UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP OFFICE

IN

KOSOVO

(United Nations Security Council resolution 1244)

Report No.1899

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Report on the Audit of UNDP Kosovo[1]
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Kosovo (the Office) from 9 to 20 October 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 31 July 2017. The Office recorded programme and management expenses of approximately $17 million. The last audit of the Office was conducted by OAI in 2011.

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 **satisfactory**, which means, "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."

Good practice

OAI identified a good practice, as follows:

Finance/Cost recovery. The Office developed two systems (one for programme support and one for operations support) for tracking and recovering costs for support services provided to projects.

Key recommendations: Total = **2**, high priority = **1**

The two recommendations aim to ensure compliance with legislative mandates, regulations and rules, policies and procedures.

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

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[1] All references to Kosovo in this report should be understood to be in the context of United Nations Security Council resolution 1244 (1999).

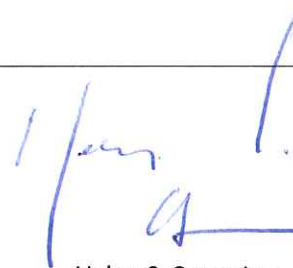| UNDP mandatory courses not completed (Issue 1) | As of November 2017, none of the seven mandatory courses were completed at 100 percent by the staff members and the service contract holders. The non-completion rates of the mandatory courses were ranging between 3 and 60 percent. |
| | Recommendation: The Office should ensure completion of mandatory training courses by: (a) including the mandatory courses that have not been completed as part of the staff learning goals in the Performance Management Development plans for better monitoring; and (b) preparing and following a timetable for all personnel to ensure completion of the required mandatory courses. |

Management comments and action plan

The UN Development Coordinator/UNDP Resident Representative accepted both 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, located in Pristina, Kosovo has project offices in Zvečan and Prizren. The United Nations, through its Interim Administration Mission in Kosovo (UNMIK), and its agencies and programmes, including UNDP, is present in Kosovo on the basis of the United Nations Security Council Resolution 1244 (1999), which provides the mandate for its operations. At the time of the audit, the Office had 26 staff members, 48 service contract holders, and 9 United Nations Volunteers. The Office covered the programme for the period 2016-2020 and included three thematic areas: (i) rule of law, (ii) economic development, employment and welfare, and (iii) modern health care. The Office portfolio comprised of 28 projects, the majority of which were under the direct implementation modality.

II.   Good practice

OAI identified a good practice, as follows:

Finance/Cost recovery. The Office developed two systems (one for programme support and one for operations support) for tracking and recovering costs for support services provided to projects. Both systems were user-friendly and all personnel were provided trainings on the use of these systems. At the time of the audit, the Office was in the process of integrating both systems to further enhance efficiency.

III.   Audit results

Satisfactory performance was noted in the following areas:

(a) Governance. Organizational structure, delegation of authority, risk management and measures to ensure financial sustainability were established.

(b) Programme. Control on programme activities were effective, and no issues were noted.

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

(d) ICT and general administration management. ICT systems managed by the Office including hardware, software and security systems were operating effectively. General administration controls were well established and functioning adequately. The management of assets was found to be in line with UNDP policies and procedures.

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

(f) United Nations leadership and coordination. Adequate controls were established to manage and lead the United Nations coordination role in Kosovo. UN joint programming and joint reporting were initiated in 2016.

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

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

High priority recommendation:
   (a)   Ensure completion of mandatory training courses (Recommendation 1).

Medium priority recommendation:
   (a)   Improve management of individual contracts (Recommendation 2).

The detailed assessment is presented below, per audit area:

A. Operations

1. Human Resources

Issue 1   <u>UNDP mandatory courses not completed</u>

As per the 'UNDP Programme and Operations Policies and Procedures' (POPP), mandatory training courses are important for ensuring that staff and managers understand the various policies, regulations, goals and objectives of the organization.

The Office's senior management made the decision to include all service contract holders amongst the personnel required to complete the mandatory training courses, except for the six service contract holders providing cleaning and maintenance support.

None of the seven mandatory courses were completed at 100 percent by the staff members and the service contract holders. The non-completion rates of the mandatory courses were ranging between 3 and 60 percent. Out of 26 staff members and 42 service contract holders, the below table details the non-completion rates of the UNDP mandatory courses, as of November 2017:

Mandatory Training Course	Overall non-completion rate	Staff members non-completion rate	Service contract holders non-completion rate
UNDP Legal Framework	60%	10 (38%)	31 (74%)
UN Human Rights and Responsibilities	50%	12 (46%)	22 (52%)
Ethics and Integrity at UNDP	31%	5 (19%)	16 (38%)
Gender Journey	15%	-	10 (24%)
Prevention of Harassment, Sexual Harassment and Abuse of Authority	13%	1 (4%)	8 (19%)
Advanced Security in the Field	6%	-	4 (10%)
Basic Security in the Field II	3%	-	2 (5%)

Source: UNDP Kosovo

According to the Office's management, the low completion rates were due to the ongoing restructuring process.

Not completing the UNDP mandatory courses may lead to staff members and personnel not being fully aware of important policies and procedures when performing their roles and responsibilities.

Priority	High (Critical)
Recommendation 1: The Office should ensure completion of mandatory training courses by: (a) including the mandatory courses that have not been completed as part of the staff learning goals in the Performance Management Development plans for better monitoring; and (b) preparing and following a timetable for all personnel to ensure completion of the required mandatory courses.	
Management action plan: Bearing in mind both the large turnover of personnel during the past year, related to turnover and other staffing changes affecting programme, operations, and project personnel, as well as the decline in staff motivation levels related to the realignment exercise, a concerted and incentive-based effort will be required to improve completion rates of both existing and new mandatory courses. Senior management will offer, as part of the longstanding tradition of internal "learning labs", 2-3 dedicated opportunities for staff to complete the courses, either at their desks or in the conference room. **Estimated completion date:** December 2018	

2. Procurement

Issue 2   Weaknesses in the management of individual contractors

According to the UNDP Individual Contract (IC) Policy, the individual contract modality is used for the procurement of services of an individual to perform time-bound and non-staff tasks aimed at delivering clear and quantifiable outputs, which must be clearly identified in the contract and directly linked to payment. The engagement of individuals as contractors under the individual contract modality is subject to the general procurement principles established by the UNDP Financial Regulations and Rules. The IC Policy also requires the Office to invite at least three qualified candidates from a roster to submit an offer and provide the terms of reference as well as other relevant templates. The notice shall clearly require that offers include confirmation of interest and availability.

OAI reviewed a sample of 15 procurement cases relating to the hiring of individual contractors. Of these, six procurements were conducted through a competitive process, and five procurements were conducted through desk reviews of rostered candidates and candidates selected based on outstanding performance from previous contracts. The remaining four procurements were conducted through direct contracting. OAI noted the following weaknesses:

- In five instances, unclear criteria were used in the identification of qualified candidates. The desk review of CVs showed that they did not always meet the minimum requirements set in the terms of reference.

- In five instances, there were no records maintained for the request for services and confirmation of interest and availability from candidates. Technical evaluations in these cases were based on desk

reviews of CVs. There was no evidence that three candidates were invited to participate in the selection process and to submit their corresponding offers.

▪ In two instances, the contract amendments, due to extension of services, did not include total cumulative amounts of the contract and/or the total contract duration.

Failure to establish adequate management of the individual contractors may compromise the transparency and value for money in the procurement process and expose the Office to reputational and financial risks.

Priority	Medium (Important)
Recommendation 2: The Office should improve management of individual contracts by: (a) defining clear procedures for the identification of qualified candidates, providing the evaluation method in the procurement notice, establishing grading scores in the technical assessment, and stating the years of experience and field of expertise required in the terms of reference; (b) maintaining proper documentation when inviting qualified candidates to submit offers and to confirm interest and availability; and (c) including the total cumulative amount and contract duration in the amended contracts.	
Management action plan: (a) Given the realignment process in 2017, the Office experienced a large turnover. In 2018, the regular learning sessions on individual contracting will be offered again (as before in 2015 and 2016), to serve as refresher sessions on the POPP for all staff. The evaluation method will be mentioned in the procurement notice. The Office will continue to use the corporately applied grading scores, as stipulated in the templates provided in the POPP. All relevant selection criteria will continue to be stated clearly in the terms of reference. (b) The Office will work with the Bureau for Management Services to find an automated solution to file the email correspondence containing the information. (c) The information will be added manually to the contracts, until an automated Atlas (enterprise resource planning system of UNDP) solution is available. **Estimated completion date:** December 2018	

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.