being aware of important policies that are relevant to their roles and responsibilities.

Priority Medium (Important)

Recommendation :

The Office should ensure that all mandatory training courses are completed by staff members and service contract holders no later than six months after commencing duties.

Management action plan:

The Office will take the following measures in order to improve the completion rate of mandatory training:

(a) The Learning Committee will continuously monitor the completion of mandatory training and other required certifications.
(b) The Learning Plan will be regularly updated, and the senior management team will be informed on a weekly basis.

Estimated completion date: June 2020

2. Corporate External Relations and Partnership

Issue 3 Office's financial sustainability at risk

Strategic planning requires offices to consider available funding sources as part of their financial sustainability planning to ensure operational continuity. Core funds should be used as a catalyst to mobilize non-core resources and Regional Bureaux should set related targets for their offices.

The audit team noted the following:

- The Office faced significant challenges related to resource mobilization. Where on average $1 of core resources contributed to mobilizing $4 of non-core resources in the Regional Bureau for Africa, the Office was lagging with $1 of core generating $2 of non-core resources.
- There was low mobilization of resources from traditional international donors; only one donor had made contributions to the Office since 2017. There was a notable attempt by the Office to get government cost-sharing funds in the course of the current programme cycle. However, this initiative was not successful as only $6 million of the targeted $350 million had materialized one year prior to the end of the programme cycle.
- The allocation of core resources (fund 02300) decreased from $1.15 million in 2018 to $0.6 million in 2019.
- The staffing level of the Office made sustainability risky. The Office had maintained 13 service contract holders who performed core management work, which was not in line with UNDP policies. To resolve this situation, the Office identified posts that could be converted from the service contract modality to international posts. However, the financial impact resulting from this potential contract reconversion could further increase pressure on the Office from a funding standpoint.
- The organizational structure of projects was not always commensurate with the level of delivery and activities to be implemented. For one major project with expected delivery amounting to $169 million between 2018 to 2020, the Office recruited 17 staff members. At the time of the audit, only 2 percent of expected resources were mobilized. Although it was highly unlikely that the Office would be able to raise the remaining funds, the same staffing level was maintained. In the absence of the expected funding to implement the project, the recruited staff members were asked to support other projects without any cost recovery mechanism. The audit team noted one case of a Procurement Specialist who did not conduct any procurement processes, but was instead assigned as an event collaborator.

At the time of the audit, there was no documented financial sustainability analysis. Following the audit fieldwork, the Office initiated a review of its financial sustainability plan.

Lack of sufficient financial resources can compromise the sustainability of the Office and negatively impact the achievement of UNDP's overall mandate in the Country.

Priority	High (Critical)
Recommendation 3: To improve financial sustainability, the Office should: (a) finalize the review of the financial sustainability strategy; (b) adapt its operational and project costs to the resources and the level of activities; and (c) increase non-core resource mobilization efforts to be in line with the Regional Bureau for Africa average.	
Management action plan: The Office is working on a financial sustainability review and will develop a strategy based on the outcome of the review. **Estimated completion date:** June 2020	

B. Programme

1. Quality Assurance Process

Issue 4 Weaknesses in project monitoring and risk management

The 'UNDP Programme and Operations Policies and Procedures' stipulate that monitoring is a continuous management function that provides decision makers with regular feedback on the consistency or discrepancy between planned and actual results. Monitoring relates to pre-identified results in the development plan that are achieved throughout project implementation, where baselines, indicators, targets, risks and measurements of results are clearly defined and regularly monitored.

The following weaknesses were identified during the review of six sampled projects, with 42 planned activities to mitigate risks, representing 55 percent of the $31 million total programme delivery planned during the period under review:

- The audit team noted that (i) in 18 cases (43 percent), no individual was designated for the treatment of these risks; (ii) in 17 cases (40 percent), the expected treatment effects were not indicated; and (iii) in 15 cases (36 percent), the time planned for treating the risks was not indicated.
- In 21 cases (50 percent), the risk registers in Atlas (UNDP enterprise resource planning system) were not updated at least once a year as required by the policies and procedures.
- In 7 cases (17 percent), the monitoring activities and results were not entered in Atlas, and thus the completion of those activities was not tracked through the system.
- The results framework was inadequate and did not allow for the proper monitoring of projects. In five projects (83 percent) the baselines and targets were missing or not defined in the project documents. This issue was also reported in the Country Programme Document mid-term review.

- The Corporate Planning System Quality Assurance Module was not used for conducting quality assessments in four projects. In one project, the Project Quality Assurance was neither conducted for the design phase, nor for the implementation phase. For the other three projects, the Project Quality Assurance was only conducted for the design phase.
- The review of the 2018 Results Oriented Annual Report uncovered 13 unachieved outcome level results. For seven of them, the Office did not provide an explanation on the reasons for the underachievement and did not inform the audit team of any corrective actions taken to address this situation.

The lack of effective monitoring and reporting may impede the Office from determining whether intended programme and project results are being achieved and reported to main stakeholders, and whether corrective actions are necessary to ensure the delivery of intended results.

Priority	Medium (Important)
Recommendation 4: The Office should strengthen its risk management and project monitoring by: (a) systematically applying required steps described in the UNDP enterprise risk management policy; (b) ascertaining that project annual work plans contain measurable indicators, baselines and targets; and (c) conducting the required quality assurance assessment on project design and implementation and defining corrective action for unachieved outcomes reported in the Results Oriented Annual Report.	
Management action plan The Office will set up an oversight unit that will work with the programme and operations teams to ensure adherence to project management's procedures. Furthermore, standard operating procedures in line with the new version of the Programme and Project Management will be elaborated, and staff members will be adequately trained. **Estimated completion date**: December 2020	

2. Programme/Project Design and Implementation

Issue 5 Unrealistic Country Programme Document targeted results

UNDP Country Offices should ensure an adequate pace of implementation and delivery, to meet Country Programme Document targets, as planned and within budget. Where exogenous factors impact the programme cycle, an evaluation or review should be undertaken to ensure the continued relevance of planned activities to the new development context.

To achieve the outcomes planned for the programme period 2018–2020, a budget of $377 million was set in the Country Programme Document. At the time of the audit fieldwork, the Office was about two thirds of the way through the programme period, but had only managed to deliver $21 million, compared to the linear projection estimated at $220 million.

Furthermore, the Office's pipeline was composed of 3 projects: 1 was classified as Class A (interventions with secured funding and implementation capacity ready to be launched) for a total amount of $0.5 million and 2 as Class B (potential project) for a total amount of $31 million.

The above figures indicated substantial implementation and resource gaps against the initial amount of $377 million for the current programme cycle. The Office was in the process of requesting an extension of the Country Programme Document, however a formal evaluation had not been undertaken to assess the continued relevance of the current country programme and its resources targets.

The lack of a review or evaluation of the Country Programme Document may hinder the overall control on programme implementation. Additionally, unrealistic programme targets may hinder the ability of the Office to meet its development objectives.

Priority	High (Critical)
Recommendation 5: Prior to requesting an extension of the Country Programme Document, the Office should review it and ensure that programme and resource targets are realistic.	
Management action plan: Considering the extension of the Country Programme Document for two additional years, the Office will undertake a review of the document to adjust it with the current resource environment. **Estimated completion date:** September 2020	

Issue 6 Delayed formulation and initiation of new projects

The UNDP Programme and Project Management standards provide guidance on the timely formulation and implementation of project activities. Projects should be formulated and implemented in a timely manner to achieve planned project outputs as well as overall programme results in a timely manner.

The audit team reviewed the timeliness in the formulation and initiation of 10 new projects and noted the following:

a) Delays in the formulation of new projects

- In three cases, there was almost two years between the receipt of the project document prepared by a consultant, its validation by the Office, and its submission to the Local Project Appraisal Committee for review. In another case, the Local Project Appraisal Committee review of the project document took place after four months of the start of the project implementation.
- In three other cases, the consultants had submitted the project documents in September 2018. As of the audit fieldwork (one year later), the documents were yet to be submitted to the Local Project Appraisal Committee.

The Office explained that these delays were due to the poor quality of the reports submitted by the consultants, which required additional work from the Office.

b) Delays in the initiation of new projects

- Two projects with a duration between two and three years started their activities six months after the start date indicated in the project documents. The audit team noted that the recruitment of the project teams was completed between 8 and 10 months after the start date of the projects.
- As at the audit fieldwork, the Office had not yet started implementing two projects approved by the Local Project Appraisal Committee three months before.

Delays in the formulation and initiation of project activities might negatively impact the achievement of UNDP strategic goals.

Priority	High (Critical)
Recommendation 6: The Office should enhance project formulation and implementation by: (a) timely preparing and conducting quality controls of project documents and ensuring their timely review by the Local Appraisal Project Committee; and (b) completing recruitment processes in a timely manner to prevent delays in the implementation of project activities.	
Management action plan: The Office will reinforce oversight on programme management to ensure compliance with the 'UNDP Programme and Operations Policies and Procedures' and the new version of the Programme and Project Management. The Office will also organize training sessions and elaborate new standard operating procedures in order to strengthen staff capacities in programme and project management. **Estimated completion date:** September	

C. Operations

1. Financial Resources Management

Issue 7 Inadequate handling and recording of cash transfers to implementing partners

The 'UNDP Programme and Operations Policies and Procedures' stipulate that additional advances to implementing partners can only be made if 80 percent of the most recent advance and 100 percent of all other advances have been liquidated. Advances must be liquidated within six months of their being advanced. Only Heads of Office, Deputy Country Directors and Deputy Resident Representatives can approve non-purchase order payments (advances to implementing partners, grant payments, etc.) as set out in the Internal Control Framework. Moreover, all payments must be recorded using the implementing agent code of UNDP if the entire procure to pay process is executed by UNDP and all payments must be categorized to show the nature of the payment.

The Office processed 5,605 vouchers worth $17 million. The audit team reviewed a sample of 46 vouchers worth $1.7 million (10 percent of the vouchers value processed) and noted the following weaknesses:

(a) Weaknesses in the management of cash advances for nationally implemented projects

During the period under review, the Office processed 40 advances given to implementing partners amounting to $4.6 million.

From a compliance stand point, the audit team noted that:

- In four cases valued at $388,000, the Office did not comply with requirements stipulating that new advances can only be approved if the previous advance has been liquidated by at least 80 percent and all previous advances in the execution of the project have been 100 percent cleared.
- Nine advances valued at $1.9 million (42 percent of total advances paid) were outstanding for more than six months.
- Four staff approved 14 advance vouchers worth $654,206 even though they did not have the authority to do so.

The audit team also noted inefficiencies in the liquidation of advances. When processing the liquidations, the Office was creating separate journal vouchers for each month covered by the Funding Authorization and Certificate of Expenditures (FACE) form, instead of creating a single voucher for each liquidation reported through the FACE form. The purpose of this process was to reflect the United Nations Operational Rates of Exchange prevailing at the time of the disbursements made by the implementing partner. However, this was not a Harmonized Approach to Cash Transfer (HACT) requirement, and the liquidations could have been processed reflecting the accounting date on which UNDP accepted the expenses in the FACE form. This practice was also unnecessarily increasing the workload of the finance unit since more vouchers had to be created and approved, considering the numerous advances processed to implementing partners during the audit period.

(b) Incorrect recording of cash transfer transactions

- Implementing agent codes were not adequately used. The audit team noted the following: (i) in two cases valued $420,627, different codes were used for the same vendors; and (ii) three implementing agent codes were shared by more than one partner. Total payments made among the three codes amounted to $3.3 million.
- Payments for implementing partners were not tagged as required by the Office of Financial Resources Management to facilitate tracking and reporting of cash transfers.

Inadequate processing of cash advances to partners and incorrect recording of payments may lead to financial risks and inefficiencies.

Priority	Medium (Important)
Recommendation 7: The Office should improve the management and control of cash transfers to implementing partners by: (a) processing new cash advances to implementing partners in line with UNDP requirements, ensuring that cash disbursements are approved by staff with proper delegated authority, and monitoring the timely liquidation of advances; (b) revisiting its process for liquidating cash advances and using the accounting date on which UNDP accepted the expenses in the FACE form; and (c) exercising due diligence in the use of implementing partner codes and tagging of payments when recording cash advances.	

Management action plan:

The Office will undertake the following actions:

(a) Staff members and implementing partners will be trained again on HACT procedures.
(b) Standard operating procedures will be developed with actions to address issues noted.
(c) A monitoring system will be put in place to ensure the timely justification of cash advances.

Estimated completion date: June 2020

Issue 8 Weaknesses in asset management

The 'UNDP Programme and Operations Policies and Procedures' require offices to maintain complete and accurate records of assets and ensure their safeguarding. All assets under UNDP's use and control should be timely recorded in the Atlas Asset Management Module, depreciated and later disposed.

The Office certified 93 assets valued at $0.8 million in its 2018 year-end certification, confirming that physical verification and reconciliations of asset records had been performed. Reports also indicated that the Office's capitalized assets were physically verified and confirmed to be in use, and reconciled with the Atlas asset management In-Service Report.

The audit team's review of the physical inventory count process and recording of assets in the In-Service Report disclosed the following weaknesses:

(a) Atlas Asset Management Module not updated

The audit team tested the reliability of the year-end asset verification by selecting a sample of 15 inventory items with a net value of $119,179 out of a total of $845,946 as at 30 September 2019. The physical verification showed that:

- Five project vehicles incorrectly capitalized by the Office in 2018 still appeared in the Atlas asset register with an acquisition cost of $159,685.
- One vehicle used by the Coordination Unit was not recorded as an asset.
- Locations indicated in the Atlas Asset Management Module did not correspond with current locations for five assets verified by the audit team.
- Tag numbers indicated in the Atlas Asset Management Module did not correspond with those indicated on two assets verified by the audit team.

Following the audit mission, the Office indicated that corrective actions had been taken to remove equipment incorrectly recorded as assets.

(b) Obsolete assets not timely disposed

- As at the time of the audit, 16 obsolete computers no longer used since 2016 had not been disposed by the Office.
- Other obsolete equipment, including office furniture and printers were stored in the conference room, yet to be disposed.

The weaknesses indicated above disclosed an inadequate reconciliation system between physical inventories and the list of assets and attractive items. Therefore, exceptions on assets could not be detected in a timely manner.

Not regularly updating the Atlas Asset Management Module can weaken the organization's ability to properly manage, account, report on, and control the use of assets.

Priority	Medium (Important)
Recommendation 8: The Office should reinforce monitoring and oversight over assets by: (a) developing a comprehensive list of all assets used and controlled by the Office with updated locations and tag numbers, and reconciling it with the Atlas asset records; and (b) disposing obsolete and not used assets in a timely manner.	
Management action plan: The Office will put in place further measures to reinforce asset management. **Estimated completion date:** June 2020	

2. Procurement

Issue 9 Inadequate procurement management processes

According to the 'UNDP Programme and Operations Policies and Procedures', developing a strategic approach to procurement through appropriate and timely planning, is a key element to the successful and timely acquisition of goods, civil works or services at a reasonable cost. Furthermore, any contract or a series of contracts including amendments to be awarded to a vendor in a calendar year that have a cumulative value of $50,000 or more should be submitted to the Contracts, Assets and Procurement Committee or the Regional Advisory Committee on Procurement ($150,000 or more). The 'UNDP Programme and Operations Policies and Procedures' provide guidance on the correct use of the individual contract modality.

The Office processed 1,615 purchase orders for a total of $8.2 million. The audit team tested a sample of 20 transactions amounting to $1.6 million (20 percent of purchase orders) for compliance with the procurement policies and procedures. The audit team further reviewed procurement planning, strategy and risk management undertaken by the Office. The following was noted:

(a) Inadequate procurement planning

- Both 2018 and 2019 procurement plans were overestimated by 45 percent and 18 percent, respectively, due to duplicate transactions recorded in the plans.
- Significant gaps were noted when comparing procurement activities planned and those executed, which indicates that plans were not effectively used for procurement forecasting. For 2018, $3.1 million in procurement activities were planned compared to $5.8 million processed (an increase of 87 percent). As at 30 September 2019, $2.1 million was planned by the Office while $4.7 million was procured (an increase of 124 percent) during this period.

- None of the procurement plans for 2018 and 2019 had been revised and updated during the year to reflect regular changes.

(b) Inadequate monitoring of vendors' threshold

The audit disclosed that the Office was not monitoring the contracts awarded to each vendor and their cumulative amount as required by policies. As a result, three vendors with contracts amounted to $290,559 were not submitted to the Procurement Review Committees.

(c) Lapses in the selection and management of individual consultants

The individual contract modality was not adequately used: in two cases, individual contractors were temporarily contracted to counterbalance an abnormally long recruitment process, while in one other case, the contractor was contracted as a stop-gap measure intended to temporarily replace a service contract holder, who resigned from the post. In two other cases, individual contractors were contracted to perform core functions.

Furthermore, the audit disclosed weaknesses in the documentation of selection processes:

- In nine cases, the required positive reference checks (minimum of two) of the selected candidates were not obtained.
- In four out of five direct contracting cases reviewed, the Office had not demonstrated how best value for money was obtained, nor did it develop a quality assurance or risk mitigation mechanism as required by the policy.

Non-compliance with and lack of oversight of procurement activities may result in financial losses and non-competitive procurement decisions that are not aligned with UNDP procurement principles.

Priority	Medium (Important)
Recommendation 9: The Office should strengthen the effectiveness and efficiency of its procurement function by: (a) preparing an accurate and comprehensive procurement plan to be used as a strategic tool, and regularly updating it to reflect major changes during the year; (b) monitoring cumulative procurement transactions and submitting procurement cases that require review by the applicable procurement review committees; and (c) strictly adhering to policies related to the correct use of the individual contract modality and properly documenting the selection processes.	
Management action plan: The following actions will be taken: (a) The Office will organize a training on the correct use of the PROMPT procurement planning system, which will contribute to the timely submission of 2020 procurement plans; (b) The cumulative procurement transactions by vendors will be monitored and reviewed by the Operations Manager prior to approval/signature of purchase orders and contracts. (c) The individual contract modality will be used in compliance with UNDP procurement policies. **Estimated completion date:** June 2020	

Issue 10 Weak performance in conducting procurement processes

The 'UNDP Programme and Operations Policies and Procedures' provide guidance on effective procurement practices. Also, timely completion of procurement processes is critical in the achievement of UNDP development goals.

The audit disclosed the following:

- 43 percent of requisitions raised during the period under review were created in Atlas concurrently while raising purchase orders. As a critical control measure, requisitions should precede the creation of purchase orders. Consequently, the Office was not using them as authorization for procurement and as a strategic tool to measure the performance and timeliness of procurement processes.

- The due dates contractually agreed to with the vendors and recorded in Atlas were generally underestimated when compared to actual receipt dates. Out of the 1,153 purchase order lines created in 2018, the audit team noted that 293 lines (25 percent), valued at $2.4 million, were labelled as received in Atlas more than 60 days after the due date. This situation had an impact on delivery. For example, 115 purchase order lines expected to be received and expensed in 2018 were finally received in 2019 for a total amount of $1.4 million.

These weaknesses were caused by the lack of an oversight mechanism over procurement processes. Ineffective monitoring of due dates of contracted goods and services can negatively impact the delivery targets of the Office and poses a reputational risk for UNDP.

Priority	Medium (Important)
Recommendation 10: The Office should enhance oversight and performance over procurement processes by: (a) ensuring all eligible procurement processes are initiated with a requisition in Atlas; and (b) agreeing on reasonable delivery dates with vendors and monitoring the timely delivery of purchases.	
Management action plan: The Office will organize training sessions on the creation of requisitions. Furthermore, better monitoring of due dates will be performed prior to the approval of purchase orders. **Estimated completion date:** June 2020	

3. Human resources

Issue 11 Weaknesses in human resources management

The Service Contract Policy stipulates that the service contract is a modality for hiring individuals under a non-staff contract. The policy sets the conditions under which a service contract modality can be used and identifies situations of improper uses of the modality. For instance, hiring local office personnel for core functions (i.e., staff functions that are of a continuing nature and are part of UNDP's central work) constitute improper use. The 'Operational Guide of the Internal Control Framework for UNDP' sets the requirements for staff roles, delegation of authority, and Atlas user profiles.

The 'UNDP Programme and Operations Policies and Procedures' also state that individual work plans, as part of the Performance Management and Development process, have to be established, monitored, executed, and reported on annually.

The audit team reviewed the human resources management processes and noted the following weaknesses:

(a) Improper use of the service contract modality

There were 13 personnel hired under the service contract modality that were performing core functions. Furthermore, the audit team noted the following instances of non-compliance with the corporate Service Contract Policy and the Internal Control Framework:

- Two service contract holders were members of the local Contract, Assets and Procurement Committee, which should have been comprised only of staff members.
- Two service contract holders were granted the "Treasury/Finance User" Atlas profile. This profile should refer to staff members with finance roles.
- One service contract holder was supervising UNDP staff members.
- In one procurement process, the evaluation team was comprised of service contract holders only (no UNDP staff).
- In one procurement process, a service contract holder was the chairperson of the ad-hoc evaluation team.

(b) Incomplete Performance Management and Development plans and assessment

- At the time of the audit, the 2018 Performance Management and Development assessment had not been completed for 23 percent of the staff (9 out of 39). For 2019, 46 percent (20 out of 43 staff) of Performance Management and Development plans were yet to be completed, due to objectives not defined by the staff members or delays in the approval by supervisors.

Delays in completing Performance Management and Development plans may prevent management from identifying areas that need improvement. These delays may also negatively affect the Office's overall performance, as contracts may be renewed without assurance that staff performance is satisfactory.

Priority	Medium (Important)
Recommendation 11: Improve management of human resources by: (a) strictly adhering to the correct use of the service contract modality and granting Atlas profiles and other roles in accordance with the Internal Control Framework; and (b) timely completing the Performance Management and Development plans and assessments for all staff members.	
Management action plan: The Office will implement corrective measures to ensure that: (a) Core functions are exclusively performed by staff members. (b) Performance Management and Development plans and assessments are timely completed.	

Estimated completion date: August

[**Note:** This section has been redacted as it is deemed to contain sensitive information.]

D. United Nations Leadership and Coordination

Issue 13 Inadequate management of HACT

According to the 'UNDP Programme and Operations Policies and Procedures', full compliance with the 'Harmonized Approach to Cash Transfers (HACT) Framework' is achieved when the following components are complete: (a) macro-assessment of the public financial system; (b) micro-assessments of implementing

partners; and (c) an assurance plan that details the spot checks for each implementing partner, based on the results of the micro-assessment.

- A macro-assessment had not been undertaken for the 2018–2020 programming cycle, nor was it planned at the time of the audit. The Office stated that the United Nations Country Team had decided to use the World Bank's Public Financial Management Assessment instead of the macro-assessment. No minutes of the United Nations Country Team meeting were provided to corroborate this decision.
- Since 2018, none of the mandated spot checks had been completed. The Office stated that spot checks had been undertaken in 2018 but were not uploaded in the HACT portal. However, no such reports were made available to the audit team for review.

Failure to fully satisfy the minimum conditions of the HACT Framework could result in the use of inappropriate cash transfer modality, which could result in financial losses. Moreover, financial management issues at entities receiving direct cash transfers may not be detected timely if spot checks are not conducted.

Priority Medium (Important)
Recommendation 13: The Office should improve the management of HACT by: (a) undertaking, in collaboration with other United Nations agencies in the Country, the macro-assessment of the public finance system; and (b) conducting spot checks and reporting them in the HACT portal.
Management action plan: The Office will: (a) Consult with other UN agencies to perform the macro-assessment. (b) Perform the spot checks on regular basis in line with the HACT quality assurance plan. **Estimated completion date:** June 2020

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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.