UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

Empowered lives.
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AUDIT

OF

UNDP COUNTRY OFFICE

IN

TUNISIA

Report No. 1740

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Report on the audit of UNDP Tunisia
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Tunisia (the Office) from 7 to 18 November 2016. 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, business continuity, monitoring and reporting, financial sustainability);

(b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – "One UN", Harmonized Approach to Cash Transfers [HACT]);

(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 2015 to 30 September 2016. The Office recorded programme and management expenditures of approximately $18.3 million. The last audit of the Office was conducted by OAI in May 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/major improvement needed**, which means, "The assessed governance arrangements, risk management practices and controls were established and functioning, but needed 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 resource mobilization, project management, and procurement.

Key recommendations: Total = **9**, high priority = **3**

The eight recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	2	High
Efficiency and effectiveness of operations	6	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	1, 3, 4, 7, 8	Medium
	5, 9	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, by order of significance:

Lapses in resource mobilization (Issue 2)	The audit found that the resource mobilization strategy was yet to be finalized even though the Office was heading towards the second half of the current cycle. The need for such a strategy was urgent, as some fully staffed projects faced funding gaps that could have compromised their financial sustainability. In addition, arrears of Government Contributions to Local Office Costs (GLOC) amounted to $2.5 million. <u>Recommendation 2:</u> The Office should enhance resource mobilization in order to secure long-term operations by: (a) finalizing the resource mobilization strategy and the related action plan soonest; (b) filling project funding gaps or substantively reviewing them to adjust their size and objectives to available resources; and (c) pursuing discussions with the national counterpart to recover GLOC arrears.
Inadequate procurement management processes (Issue 8)	The audit found weaknesses in the management of the procurement process and activities, and this resulted in an inadequate procurement plan, unjustified direct contracting, lack of monitoring of vendors' thresholds, inadequate safekeeping of bidding documents, and inadequate sourcing of individual contracts. <u>Recommendation 9:</u> The Office should reinforce controls over procurement activities and processes by: (a) establishing a procurement plan that contains requests for all planned activities at the beginning of the year and by regularly updating this plan in order to avoid last minute direct procurement; (b) monitoring vendors' thresholds so that vendors are reviewed by the responsible procurement committees, and ensure the installation of a locked box to receive and safeguard bid offers as well as restricting access to the procurement email; and (c) using appropriate sourcing methods when recruiting individual contractors, including not exceeding direct contract thresholds or using the direct contract modality to bypass competitive processes.
Late project closure and missing justification for closed projects (Issue 4)	The review of eight projects and the analysis of relevant queries identified the following weaknesses: ▪ Four projects were closed without any justification, and there were no signed project checklists provided for the remaining four. ▪ Eight projects were still ongoing while showing expired end dates in Atlas (the enterprise resource planning system of UNDP). ▪ Two projects operationally closed for more than 12 months had not been financially closed because the Office had not received guidance from donors on their outstanding balances. <u>Recommendation 5:</u> The Office should improve the controls over the closure of projects to ensure: (a) that all records are kept of project closure checklists and all required supporting documents to justify project closure in Atlas; (b) that mechanisms are put in place to monitor project expiration dates and to timely initiate project closure processes or extensions; (c) initiating a practice where donors are followed up on projects with remaining balances, and the Office is seeking guidance from the Office of Financial Resources Management (OFRM) if responses from donors are delayed.

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.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Tunis, Tunisia (the Country), comprised of 32 staff members, 64 service contract holders and 6 United Nations Volunteers at the time of the audit. The Country Programme Document, covering the period 2015-2019 focused on the following areas: (a) sustainable growth, (b) inclusive and effective democratic governance, and (c) resilience. The Office had a portfolio of 30 ongoing projects in 2016 and delivered $24.2 million during the period under review.

II. Audit results

Satisfactory performance was noted in the area of programme management, where no reportable issues were noted.

OAI made three recommendations ranked high (critical) and six 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) Enhance resource mobilization (Recommendation 2).
(b) Reinforce controls over procurement activities and processes (Recommendation 9).
(c) Improve controls over the closure of projects (Recommendation 5).

Medium priority recommendations, arranged according to significance:

(a) Reverse the amount unduly charged as Implementation Support Services costs to the related projects' budgets (Recommendation 7).
(b) Reinforce projects' effectiveness and efficiency (Recommendation 6).
(c) Strengthen financial oversight and controls over the payment process (Recommendation 8).
(d) Ensure compliance with project approval and implementation requirements (Recommendation 3).
(e) Improve project monitoring controls (Recommendation 4).
(f) Ensure that all staff complete mandatory trainings (Recommendation 1).

The detailed assessment is presented below, per audit area:

A. Governance and strategic management

1. Leadership, ethics and training

Issue 1 Low completion rate of UNDP mandatory training courses

According to the UNDP training policy, mandatory training courses are important for ensuring that staff and managers understand the various policies, regulations as well as the goals and objectives of the organization. All staff members should complete the mandatory courses and obtain their certificates of completion no later than six months after commencing duties. At the time of the audit, not all staff members had completed the UNDP mandatory training courses in due time, as shown below:

- 38 percent had not completed the Ethics and Integrity course;

- 26 percent had not completed the Legal Framework course;
- 23 percent had not completed the Prevention of Harassment course;
- 21 percent had not completed the Gender Journey course;
- 9 percent had not completed the Advanced Security in the Field course; and
- 3 percent had not completed the Basic Security in the Field course.

Not completing mandatory training courses may lead to staff members not following relevant policies.

Priority	Medium (Important)
Recommendation 1: The Office should ensure that all staff complete UNDP mandatory training courses in time by regularly following up.	
Management action plan: Management committed to getting all mandatory courses completed by 28 February 2017 and will include it in staff performance key indicators. **Estimated completion date:** February 2017	

B. Programme activities

1. Partnership and resource mobilization

Issue 2 Lapses in resource mobilization

The 'UNDP Programme and Operations Policies and Procedures' require offices to establish effective partnerships with various stakeholders, develop a resource mobilization strategy along with the Country Programme Document, as well as implement a corresponding resource mobilization action plan. In accordance with the provisions of the Standard Basic Assistance Agreements that govern UNDP operations in programme countries, host governments are expected to contribute towards the costs of Country Offices. The annual GLOC cash targets are communicated to the Country Offices by OFRM for recovery purposes. Government in-kind contributions are considered as part of the total GLOC target and are excluded from the calculation of the cash target.

The audit team held discussions with the management of the Office and project managers, and met with donors and the main national counterpart and concluded that there was room for improvement in resource mobilization:

- At the time of the fieldwork, the Office was moving towards the implementation of the second half of the Country Programme Document cycle (2015-2017), and yet, a resource mobilization strategy had not been finalized. A draft resource mobilization plan was submitted to the Regional Bureau in September 2016, and the Office recently received comments, which were being incorporated.

- Out of the six projects tested during fieldwork, two were facing significant funding gaps, compared to the level of resources scheduled in the project document. The two projects had financial gaps of $7 million and $5.7 million, respectively. If additional resources are not mobilized, the sustainability of the two projects, which were fully staffed at the time of the audit, might be compromised. Despite reminders sent by the Office to the national counterpart, GLOC arrears covering the period 2008-2016 amounted to $2.5 million. The issue and the in-kind contribution option was discussed during regular meetings with the national counterpart. During a meeting with the audit team, the national counterpart reiterated their willingness to clear those arrears and requested clarifications in the calculation of the amount due.

Due to the discrepancies mentioned above, the need to finalize the strategy was critical.

Priority	High (Critical)
Recommendation 2: The Office should enhance resource mobilization in order to secure long-term operations by: (a) finalizing the resource mobilization strategy and the related action plan soonest; (b) filling project funding gaps or substantively reviewing them to adjust their size and objectives to available resources; (c) pursuing discussions with the national counterpart to recover GLOC arrears.	
Management action plan: The Office will: (a) Finalize the resource mobilization strategy and start implementation of the action plan by the end of February 2017. (b) Undertake a strategic review of key projects to adjust objectives to available resources and national priorities/expectations (starting end of March 2017). For project 94396, a strategic review is planned for January 2017 to re-profile the project and develop a resource mobilization plan. In addition, an analysis of the workload will be conducted, and the organization chart of the project reviewed accordingly. (c) Remind the relevant government ministry about the delayed GLOC contributions and keep negotiations to recover amounts overdue. Otherwise, in-kind contributions such as hosting the UNDP Office in public buildings should be considered. **Estimated completion date:** December 2017	

2. Project management

Issue 3 <u>Deficiencies in project approval and implementation</u>

The 'UNDP Programme and Operations Policies and Procedures' on project management require all offices to seek authorization from their Regional Bureaux prior to using the direct implementation modality (except when the Fast Track Procedures are activated, which automatically give the Office the authority to use the direct implementation modality by default). Those policies and procedures provide guidance on annual monitoring activities during the project implementation stage, including: (i) conducting reviews of projects (driven by the Project Boards) to assess their performance; (ii) preparing progress reports for the attention of the board, preferably on a quarterly basis; and (iii) drafting a review report for the Project Board or the relevant outcome group or coordinating mechanism.

Finally, guidelines on inventory management stipulate that offices should ensure that an inventory control report is prepared, reviewed and certified for each project.

Out of all the 24 directly implemented projects, only 6 received clearances from the Regional Bureau. To date, 18 projects are operating under the direct implementation modality without authorization. The Office did not realize that the fast track modality for the governance portfolio had expired since March 2015.

The audit team tested six projects representing 69 percent of expenditures during the period under review. The following exceptions were noted:

- Atlas was not properly used as a project monitoring tool. None of the reviewed, had updated risk logs, monitoring logs, or issues logs.
- The annual work plan was not signed for one project, while another work plan was only signed in October 2016.
- No annual reviews of projects were conducted. The Office organized a planning workshop at the beginning of 2016 during which all projects were scrutinized. However, this workshop included only UNDP staff and did not include other members of the Project Board or stakeholders; therefore, it did not fulfil the purpose of the annual project review. Following the audit, an annual review workshop that included the national counterpart was held, which addressed the audit concerns. Therefore, no further recommendation is being made in this regard.
- Quarterly project reports were delayed. As at the end of October 2016, four projects (ADL, Croissance Inclusive, Gouvernance ODD and SNI) had a backlog of quarterly reports to submit. In two instances, the backlog dated back to 2015. The delays were due to insufficient progress towards results, understaffing, and workload.
- The signed projects' asset lists (capitalized and non-capitalized assets) were not available and physical inventories tests of all assets were not undertaken. Only Atlas reports pertaining to capitalized assets were available.
- One project sold its assets to another one, without the disposal being stipulated in project documents, properly authorized by the project's steering committees, and without the Office's management being informed.

The inadequate monitoring and review of projects may result in projects operating and conducting activities without a legal framework, lack of assurance that assets were accounted for and delays in projects implementation.

Priority	Medium (Important)
Recommendation 3: The Office should ensure compliance with project approval and implementation requirements to ensure that:	

(a) prior authorization from the Regional Bureau for directly implementing projects is received; and (b) annual or multi-year work plans are signed off at the beginning of the year.	
Management action plan: The Office will ensure that requested authorizations are obtained and annual work plans are signed in a timely manner. **Estimated completion date:** June 2017	

Priority	Medium (Important)
Recommendation 4: The Office should improve its project monitoring controls by: (a) updating the risk, issues and monitoring logs and reporting on projects' progress and results on a quarterly basis; and (b) enforcing project managers' accountability for the adequate management and reporting of assets under their control.	
Management action plan: The Office will ascertain that: (a) annual reviews of projects and projects board meetings are systematically organized and documented; (b) reporting is done on a regular basis through close monitoring of reporting calendar; and (c) projects maintain inventory lists that will be verified every semester. **Estimated completion date:** December 2017	

Issue 4 Late project closure and missing justification for closed projects

The 'UNDP Programme and Operations Policies and Procedures' require that operationally closed projects are financially closed within 12 months of their operational closure. Any residual balances should be cleared within this timeframe, to enable the financial closure of projects. Furthermore, projects that have ended should be operationally closed in Atlas and a project closure checklist should be completed and relevant documentation attached to justify their final closure.

The audit team selected eight financially closed projects and analysed Atlas queries, it noted:

- Four projects did not have supporting documents justifying the closure.
- Three projects did not include a closure checklist.
- All projects were still ongoing even though their end dates expired.
- Two projects were operationally closed for more than 12 months but were not financially closed.

The delayed closure was due to a lack of controls. With no available documents justifying project closures, there was no assurance that the prescriptions of the 'UNDP Programme and Operations Policies and Procedures' were adhered to, and that all pending issues had been dealt with appropriately. Delayed closing of projects may hinder the effective use of available resources.

Priority	High (Critical)
Recommendation 5: The Office should improve the controls over the closure of projects to ensure: (a) that all records are kept of project closure checklists and all required supporting documents to justify project closure in Atlas; (b) that mechanisms are put in place to monitor project expiration dates and to timely initiate project closure processes or extensions; and (c) initiating a practice where donors are followed up on projects with remaining balances, and the Office is seeking guidance from the Office of Financial Resources Management if responses from donors are delayed.	
Management action plan: The Office will improve the mechanism in place to close projects and will issue a note to file for the old projects for which the Office had no institutional memory. The Office will share a memo on the monitoring of projects' accurate dates and monitoring of projects will be included on relevant staff Performance Management Development. **Estimated completion date:** June 2017	

Issue 5 Project staffing not commensurate with level of activities

The 'UNDP Strategic Plan 2014-2017' requires institutional effectiveness, achievable among other means through the improved management of financial and human resources, within projected available resources.

The audit team noted that the Office had projects with high management/project expenditure ratios, as a result of high staff costs. Illustrative examples are presented below:

Project related to electoral assistance: The project had total expenditures of $1.3 million during the period under audit, of which $1.04 million (i.e., 78 percent) were related to staff costs. The project team consisted of one chief technical advisor at the P5 level, one legal advisor at the P4 level, and one operations manager at the P3 level, as well as two administrative assistants, one designer, one stakeholder engagement assistant, and one driver. The Project Unit explained that it aimed at providing technical assistance and expertise, which required qualified human resources. The audit team understood the nature of the assistance and the need for technical advisors. The audit team also acknowledged that this situation was not entirely under the control of the Office, as the anticipated elections did not take place and the Office had no indication as to when they would occur. Nevertheless, since elections had not taken place since 2014, the current level of operational support was inadequate based on the volume of ongoing activities.

Project related to promoting social cohesion, dialogue, and mediation to prevent conflict using civil society organizations: The selection of civil society organizations and their monitoring was the main activity of the project. For the period under audit, the cumulative amount of the grant reached $0.92 million. At the same time, salary costs of the Project Unit amounted to approximately $0.7 million (i.e., 76 percent of total grants). The Office's management explained that a high number of service contractors had been hired to assist them in implementing the project. The management acknowledged that staffing needed to be reduced and a sustainability plan, including a reduction of staff, was being drafted.

High staffing costs may divert project resources and prevent the Office from achieving planned development results. In the long-run, it can negatively impact UNDP's competitiveness and affect its ability to attract donors and mobilize resources.

Priority	Medium (important)
Recommendation 6: The Office should reinforce projects' effectiveness and efficiency by aligning staffing to the level of activities.	
Management action plan: The Office will undertake a review of the support ratio in the concerned projects. **Estimated completion date:** April 2017	

C. Operations

1. Finance

Issue 6 Implementation Support Services unduly charged to projects

Direct project costs (DPC) are costs that can be directly traced and attributed to the project. The 'UNDP Programme and Operations Policies and Procedures' require that services that will result in DPC need to be disclosed transparently and agreed to by all concerned parties and supersede Implementation Support Services.

The Office had started the implementation of the DPC and had accordingly assigned to the project budget the direct costs (i.e. salaries) of achieving the development results and objectives of nine projects, amounting to $1,478,507. The audit noted that the Office had also collected $177,760 of Implementation Support Services from the projects under DPC. Thus, the collection of Implementation Support Services represented a double charge to the projects. The Office's management acknowledged the weakness and commented that the funds would be transferred to a temporary account until reversed to the project budgets.

Double charging could lead to disagreements with the donor and potential reputational risks for UNDP.

Priority	Medium (Important)
Recommendation 7: The Office should reverse the amount unduly charged as Implementation Support Services costs to the related projects' budgets.	
Management action plan: The Office will reverse the unduly charged amount for the nine projects under DPC. **Estimated completion date:** June 2017	

Issue 7 Weak oversight over payment process

According to the 'UNDP Programme and Operations Policies and Procedures', the payment process includes the following steps: (a) finance staff members run the pay cycle; and (b) the disbursing officer checks the details of supporting documents prior to finalizing payment in Atlas and authorizes the bank to transfer funds to the payees. Through their assigned written delegation of authority, project managers are responsible for reviewing the payment supporting documentation, including the correct use of the Chart of Accounts prior to approving transactions.

The review of the payment process identified the following weaknesses:

(a) Incorrect use of the Office's Chart of Accounts

Account 74525 "Sundry" recorded transactions amounting to $982,267 in 2015 and $323,753 as at 30 September 2016, for a total amount of $1,306,020 for the reviewed period. The audit sample comprised 12 transactions for a total amount of $273,268 (20 percent). For all of these transactions, the use of the Sundry account was incorrect: the audit review identified 11 transactions amounting to $244,318 that were learning costs, and 1 amounting to $28,950 that was related to service contract costs.

Four payments amounting to $61,664 were incorrectly recorded as Daily Subsistence Allowance instead of learning costs and another transaction amounting to $13,597 was recorded as Daily Subsistence Allowance instead of micro-capital grants.

(b) Inadequate oversight resulting in high number of cancel payments

Over the reviewed period, 614 vouchers amounting to $1,220,000 were cancelled. The audit team noted that out of these transactions, 458 Electronic Funds Transfers (EFT) were cancelled due to errors on the vendors' information. Another 156 cheques were cancelled either due to incomplete or errors in the supporting justifications. This led the Office to issue cheques with incorrect values, which were subsequently rejected by the vendors.

None of the errors identified had an impact on the financial reporting of the Office, as they were within the same account class (7xxxx) for recording expenditures. The Office's management acknowledged the data entry errors and reported that a reinforcement of controls would be established to strengthen both first and second lines of defence, particularly at the levels of programme and operations associates and programme managers

Inadequate oversight over the payment process could lead to issues and irregularities not being timely detected and addressed.

Priority	Medium (Important)
Recommendation 8: The Office should strengthen financial oversight and controls over the payment process by: (a) promoting the correct use of the Charts of Accounts and minimizing errors and irregularities in the vendor creation process through regular training, and enforcing oversight from the Operations Unit; (b) establishing a mechanism to review general ledger accounts to timely detect and reconcile unusual balances or account variations; and (c) putting in place adequate controls over physical cheques.	
Management action plan: (a) The Office will improve the line of defence by reinforcing staff capacity and oversight of the vendor creation process, and use of accurate Chart of Accounts. (b) A verification of different accounts through an AAA Report will be ensured on monthly basis – the first week of each month. (c) The Office already put in place a control system for cheques before running the various paycycles with double checking by the finance associate to ensure that all supporting documents are in the file before running the paycycle and that the amount to be paid corresponds to the right invoice to avoid any rejections from the vendors. **Estimated completion date:** December 2017	
OAI response OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

2. Procurement

Issue 8 <u>Inadequate procurement management processes</u>

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. In addition, the UNDP procurement policy requires that all procurement contracts be awarded on the basis of effective competition and a fair selection process. UNDP Financial Rule 121.05 provides nine justifications for the use of direct contracting, among which are the genuine exigency for the requirement and the need for standardization.

Moreover, the engagement of individual contractors under the individual contract modality is subject to the general procurement principles established by the 'UNDP Financial Regulations and Rules' namely, the best value for money, fairness, integrity and transparency, effective competition as well as the interests of UNDP. All individual contracts should be awarded through a competitive selection process. Under certain circumstances, and subject to proper justification, it may be appropriate to consider a single offeror as the sole suitable individual for selection.

Between January 2015 and September 2016, the Office processed 2,330 purchase orders for a total of $13.3 million. The audit team reviewed a sample of 35 transactions amounting to $2.2 million and noted the following weaknesses regarding procurement activities and internal controls within the Office:

(a) Inadequate procurement plan:

At the time of the audit, the 2016 procurement plan was incomplete and did not include procurement needs from all programme and project activities. The plan was not regularly monitored and updated during the year to reflect major changes. The plan was also not used as a strategic tool to help the Office achieve its delivery objectives timely and efficiently. As an example, in 2016, the Office had an estimated $3.7 million for the procurement of goods and services but as at September 2016, $5.6 million had already been spent. Several procurement activities, valued at approximately $30,000 per procurement, such as purchases of vehicles and ICT equipment, and recruitments of individual contractors in 2016 were not initiated from the existing procurement plan.

(b) Unjustified direct contracting:

The audit noted that 4 out 35 (i.e. 11 percent of the total) direct procurement processes worth $0.3 million were undertaken without appropriate justification and supporting evidence to demonstrate that the conditions for direct contracting as described in Financial Rule 121.05 were applicable.

(c) Lack of monitoring of vendors' threshold:

The 'UNDP Programme and Operations Policies and Procedures' require that, any contract or series of contracts including amendments to be awarded to a vendor in a calendar year and have a cumulative value of $50,000 or more should be submitted to the Contracts, Assets and Procurement Committee or, if the cumulative value is $150,000 or more the Regional Advisory Committee on Procurement.

The audit disclosed that the monitoring of cumulative procurement to detect vendors who had reached the thresholds for procurement review was not properly undertaken. As a result, two vendors were not reviewed by the Regional Advisory Committee on Procurement and one vendor was not reviewed by the Contracts, Assets and Procurement Committee. The cumulative value of the procurement transactions of $152,949, $161,113, and $77,523, respectively required such a review.

(d) Inadequate safekeeping of bidding documents:

The audit found that procurement tender bids were directly received and stored in the Procurement Office without the use of a dedicated safe box to safeguard them. In addition, the audit team noted that all staff in the Procurement Unit had access to the email account were the bid offers were received.

(e) Inadequate sourcing of individual contracts:

During the audit period, the Office recruited 315 individual contractors. The audit noted that the Office directly contracted more than 150 individual contractors below $5,000 with some assigned to different projects with a cumulative value of more than $5,000. According to UNDP policies, direct contracts with a value or cumulative value of $5,000 or more but below $100,000 require a justification to, and approval from, the Resident Representative/head of the business unit, or other UNDP staff who have been delegated procurement authority up to such an amount. No such supporting evidence was provided to the audit team. Furthermore, the audit team observed that some of these individual contractors had later been extended, thus exceeding the $5,000 threshold which would have required a minimum of three qualified offerors to be considered in the selection process.

Lack of compliance with the procedures and lack of oversight over procurement activities may result in financial losses. By not complying with individual contractor recruitment and management policies and procedures, there is no assurance that the most qualified candidate with the best offers will be selected.

Priority High (Critical)

Recommendation 9:

The Office should reinforce controls over procurement activities and processes by:

(a) establishing a procurement plan that contains requests for all planned activities at the beginning of the year and by regularly updating this plan in order to avoid last minute direct procurement;

(b) monitoring vendors' thresholds so that vendors are reviewed by the responsible procurement committees, and installing a locked box to receive and safeguard bid offers as well as restricting access to the procurement email; and

(c) using appropriate sourcing methods when recruiting individual contractors, including not exceeding direct contract thresholds or using the direct contract modality to bypass competitive processes.

Management action plan:

The Office will do the following:

(a) Organize planning workshops dedicated to procurement, human resources and programmatic areas. Individual and consolidated procurement plans will be finalized and signed along with the annual work plans.

(b) A Procurement Committee will be created and composed of staff from operations, PSU, programmes and projects. The Procurement Committee will monitor procurement activities continuously including vendor thresholds evaluation on a quarterly basis.

(c) A mechanism has been put in place to ensure segregation of duties over the procurement email access: only one individual has access to the email account. The locked box to receive and safeguard bids offers will be also established.

(d) Adequate sourcing methods are improved internally and in collaboration with other United Nations agencies. Training procurement sessions are also planned, in order to clarify procurement according to UNDP rules and regulations and to guide staff through their activities. An additional roster of individual consultants will also be put in place to facilitate consultant recruitments.

Estimated completion date: March 2017

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 <u>not included in this report</u>.