

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

CHAD

Report No. 1886
Issue Date: 5 October 2017

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Report on the Audit of UNDP Chad Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Chad (the Office) from 10 to 25 July 2017. 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 2016 to 30 April 2017. The Office recorded programme and management expenditures of approximately \$23.2 million¹. The last audit of the Office was conducted by OAI in 2014.

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 that “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 internal control weaknesses noted in programme and asset management.

Key recommendation(s): Total = 10, high priority = 3

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

¹ The total expenditure incurred by the Office for the audit period amounted to \$53,564,006. This figure includes expenditure pertaining to Global Fund activities under fund code 30078 that were not under the scope of this audit.

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. All high (critical) priority recommendations are presented below:

Weaknesses in project monitoring and oversight (Issue 2)

Five out of 21 active projects, representing 24 percent of the total portfolio, had not been quality assured as of June 2017, whereas the comprehensive quality assurance of all projects was due by end of February 2017. Of the 16 projects that had been quality assured, none had been assessed as satisfactory; 10 (62 percent) were assessed as inadequate, whereas six (38 percent) were assessed as in need for improvement. Risk logs were neither exhaustive nor updated to consider changing risks faced for three out of five projects. The audit noted overcharging of expenses to the Project 'Human Security Trust Fund' for 2016 and 2017, amounting to \$53,000.

Recommendation: The Office should improve project monitoring and oversight by: (a) timely completing the annual project quality assurance and addressing any identified gaps; (b) periodically updating the risk register; and (c) instituting oversight over project expenditures to avoid overcharging.

Inadequate oversight of Non-Governmental Organisations as Micro Capital Grant recipients (Issue 3)

The Elections project engaged ten non-governmental organizations and advanced grants amounting to \$406,000. No micro-assessments were made to determine risk thresholds prior to making the advances for two of these organizations that received grants above the threshold of \$50,000. The audit validated six of the ten grants and noted that some of the transactions therein were not properly justified, as the supporting documentation submitted by four of the six non-governmental organizations related to the Election project, were not adequately reliable and sufficient, to substantiate the expenses incurred.

Recommendation: The Office should enhance oversight on micro-capital grant recipients by conducting micro-assessments prior to disbursing funds and closely monitoring recipients assessed as high risk.

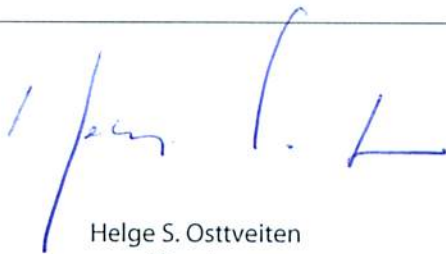
Weaknesses in assets management (Issue 8)

The audit determined that the number of vehicles used and controlled by the Office did not reconcile with the number recorded in either the Atlas asset registry, or the number reported in the certified annual physical year-end count. Moreover, at the time of the audit, no asset tagging was performed for both capitalized and non-capitalized assets.

Recommendation: The Office should strengthen asset management by: (a) developing a comprehensive list of all assets owned by the Office and reconciling it to the Atlas records, together with any necessary adjustments for obsolete and/or disposed assets on a timely basis; (b) providing to the Asset Management Team / committee adequate training on UNDP policies related to the asset management process; and (c) properly tagging all assets and enforcing project managers' accountability in periodically certifying and reporting on assets under their control.

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 S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office is located in N'djamena, Chad (the Country). At the time of the audit, the Office employed 35 staff members (16 international, and 19 national staff), 47 service contract holders and 37 United Nations Volunteers. The Country Programme Document (2017-2021) focuses on the following areas: (a) inclusive growth and sustainable development; (b) participatory governance and social cohesion; (c) environmental resilience and disaster risk reduction; and (d) human capital.

The Office operates in a challenging environment where it is difficult to achieve an effective human resources capacity and where corruption is prevalent (Transparency International ranked Chad 159 out of 176 in the 2016 corruption perceptions index).

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance/corporate direction. The governance, risk management and control systems related to this audit area were adequate and effective.
- (b) Governance/corporate external relations and partnership. The Office was generally compliant in this area.
- (c) Programme/knowledge management. The governance, risk management and control processes of the Office were found to be efficient and effective in making institutionalized knowledge management and learning part of its performance culture.
- (d) Operations/human resources management. Controls were adequately established and functioning. The review of recruitment and separation processes did not identify any reportable issues.
- (e) Operations/staff and premises security. The Office was compliant with the Minimum Operating Safety Standards (MOSS).
- (f) United Nations Leadership and Coordination. The Office met the planning, oversight and reporting requirements for United Nations Coordination.

OAI made three recommendations ranked high (critical) and seven recommendations ranked medium (important) priority.

High priority recommendations, arranged according to significance:

- (a) Enhance oversight on micro-capital grant recipients by conducting micro-assessments of organizations in need of grants of \$50,000 or more (Recommendation 3).
- (b) Improve project risk management and project monitoring (Recommendation 2).
- (c) Strengthen asset management (Recommendation 8).

Medium priority recommendations, arranged according to significance:

- (a) Ensure sufficient resources and capacity at all times (Recommendation 1).
- (b) Strengthen financial management (Recommendation 4).
- (c) Improve the implementation of the Direct project costing (Recommendation 5).
- (d) Improve fuel management (Recommendation 6).
- (e) Improve disaster recovery planning (Recommendation 7).
- (f) Follow the requirements of the 'UNDP Programme and Operations Policies and Procedures' (Recommendation 9).
- (g) Comply with the policies and procedures governing the individual contracting modality (Recommendation 10).

The detailed assessment is presented below, per audit area:

A. GOVERNANCE

1. Leadership

Issue 1 Capacity challenges negatively impacting the Office operations

The vision and mission of an office as well as its organizational effectiveness relies on the adequacy of its organizational structure, coupled with requisite resources.

In 2013, the Office prepared a report in respect of the financial sustainability exercise (the exercise) that proposed a restructuring of the Office. At the time of the audit, the process was still incomplete and negatively impacted the Office as some posts being vacant for long periods or being encumbered by staff affected by the process and thus not fully engaged. The programming function was most impacted in this regard with most senior positions vacant for long periods of time. For most of 2016 and 2017, the Office also operated with less than optimum capacity. Ten posts, including key positions, such as the Head of the Sustainable Development Unit and the Head of the Governance Unit², were vacant for more than eight months. Further, staff were impacted by a long financial sustainability exercise process. All the above contributed to:

- the Office operating in a reactive rather than a proactive manner; and
- delayed responsiveness vis-a-vis organizational/programmatic goals.

The audit noted systemic weaknesses in risk assessment, management, coordination, and communication among units particularly in oversight and monitoring as illustrated in issues two, three and four of the current report.

Management was unable to rely on a first line of defense, that was affected by reduced staff strength and capacity. Consequently, there were challenges in implementing an effective first line of defense, which resulted in a higher involvement by senior management in lower level operations, as opposed to focusing on more strategic issues.

Priority	Medium (Important)
Recommendation 1:	
The Office should ensure sufficient resources and capacity at all times, in order to strengthen the first line of defence.	
Management action plan:	
Given the time elapsed since the Financial Sustainability Exercise, and new emerging priorities, the Office is engaging with the Regional Bureau for Africa to review the Office structure without having recourse to another change management including adapting the Office Organigram to align with the emerging needs.	
Estimated completion date: March 2018	

² This post was still vacant during the audit

B. PROGRAMME

1. Programme / Project Design and Implementation

Issue 2 Weaknesses in project monitoring and oversight

The 'UNDP Programme and Operations Policies and Procedures' state that offices must ensure adequate monitoring by preparing annual project reports, and maintaining issue, monitoring and risk logs. Additionally, projects must be quality assured on an annual basis and corrective action acted upon timely, where identified. Several issues were noted during the review of projects as follows:

(i) Inadequate project quality assurance

Of 21 active projects, 5 (24 percent) had not been quality assured as of June 2017, whereas the comprehensive quality assurance of all projects was due end of February 2017. Of the 16 projects that had been quality assured, 10 (62 percent) were assessed as inadequate, and 6 (38 percent) were assessed as in need of improvement. The most common issues reported in the quality assured projects were lack of budgeted monitoring and evaluation plan, weaknesses in risk management, and inadequate mobilization of non-core resources.

The audit reviewed two projects (elections and Integrated Capacity Development) that had been quality assured and noted similar findings as recorded in the quality assurance database, including weaknesses in risk management and lack of budgeted monitoring and evaluation plans.

(ii) Delayed project implementation

The implementation of three out of four projects reviewed was significantly delayed to up to 2 years. A key factor that contributed to these delays was the time it took to recruit and bring on board dedicated human resources to run the projects. For example, Project Manager only came on board about six months before the end of the project.

(iii) Inadequate risk management

Risk logs were neither exhaustive nor updated to consider changing risks faced for three out of five projects. Available progress reports reviewed by the audit highlighted issues and potential risks which should have been captured in the risk register for monitoring purposes.

(iv) Overcharging of project expenses

The audit noted overcharging of expenses to the Project 'Human Security Trust Fund' for 2016 and 2017 as illustrated below:

- ICT connection charges for the Abeche Sub-office amounting to \$17,000 were incorrectly charged to the project expenses, even though the Project was not located there.

- The annual rent for the Sub-office in Goz Beida totalling \$15,000, and all the charges for maintenance of the premises amounting to \$21,000 were charged to the Project without apportionment of the costs to other projects occupying the same premises.

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

Priority	High (Critical)
Recommendation 2:	
The Office should improve project monitoring and oversight by:	
<ul style="list-style-type: none"> (a) timely completing the annual project quality assurance and addressing any identified gaps; (b) periodically updating the risk register; and (c) instituting oversight over project expenditures to avoid overcharging. 	
Management action plan:	
On recommendation (a), the Office is developing an action plan with dates and names of assessors per project that is part of the Power Business Intelligence compliance list.	
On recommendations (b) and (c), Management has prepared an induction plan to train and introduce newly recruited staff to adequate tools to improve project risk management and project control. Part of the training will instill a clear sense of accountability and responsibility among the program / project staff. With the completion of the Financial Sustainability Exercise, the Office will establish an expanded management team which will assist in reviewing all compliance issues.	
Estimated completion date: June 2018	

Issue 3 Inadequate oversight on micro-capital grant recipients

According to the 'UNDP Programme and Operations Policies and Procedures', non-governmental organizations as micro-capital grant recipients are exempted from competitive procurement processes and shall be selected under programming modalities. The non-governmental organizations can also be identified during project formulation. In such instances, the Project Appraisal Committee can recommend potential recipients for the Resident Representative's approval. This should be listed in the annual work plan as well as in the draft terms of reference for their services, which are attached to the project document. Non-governmental organizations in receipt of more than \$50,000 in grant should be micro-assessed.

. However, no micro-assessments were made for two of the non-government organizations that received over \$50,000 to determine risk thresholds prior to making the advances to these non-governmental organizations.

The audit team reviewed six of the ten grants to non-governmental organizations in total, and noted that the supporting documentation submitted by four of the six non-governmental organizations engaged were not

reliable and sufficient to substantiate the expenses. The financial documents were forwarded to OAI investigation unit for further assessment.

These issues were caused by a lack of understanding of the policies and procedures specific to the selection of the non-governmental organizations as grant recipients, and an absence of managerial oversight.

Noncompliance with 'UNDP Programme and Operations Policies and Procedures', may lead to selecting non-governmental organizations without the capacity to undertake the required activities, which in turn could delay project implementation. Absence of close monitoring and oversight of the activities of grant recipients rated as high risk could expose the Office to unjustified or unsubstantiated expenses

Priority	High_(Critical)
Recommendation 3:	
The Office should enhance oversight on micro-capital grant recipients by conducting micro-assessments of organizations in need of grants of \$50,000 or more, prior to disbursing funds and closely monitoring recipients assessed as high risk.	
Management action plan:	
A HACT macro-evaluation is being conducted, and micro-assessment of all implementing partners receiving grants will be undertaken. In addition, the Office will conduct spot checks of all implementing partners.	
Estimated completion date: March 2018	

C. OPERATIONS

1. Financial Resources Management

Issue 4 Weaknesses in financial management, oversight and controls

Per the 'UNDP Programme and Operations Policies and Procedures' a project cash advance³ is a one-time advance not to exceed \$25,000 issued to a custodian (advances greater than \$25,000 must be authorized by the Treasurer) for a specific one-time project activity. Such cash advances must be fully accounted for by actual expenses within seven days after the last day of the activity. Alternatively, third party payment providers could be used for such payments, to manage related risks. In such cases, the management of advances made to payment providers is governed by the agreed contractual terms.

The Office processed 5,648 vouchers amounting to \$6.7 million during the audit period. The audit selected a sample of 40 vouchers amounting to \$2.1 million for review and noted the following weaknesses:

³ These are advances made to staff for onward payment to beneficiaries. Advance must be justified with supporting documents and liquidated in seven days.

(i) Untimely justification and liquidation of cash advances made to mobile telephone company.

To minimize the need for project cash advances to staff, the Office entered into a contract with a mobile telephone company (for payments to third parties on behalf of the Office for implementation of project activities). For the management of cash via the mobile telephone company, a standard operating procedure defining the roles and responsibilities between the Office and the contractor was issued and agreed upon. Per that agreement, the mobile telephone company was required to provide activity reports including attendees' lists two days after the event, to facilitate reconciliation and closure of advances.

The audit found that the Office had not received supporting documents to justify 16 out of 69 (23 percent) of advances amounting to \$78,000 made to the mobile telephone company to effect payments to third parties for the implementation of project activities. Moreover, there were 21 advances that had been justified by the mobile telephone company, for which a balance of \$39,000 was yet to be recovered. Some of these outstanding recoveries amounting to approximately \$4,000 dated back to April 2016.

(ii) Inadequate management of project cash advances to staff

The audit reviewed two project cash advances amounting to \$55,700. In one case, the advance was greater than the \$25,000 threshold, but the Office did not obtain the authorization from the UNDP Treasurer as required by the policy. Furthermore, supporting documents used to liquidate both advances were missing critical cash recipients' information such as Identification cards copies, contact details or cash recipients' signature. Yet, the Office had validated those expenses without demonstrating how these payments were justified.

These issues were due to a lack of training and oversight mechanism to spot and mitigate risks associated with the management of financial operations.

A lack of supporting documentation and an inadequate oversight over the payment process could lead to errors and irregularities not being timely detected and addressed.

Priority	Medium (Important)
Recommendation 4:	
The Office should strengthen financial management, oversight and controls, by providing remedial training to finance staff, on the procedures to liquidate project cash advances.	
Management action plan:	
The Office will request support from another Office to provide training to the Finance staff.	
Estimated completion date: May 2018	

Issue 5 Inadequate implementation of Direct Project Costing

Direct project costs are organizational costs incurred in the implementation of a development activity or service that can be directly traced and attributed to that development activity (projects and programmes) or services. One option for implementing Direct Project Costing is the creation and management of a stand-alone project prefunded using extrabudgetary or cost sharing resources; this is the methodology currently used by the Office. General Management Support funds or other relevant available resource balances can be used as 'pre-funding' for such projects, but projects should be charged at a minimum on a quarterly basis to offset the pre-financed expenditures.

A review of the standalone project showed that transactions were pre-financed from Core Resources Fund (4000) and not from either the General Management Support fund (extrabudgetary) or Financing Cost-Sharing Fund (11888). Additionally, payroll costs were not charged to Direct Project Costs Pre-Financing extrabudgetary Fund (11309), as required by the UNDP policy. Finally, there was no quarterly reconciliation to review the actual direct project costs incurred in the stand-alone direct project costs project against the budgeted amounts.

This issue was due to a misunderstanding of the requirements of the Stand-Alone Project modality in the attribution of project costs.

An inadequate direct project costs attribution, impacts financial reporting and the reflection of full project implementation costs.

Priority	Medium (Important)
Recommendation 5	
The Office should improve the implementation of the Direct Project Costing by reviewing and reorienting the implementation of the stand-alone project to ensure accurate cost attribution and monitoring.	
Management action plan:	
The Office will initiate a workload study to ensure accurate cost attribution to different projects.	
Estimated completion date: January 2018	

Issue 6 Long outstanding balance on fuel advances account

Effective fuel management requires proper controls, performing real-time review of invoices, and resolving discrepancies. When fuel is paid in advance, it is imperative to periodically reconcile quantity and value purchased against fuel usage, to account for any variation.

The audit noted that account no. 14507 (fuel advances) had a long outstanding balance of \$26,865. This balance has been outstanding since 2015 when the Office discontinued the use of this account to switch to account no. 72311 (fuel). At the time of the audit field work, the Office was not able to explain the pending balance, or to reconcile it with supporting documentation. According to the Office management, the balance in the account was dated since the time the Office was subject to an attack, following which, fuel and documents were lost.

At the time of the audit fieldwork, the Office management informed the audit team that it had contacted the Regional Bureau for Africa for support in finding a solution to the lingering balance in the petrol account.

Inadequate controls over fuel management, may lead to error and irregularities which may not be timely detected, thus affecting the financial reporting of the Office.

Priority	Medium (Important)
Recommendation 6:	
The Office should determine the extent to which the transactions in the fuel account can be reconciled and as necessary work with Headquarter units to clear the balances in the account.	
Management action plan:	
Given that this issue goes back well before 2015, it will be difficult to reconcile this amount. The Office intends to request for a write-off of this balance through the Regional Bureau and ensure that control mechanisms are in place to prevent future occurrence.	
Estimated completion date: March 2018	

2. ICT and General Administrative Management

Issue 7 Inadequate Disaster Recovery Plan

The 'UNDP Programme and Operations Policies and Procedures' require that ICT disaster recovery plans include information about business requirements, back-up arrangements, network security set-up and recovery procedures. In addition, offices need to ensure that the plans are kept up-to-date and regularly tested.

At the time of the audit fieldwork, the Office's internet connection was impacted by an incident that affected the primary and sole satellite connection. Thus, the Office was left without connection for two days and with a slow internet connection in the following week, that impacted day-to-day operations, such as accessing e mails and file transfers. This issue was due mainly to the absence of an adequate Disaster Recovery Plan that could have determined the process for regaining full services within an acceptable time frame.

The current Disaster Recovery Plan was not aligned with the Office's business continuity plan and it did not reflect the significant technical changes introduced after the Office's upgrade to One ICT Box. Furthermore, the plan was missing critical information such as:

- documentation on alternate off site facility to host infrastructure and system components in the event of a disaster;
- risk assessment and complete recovery strategies for IT systems;
- business impact analysis and alignment with the Business Continuity Plan showing recovery point objectives (extent of data loss that management could tolerate) and the recovery time objectives (amount of downtime that could be tolerated) for critical systems/operations;
- network diagram and security controls that map out the connection between the different equipment and their security within the Office; and

- roles and responsibilities within the Office, relative to disaster recovery.

Finally, the audit noted that the plan had not been tested in 2016 and 2017, and had not been submitted to the Office of Information Management and Technology. The Office stated that as part of the Office Business Continuity Planning, it had arranged with another UN agency for an alternate site.

Priority	Medium (Important)
Recommendation 7	
The Office should improve disaster recovery planning and readiness by:	
<ul style="list-style-type: none"> (a) updating the disaster recovery with all the necessary information, including providing adequate back up internet services and alternate site arrangements; and (b) timely and annually testing the disaster recovery plan. 	
Management action plan: Management has noted the recommendation, and will implement it.	
Estimated completion date: March 2018	

Issue 8 Weaknesses in asset management

The 'UNDP Programme and Operations Policies and Procedures' require a physical count of fixed assets including furniture, equipment and vehicles twice a year, to ensure that the data in the Atlas Asset Module corresponds to the items physically located in the Office. The 'UNDP Financial Regulations and Rules' also require the maintenance of accurate and up-to-date records of asset acquisitions, receipt, custody, and maintenance, location, adjustment and disposal transactions. In addition, all assets should be tagged to facilitate their oversight and control. Furthermore, assets disposal (in case of sale, obsolescence, damage or theft) are initiated by the Asset Focal Point and approved by the Asset Manager in the Document Management System, after which staff members of the Global Shared Service Centre record the transactions in the Atlas Asset Management Module.

The audit noted the following weaknesses:

- (i) Inadequate monitoring and verification of assets

The Office reported 162 assets valued at \$3.7 million in its 2016 year-end certification. The certification report also indicated that the Office's capital assets were physically verified and confirmed to be in use, and reconciled with the Atlas asset management in-service report. However, the audit's review of the asset physical inventory count report and recording of assets in the Atlas Assets Module disclosed that the number of vehicles used and controlled by the Office did not reconcile with the number recorded in either the Atlas asset registry, or with the 2016 year-end certification. The Office reported 51 vehicles as physically verified in December 2016 and 52 as missing, with no explanation. The Atlas In-Service Report as of April 2017 listed 29 vehicles, while the Office reported to be in control of 70. At the time of the fieldwork, the Office could not provide the accurate number of vehicles controlled by UNDP and the discrepancy in the vehicles count from various documents provided by the Office could still not be explained.

(ii) Atlas Asset Module not updated

The audit selected a sample of 20 items from the Atlas In-Service Report, for physical verification, and noted 15 items (with an acquisition value of approximately \$140,000) including computers, generators and vehicles that were obsolete, not functioning or not controlled by the Office. At the time of the audit, the Office had not initiated actions to dispose those items, to allow for removal from the In-Service Report. As an example, out of the three generators listed, only one was still in use. The other two were defective. In addition, vehicles and motorcycles that have been used by projects or fully transferred to partners were listed in the In-Service Report but were not used and controlled by UNDP. In another three cases, the asset location as indicated in the asset report was not correct.

(iii) Inadequate assets identification and location

During the audit, asset tagging was not performed for identification purposes. The audit also found non-tagged assets within the Office's compound, in addition to new project equipment that were inadequately stored and which could potentially impair their functioning.

(iv) Inadequate disposal of assets

The Office reported nine vehicles that were disposed in 2016 without the approval of the Contracts, Assets and Procurement Committee.

Most of the weaknesses indicated above result from a lack of training and adequate mechanism to identify and track assets owned by the Office.

A weak asset management may negatively impact the Organization's ability to properly manage, account for, report on, and control its assets.

Priority	High (Critical)
Recommendation 8	
The Office should strengthen asset management by:	
<ul style="list-style-type: none"> (a) developing a comprehensive list of all assets owned by the Office and reconciling it to the Atlas records, together with any necessary adjustments for obsolete and/or disposed assets on a timely basis; (b) providing to the Asset Management Team / committee adequate training on UNDP policies related to the asset management process; and (c) properly tagging all assets and enforcing project managers' accountability in periodically certifying and reporting on assets under their control. 	
Management action plan:	
Management has noted the recommendation and will implement it.	
Estimated completion date: March 2018	

3. Procurement

Issue 9 Inadequate vendor management

The 'UNDP Programme and Operations Policies and Procedures' require effective and efficient vendor management to avoid duplicate or ineligible payments and state that the buyers should: (a) review Atlas vendor records to avoid creating duplicates; (b) assemble complete and reliable supporting documentation when creating and approving vendors; (c) accurately record vendor details in Atlas; and (d) file complete supporting documents for approved vendors.

The audit randomly selected a sample of 9 out of 173 processed and approved vendor forms during the audit period for verification of completeness and accuracy of information, and noted the following weaknesses:

- three forms were not supported by any documentation to show company registration with government authorities and all the nine forms were not supported by personal identity documents;
- three forms were not supported by a bank letter form (or certified bank details, bank statement, etc.) with beneficiary's name and account information listed;
- three forms were not signed by staff member approving the vendor and one form was not signed by the vendor; and
- in all cases, there was no evidence that the Office verified that vendors were neither in the UN security Council 1267 committee's list of terrorists and terrorist financiers, nor on the list of UNDPs suspended vendors and removed vendors before contracting.

Furthermore, the audit noted that there were 34 duplicate vendors (i.e. the same vendor had two vendor numbers) and three vendors sharing the same bank account number with another vendor.

The issues above were caused by inadequate training in UNDP procurement policies; neither the vendor creator nor the vendor approver had completed any UNDP procurement certification.

Inadequate vendor management may cause duplicate payments or payments to fictitious vendors.

Priority	Medium (Important)
Recommendation 9: The Office should follow the requirements of the Programme and Operations Policies and Procedures in vendor management by: (a) requiring that sections of the UNDP vendor forms are duly completed, signed, and supported; and (b) conducting regular reviews of existing vendors to weed out duplicates.	
Management action plan: Management has noted the recommendations and will implement them. Estimated completion date: March 2018	

Issue 10 Deficiencies in the use of individual contracting

The 'UNDP Programme and Operations Policies and Procedures' stipulate that individual contracting (IC) should be used for the procurement of services of an individual to perform time-bound and non-staff member tasks aimed at delivering clear and quantifiable outputs. All consultants hired under this modality, should be selected through a competitive process. For direct contracting, an appropriate justification and best value for money evaluation are required. The individual contract policy requires that the individual deemed to have provided the most suitable offer should be subjected to at least two positive reference checks.

The audit randomly selected a sample of 16 out of 48 individual contractors hired during the audit period and identified internal control weaknesses, as follow:

- For six contractors that had an aggregate value of \$138,000, the Office used the direct contracting modality without any supporting evidence to demonstrate that the conditions for direct contracting were applicable.
- The Office did not undertake reference checks for 13 out of 16 Individual Contractors as required.
- For all the 16 contractors, the Office had not established a timeline for each intermediate deliverable. Only the final report date was defined as a milestone. Thus, it was not clear how the Office monitored deadlines, especially the payments for intermediate deliverables.
- For five daily fee contracts, the contracts were extended to increase the costs of the contracts and to allow consultants to finalize their agreed upon work for a longer period, without any change in the deliverables agreed upon initially.

The issues above were caused by in-adequate oversight and training in procurement, more specifically in the use of Individual Contract modality. This can place the Office at risk of not receiving value for money.

Priority	Medium (Important)
Recommendation 10	
The Office should comply with the policies and procedures governing the Individual Contractor modality by:	
(a) recruiting Contractors on a competitive basis and linking payments to deliverables; and	
(b) providing appropriate procurement awareness trainings to both the programme and operations staff involved in the recruitment of individual contractors.	
Management action plan:	This recommendation is already being implemented and will be ongoing.
Estimated completion date:	Ongoing
OAI Response:	
OAI acknowledges the actions taken by the Office; these will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

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.