UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

MOROCCO

Report No. 1927

Issue Date: 1 February 2019

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Report on the Audit of UNDP Morocco
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Morocco (the Office) from 19 to 30 November 2018. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

(a) governance (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);

(b) programme (quality assurance process, programme/project design and implementation, knowledge management);

(c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and

(d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2017 to 30 September 2018. The Office recorded programme and management expenses of approximately $25.1 million. The last OAI audit of the Office took place in 2013.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **partially satisfactory/some improvement needed**, which means "the assessed governance arrangements, risk management practices and controls were generally established and functioning but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to weaknesses in oversight and financial management, exceptions with bank reconciliations, and lapses in the monitoring of cash transfers to implementing partners.

Key recommendations: Total = **10,** high priority = **3**

The 10 recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	7	High
	2, 3, 4, 5	Medium
Effectiveness and efficiency of operations	1, 6	Medium
Safeguarding of assets	8, 9	High
	10	Medium

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

Weaknesses in oversight and financial management (Issue 7)	The audit uncovered the following exceptions in oversight and financial management: incorrect use of the Chart of Accounts, delays in submitting reports to donors, and instances of value added tax (VAT) either not recorded or not recovered.

	Recommendation: The Office should strengthen the management of financial resources by: (a) enforcing oversight and controls from the Operations Unit to limit errors and promoting the correct use of the Chart of Accounts through regular trainings; (b) developing a tracking system to monitor timely submission of reports due to donors; and (c) liaising with local authorities for the full recovery of outstanding VAT.
Exceptions in bank reconciliations (Issue 8)	The review of the bank reconciliations disclosed unexplained differences between the cashbook in Atlas (enterprise resource planning system of UNDP) and bank statements, as well as long-unreconciled items dating back to 2016. Recommendation: The Office should strengthen its bank reconciliation system by: (a) finalizing the analysis of unexplained differences noted in bank reconciliations and taking corrective actions; (b) reviewing long-outstanding unreconciled items; and (c) following up with the technical support team to resolve the technical issue as soon as possible.
Lapses in the monitoring of cash transfer to implementing partners (Issue 9)	The following exceptions were noted in the monitoring of cash transfers to implementing partners: advances were neither adequately monitored nor timely justified; the direct payment modality was incorrectly used; and the Funding Authorization and Certification of Expenditures (FACE) forms were incomplete. Recommendation: The Office should enhance the cash transfer modality by: (a) ensuring that transfers to implementing partners adhere to the 'UNDP Programme and Operations Policies and Procedures'; and (b) verifying that disbursements are timely justified and supported with proper documentation.

Implementation status of previous OAI audit recommendations: Report No. 1141, 30 August 2013.
Total recommendations: 6
Implemented: 6

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 Rabat, Morocco (the Country). At the time of the audit, the Office was comprised of 20 staff members, 1 service contract holder and 8 United Nations Volunteers. The Country Programme Document for 2017-2021 focused on the following areas:

(a) supporting the Country in meeting its human rights obligations and the implementation of the constitutional reforms;
(b) strengthening the policy coherence of the national priorities drawn from the national sustainable development strategy, and other sectoral strategies promoting inclusive growth, to address the Country's environmental sustainability; and
(c) addressing regional disparities through inclusive regional planning and dedicated local development initiatives targeting geographically remote areas and vulnerable groups.

The Office had a portfolio of 33 development projects (31 nationally implemented and 2 directly implemented).

II. Audit results

Satisfactory performance was noted in the areas of human resources and information and communication technology (ICT).

OAI made three recommendations ranked high (critical) and seven 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) Strengthen the management of financial resources (Recommendation 7).
(b) Improve the bank reconciliation system (Recommendation 8).
(c) Enhance the cash transfer modality (Recommendation 9).

Medium priority recommendations arranged according to significance:
(a) Improve quality of planning, budgeting and reporting (Recommendation 2).
(b) Enhance project monitoring (Recommendation 5).
(c) Improve controls over project closure (Recommendation 6).
(d) Enhance resource mobilization (Recommendation 4).
(e) Reinforce monitoring and oversight mechanisms (Recommendation 1).
(f) Strengthen commitments to gender equality (Recommendation 3).
(g) Reinforce procurement planning (Recommendation 10).

The detailed assessment is presented below, per audit area:

A. Governance

1. Leadership

Issue 1 Lapses in Office's oversight mechanism

The UNDP Internal Control Framework stipulates that the head of office is responsible for establishing and maintaining an adequate control environment.

The audit team noted the following weaknesses in oversight and monitoring mechanisms:

- There was no formalized mechanism to monitor recurring issues in project and financial management. During the period reviewed, exceptions in the financial and IPSAS dashboards, such as issues with project closure, General Management Services, and liquidations for nationally implemented projects (NIM), were not systematically tracked and addressed during management meetings.
- At the time of the audit, six ongoing projects had expired (end dates of December 2017, March and May 2018), without this being picked up and corrected by the Office.

An inadequate monitoring and oversight system could lead to undetected and unresolved issues that might affect the Office's efficiency and effectiveness.

Priority Medium (Important)
Recommendation 1: The Office should reinforce its oversight and monitoring mechanisms on recurring issues through systematic oversight and implementation of preventive controls.
Management action plan Since October 2018, the Office has started the practice of holding weekly senior management meetings where issues pertaining to programme and operations are discussed and monitored, and follow-up actions decided with clear responsibilities and deadlines. Issues identified in the quarterly financial management reports are a standing item on the agenda. In addition, the Office is developing a specific tracking system and action plan to resolve recurring issues in the quarterly financial management reports to get back on the "acclaim" list. **Estimated completion date**: 30 June 2019

Issue 2 Weaknesses in annual planning, budgeting and reporting

The Office's Integrated Work Plan establishes annual programmatic and operational priorities. The 'UNDP Guidance Note on Preparation of Integrated Work Plans' requires enabling actions to be both strategic, and specific. Guidelines on programme and project management require results to specific, measurable, achievable, realistic and time-bound. Overbudgeting is allowable up to a maximum of 30 percent. In addition, the Results Oriented Annual Report should focus on evidence-based results.

The audit disclosed the following weaknesses with regards to planning, budgeting and reporting:

(a) Weaknesses in the Integrated Work Plan and project annual work plans

- The 2017 and 2018 Integrated Work Plans contained enabling actions that were not specific, such as "finalise the proposals to the GCF and mobilise resources" and "launch and replicate the Gender Programme."
- At the project level, the audit team found instances where the Results and Resources Framework in the project documents lacked baselines/targets.
- Activities in annual work plans were in some instances descriptive and not quantified and measurable.

(b) Overbudgeting of financial resources

As of December 2018, the Office budgeted $40.8 million whereas the available resources were $32.3 million or 26.3 percent overbudgeting. For 2017 and 2016 this was 73 percent and 93 percent, respectively. The Office explained that budgeting was done based on the projects the counterpart wanted implemented.

(c) Annual reporting not results oriented

The 2016 Results Oriented Annual Report scoring, the last one available, showed that the Office's score was among the lowest in the region. The main concerns were that claims were not supported by evidence and the narratives described activities instead of results/impact.

Integrated Work Plans that are not measurable may impact the Office's ability to monitor and achieve intended objectives and results. Overbudgeting negatively impacts the Office's delivery and performance. Furthermore, inadequate reporting may prevent the organization from taking the appropriate corrective measures in a timely manner.

Priority	Medium (Important)
Recommendation 2: The Office should improve the quality of its planning, budgeting and reporting by: (a) defining enabling actions, baselines and targets in the Integrated Work Plan and annual work plans that are specific and measurable; (b) preparing budgets within the authorized limits, compared to available resources; and (c) reflecting quantifiable results that are measurable and traceable.	
Management action plan: The Office takes note of the recommendation, which will guide the 2019 annual planning and budgeting process, as well as the elaboration of the Results Oriented Annual Report. A results-based management training is planned for February 2019 and a full-time Monitoring and Evaluation Specialist is being recruited to strengthen the Office's capacities to lead these exercises in line with the UNDP guidelines. **Estimated completion date:** March 2019	

Issue 3 Gender-based initiatives not formalized

The 'UNDP 2018-2021 Gender Equality Strategy' embodies the organization's corporate commitment to promote gender equality and women's empowerment. It is designed to complement and reinforce UNDP's 2018-2021 Strategic Plan, by defining in more detail how to attain gender equality and women's empowerment.

For the period 2015-2016, the Office received the Silver Gender Award from UNDP's Bureau for Policy and Programme Support, demonstrating a strong commitment to gender equality. Despite this strong commitment, the audit team noted that the following areas needed improvement:

- There was no formalized plan that specified the planned activities and milestones, assigned responsibilities, allocated resources and defined a timeline.
- The Office had not assessed the previous 2014-2017 gender strategy to verify if implemented actions were successful in achieving intended objectives.
- In June 2018, the Office nominated a Gender Team. However, at the time of the audit, there was no evidence that this Gender Team had met and there were no specific terms of reference related to their roles and responsibilities.
- In November 2018, the Office developed an action plan to prevent workplace harassment, sexual harassment and abuse of authority. However, planned activities were not specific, measurable, and time-bound, to allow for adequate monitoring and reporting on the achieved activities.

Management indicated that staff turnover within the Gender Team impacted the Office's gender equality agenda.

Without a formal gender strategy in place, the Office may be at risk of not achieving its objectives regarding gender-based initiatives.

Priority	Medium (Important)

Recommendation 3:

The Office should strengthen its commitments to gender equality by:

(a) formalizing a new gender strategy that specifies the planned activities and milestones, assigns continuous roles and responsibilities, allocates resources and sets a timeline and clear terms of reference for the Gender Team;

(b) defining specific, measurable, and time-bound indicators for the planned gender-related strategy and activities; and

(c) defining activities to prevent workplace harassment, sexual harassment and abuse of authority.

Management action plan:

(a) The Office will update its gender strategy in line with the audit recommendation and the new 'UNDP Gender Equality Strategy 2018-2021'. Clear terms of reference will be elaborated for the Gender Team.

(b) The Office will update its action plan to prevent workplace harassment, sexual harassment and abuse of authority to make the planned activities more specific and measurable.

(c) The Gender Team, under the authority of the Deputy Resident Representative, will be responsible for overseeing and monitoring the implementation of the activities, as well as for the reporting of the achieved activities.

Estimated completion date: October 2019

2. Corporate external relations and partnership

Issue 4 Exceptions in resource mobilization

The 'UNDP Programme and Operations Policies and Procedures' require offices to establish effective partnerships with various stakeholders to mobilize the necessary resources and to meet their programmatic commitments as defined in the Country Programme Document. Moreover, in accordance with the provisions of the Standard Basic Assistance Agreements, host governments are expected to contribute towards the costs of Country Offices. The annual Government Contributions towards Local Office Costs recoverable cash targets are communicated to the Country Offices by the Office of Financial Resources Management.

The audit team noted the following weaknesses in resource mobilization:

(a) Projects facing funding gaps

Out of the six projects tested during the fieldwork, two were facing funding gaps of $1.8 million and $0.5 million for projects budgeted at $5 million and $5.6 million, respectively. However, the level of planned activities had not been revised to reflect this lower funding. The Office commented that negotiations were ongoing with donors and local communities.

(b) Outstanding arrears of Government Contributions towards Local Office Costs

At the end of the audit fieldwork, despite efforts deployed by the Office, arrears of Government Contributions towards Local Office Costs covering the period 2011-2015 and amounting to $1.65 million were still outstanding. The audit team met with its national counterpart, the relevant government ministry, which reiterated the Government's intention to honor its financial obligations.

Insufficient resource mobilization may jeopardize the Office's ability to deliver on its commitments during the programming cycle and to achieve planned objectives and development results.

Priority Medium (Important)

Recommendation 4:

The Office should enhance resource mobilization to ensure the achievement of objectives by:

(a) filling project funding gaps or substantively amending project scopes to align them with available resources; and

(b) holding discussions with the national counterpart and formalizing an agreement detailing how and when arrears of Government Contributions towards Local Office Costs will be recovered.

Management action plan:

The Office will continue to proactively pursue wider resource mobilization partnerships to reduce its dependency on government cost-sharing and fill in current funding gaps. Where funding gaps cannot be filled, the Office will amend the scope of the project so that planned activities correspond to the available resources.

The Office regularly follows up on the payment of Government Contributions towards Local Office Costs arrears with the government counterpart, who has indicated that an overall strategy for the payment of all arrears due to UN agencies, including to UNDP, is being put in place by the Budget Division. The Government has committed to pay a contribution of $360,000 per year. With this level of contribution and given that the contribution target for 2019 is $164,247, the arrears should be totally reabsorbed in 2021. The Office will continue to closely follow up until the payment of the entire amounts pertaining to the Government Contributions towards Local Office Costs arrears.

Estimated completion date: December 2019

B. Programme

1. Programme/Project design and implementation

Issue 5 Exceptions in project monitoring

The 'UNDP Programme and Operations Policies and Procedures' on project management provides guidance on project implementation, including field visits, Atlas (enterprise resource planning system of UNDP) as a project monitoring tool, and sustainability plans.

The Office's overall delivery at 36 percent as of 30 November 2018 was low and could have been caused by weak project management. The audit team tested six projects totalling $16.1 million in expenditures (i.e., 66 percent of total expenditures during the period under review) and noted the below exceptions with regards to project monitoring:

- There were no field visit plans drafted ahead of time (at the beginning of the year). The Office explained that field visits were only undertaken when the national counterpart invited them to their field missions.
- Atlas was not systematically used as a project monitoring tool. In three instances, either risk logs or monitoring logs had not been updated during the previous 12 months.
- Project sustainability plans were not formalized although the issue of sustainability was generally discussed during annual reviews.

Exceptions in project monitoring were caused by the lack of a formalized and systematic oversight and monitoring mechanism.

The lack of effective project monitoring may prevent the Office from achieving planned outputs. In addition, weaknesses in project sustainability plans can have a negative impact on the overall objective of the programme.

Priority	Medium (Important)
Recommendation 5: The Office should enhance project monitoring by: (a) planning field visits and undertaking them according to the plan; (b) formalizing sustainability plans for all projects; and (c) regularly and systematically updating Atlas logs to reflect the real situation of projects risks and monitoring events.	
Management action plan: (a) The Office agrees with the recommendation and is integrating field visit planning as part of the overall 2019 planning exercise with implementing partners. The Assistant Resident Representative/Programme will be responsible for consolidating a field visit plan for the Office by March 2019 and will ensure that the visits are undertaken as planned. (b) The Office commits to quarterly monitoring of Atlas logs, through the Assistant Resident Representative/Programme, to ensure that they are kept up to date. (c) The Office will continue to discuss project sustainability during annual reviews and Steering Committee meetings. Project sustainability plans will be formalized as part of the 2019 annual reviews and will be an integral part of all new projects. **Estimated completion date:** (a) March 2019 (b) March 2019 (c) December 2019	

Issue 6 Delayed and incomplete project closure

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

The audit team selected seven financially closed projects during the audit period for further testing and noted the following:

- Six projects were missing supporting documents justifying financial closure.
- For all seven projects, a Project Quality Assurance exercise was not conducted.
- Three projects were operationally closed for more than 12 months (June and October 2017) without their financial closure being finalized.
- Six ongoing projects had expired.

Delayed and incomplete project closure may hinder the effective use of available resources.

Priority	Medium (Important)

Recommendation 6:

The Office should improve the controls over the closure of projects and ensure that:

(a) all required supporting documents to justify project closure are maintained and projects are financially closed within the allocated 12 months following their operational closure;

(b) the Project Quality Assurance exercise is conducted on closed projects to collect lessons learned; and

(c) project expiration dates are monitored to ensure timely project closure or extensions.

Management action plan:

(a) With the support of the Monitoring and Evaluation Officer that the Office is recruiting, a system will be put in place to monitor project expiration dates and ensure timely project closure in line with the requirements of the 'UNDP Programme and Operations Policies and Procedures'.

(b) The Office will also ensure that the Project Quality Assurance exercise is systematically conducted on closed projects and that lessons learned are collected and capitalized.

Estimated completion date: June 2019

C. Operations

1. Financial resources management

Issue 7 Weaknesses in oversight and financial management

The 'UNDP Programme and Operations Policies and Procedures' provide guidance on the correct use of the Chart of Accounts and effective financial management.

During the period under review, the Office processed 4,503 vouchers amounting to $20.3 million. The audit team reviewed the Office's financial oversight and controls and selected a sample of 53 vouchers amounting to $6.5 million (i.e., 32 percent of total value processed) and noted the following weaknesses:

(a) Incorrect use of Chart of Accounts

305 transactions valued at $1.7 million were entered in the wrong accounts. The sundry account was the account with the highest number of incorrectly recorded transactions. The errors were not detected because of inadequate oversight from the Operations Unit.

(b) Delays in submitting reports to donors

Three contributions valued $154,000 were not received for more than 20 months after the due date because of delays in submitting donor reports. This issue was caused by the lack of a report tracking system to monitor when reports are due to donors.

(c) Weaknesses in the recording and recovery of value added tax (VAT)

- National legislation requires that VAT be claimed within six months. In October 2018, the VAT account had $351,268 outstanding, of which 61 percent or $213,456 was pending since 2016.

The Office did not provide evidence that the amount pending since 2016 had been claimed, therefore the amount should be written off.

- Between 2014 and 2018, the Office collected, on average, only 82 percent of the VAT.
- For 14 vouchers valued at $46,573, VAT valued at $9,300 was incorrectly recorded and was not detected and claimed by the Office.

Inadequate oversight over financial processes could lead to delays and irregularities and could result in financial losses.

Priority	High (Critical)
Recommendation 7: The Office should strengthen the management of financial resources by: (a) enforcing oversight and controls from the Operations Unit to limit errors and promoting the correct use of the Chart of Accounts though regular trainings; (b) developing a tracking system to monitor timely submission of reports due to donors; and (c) liaising with local authorities for the full recovery of outstanding VAT.	
Management action plan: The Office takes note of the recommendation and will take the following actions: (a) Strengthen oversight and controls from the Operations Unit to limit incorrect use of the Chart of Accounts and issue a memo on the correct use of the Chart of Accounts. The Office will also discuss the issue during programme and operations staff meetings and annual retreats of the projects and monitor the correct use of the Chart of Accounts as part of the spot checks of implementing partners. (b) Put in place an information and alert system to allow up-to-date tracking of reports due to donors. (c) Liaise with the government counterpart to find a solution to speeding up the process of VAT reimbursement. **Estimated completion date:** October 2019	

Issue 8 Exceptions in bank reconciliations

Bank reconciliation controls ensure consistency and accuracy of UNDP financial records. Unreconciled amounts and unexplained gaps must be reviewed monthly to promptly detect errors and to reduce fraud risks.

The review of bank reconciliations as at 31 October 2018 disclosed the following:

(a) Unexplained difference between Atlas cash book and bank statements

There was an unexplained difference of $35,881 between the Atlas cash book and bank statements. The audit team also noted an unreconciled payment of $55,579 that was cancelled twice. Therefore, the total unexplained difference was $91,460.

(b) Long unreconciled items

- 17 payment transfers out of 56 valued at $62,775 (54 percent of total amount) were not reconciled for more than three months;
- among the 25 unreconciled deposits valued at $10,000, four deposits amounting $6,300 were unreconciled for more than eight months;
- two external transactions valued $1,300 were unreconciled for more than eight months; and
- one manual payment amounting $1,800 was unreconciled for more than eight months.

Following the audit mission, the Office informed the audit team that there had been technical issues with the Atlas reconciliation system since April 2018, and therefore payments made were not reflected in the Atlas bank reconciliation platform.

Incomplete and late bank reconciliations may result in errors and may lead to financial losses.

Priority High (Critical)

Recommendation 8:

The Office should improve its bank reconciliation system by:

(a) finalizing the analysis of unexplained differences noted in bank reconciliations and taking corrective actions;

(b) reviewing long-outstanding unreconciled items; and

(c) following up with the technical support team to resolve the technical issue as soon as possible.

Management action plan:

(a) The Finance Unit will submit a monthly report to the Operations Manager identifying all unreconciled transactions on the bank side and outstanding items on Atlas side, and will propose corrective actions.

(b) The Office is liaising with the technical support team to resolve recurrent technical issues faced with the bank reconciliation module.

Estimated completion date: April 2019

Issue 9 Lapses in monitoring of cash transfers to implementing partners

The 'UNDP Programme and Operations Policies and Procedures' require that cash transfers to implementing partners be adequately monitored to correct and prevent long-outstanding advances. Direct payment expenses should be recognized when reported to UNDP on Funding Authorization and Certification of Expenditures (FACE) forms, after the delivery of goods or services.

(a) Weaknesses in the monitoring of NIM advances

During the period under review, 17 NIM advances amounting $3.78 million were given to implementing partners. As at 31 October 2018, the audit disclosed the following exceptions:

- NIM advance not timely justified

  49 percent of advances given to implementing partners were unjustified for more than six months, with two advances worth $46,573 outstanding for 11 to 18 months.

- Inadequate monitoring of NIM advances

FACE forms were not reconciled with Atlas records and annual work plans certifying the accuracy of amounts reported by implementing partners. These weaknesses resulted in the following:

  - Credit balances amounting $396,969 on two projects.
  - Opening balances of FACE forms not matching Atlas records.
  - New advance of $269,912 given to an implementing partner even though the previous one was not adequately justified and recorded in Atlas.
  - One advance worth $375,334 incorrectly expensed and not recorded as advance.

- Insufficient delegation of authority

Two staff members approved NIM advance vouchers worth $46,610 even though they should have been approved by the head of office, the Deputy Country Director, or the Deputy Resident Representative.

(b) Incorrect use of the direct payment modality

  - In five instances valued at $212,244, the Harmonized Approach to Cash Transfer (HACT) direct payment modality was used even though the goods and services were not delivered. Therefore, the amounts were expensed instead of being considered as advances.
  - In one instance valued at $175,247, the direct payment voucher was established prior to the invoice date and prior to the receipt and certification of the FACE form.

(c) Incomplete FACE forms

  - Only the amount of funds requested were indicated on FACE forms, and information on prior advances, amounts approved by UNDP, and the balances that remained outstanding was omitted.
  - Two different FACE form templates were used by implementing partners.

Most of the observations above were due to a misinterpretation of UNDP guidelines and to inadequate oversight over cash transfers to implementing partners.

Failure to adequately monitor cash transfers to implementing partners could result in financial losses.

Priority	High (Critical)
Recommendation 9: The Office should enhance the cash transfer modality by: (a) ensuring that transfers to implementing partners adhere to the 'UNDP Programme and Operations Policies and Procedures'; and (b) verifying that disbursements are timely justified and supported with proper documentation.	
Management action plan: (a) A training will be organized to ensure that UNDP policies and procedures about cash transfers, use of the direct payment modality, and correct use of FACE forms are fully understood and adhered to. (b) To strengthen the monitoring of NIM advances, (1) the Finance Unit will produce a monthly status report to inform senior management about any anticipated delay in the liquidation of NIM advances, and (2) a	

verification report will be prepared to accompany each financial report, detailing the different verifications performed, and will be submitted to senior management for approval. **Estimated completion date:** March 2019

2. Procurement

Issue 10 Ineffective procurement planning

Offices are required to develop a comprehensive procurement plan at the beginning of each year and to update the plan continuously throughout the year. Early and accurate planning is critical to avoiding last-minute procurement, which can lead to the ineffective and inefficient use of resources.

The consolidated procurement plans were not comprehensive and did not include all goods and services. This resulted in carrying out procurement processes on an ad hoc basis. Consequently, while total procurement planned for 2017 was $87,950, about $161,200 was incurred during this period. Furthermore, 59 percent of procurement transactions were conducted during the fourth quarter of 2017, instead of 29 percent as indicated in the plan.

These exceptions highlighted the need to improve the planning and timing of the overall procurement lifecycle.

Failure to plan effectively can result in rushing the procurement of goods and services, which may result in the Office not obtaining best value for money.

Priority	Medium (Important)
Recommendation 10: The Office should reinforce its procurement planning process by completing a consolidated procurement plan and using the plan as a strategic tool to timely initiate procurement activities.	
Management action plan: The Office agrees with this recommendation and is in the process of reinforcing procurement planning. As an action plan: (a) programme staff have been requested to discuss and finalize project procurement plans with counterparts by 28 February 2019; (b) a new head of procurement has been recruited and a training on PROMPT has been scheduled with programme officers and the Procurement Unit; (c) the consolidated procurement plan will be reviewed every two months to ensure that it remains up to date and guides procurement activities throughout the year; and (d) the Operations Manager will oversee and monitor its implementation, together with the Procurement Unit, and will be responsible for bringing any issue to the attention of senior management. **Estimated completion date:** June 2019	

D. United Nations Leadership and Coordination

Issue 11 Weaknesses in management of Resident Coordinator Office

The Resident Coordinator Office should improve the operational efficiency and effectiveness of different UN agencies through the UN Country Teams. The 'UNDP Handbook on planning, monitoring and evaluating development results' states that the Monitoring and Evaluation Framework should include the United Nations Development Assistance Framework (UNDAF) Integrated Monitoring & Evaluation Plan.

The review of the Resident Coordinator Office activities and execution of its annual work plan disclosed the following weaknesses:

- For 2017 and 2018, the Resident Coordinator Office did not establish adequate UN Country Team work plans with detailed activities, timeframes, milestones, success criteria, and responsibilities for completing the activities. The plan did not allow for monitoring and reporting of the achieved activities.
- As of November 2018, the 2017-2021 UNDAF Integrated Monitoring & Evaluation Plan, which should have included major evaluative activities for the programmatic cycle, was not finalized.
- The UNDAF Monitoring and Evaluation Group only met once in 2018 instead of at least quarterly as required by the UNDAF. As of November 2018, the UNDAF Monitoring and Evaluation Framework with measurable outputs and results indicators had not been finalized.

The above weaknesses were due to a lack of appropriate planning and coordination by the Resident Coordinator Office.

Inadequate planning of Resident Coordinator Office activities and weaknesses in the UNDAF's monitoring framework undermines the achievement of strategic objectives.

Due to the change in reporting lines of the Resident Coordinator Office from UNDP to the UN effective 1 January 2019, UNDP is not making a recommendation, but will share the observation with the Office of Internal Oversight Services of the UN when this audit report is publicly available.

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.