UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

KENYA

Report No. 2003

Issue Date: 7 December 2018

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Report on the Audit of UNDP Kenya
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Kenya (the Office) from 16 September to 2 October 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 June 2018. The Office recorded programme and management expenses of approximately $38.4 million. The last audit of the Office was conducted by OAI in 2015.

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

Overall audit rating

OAI assessed the Office as **partially satisfactory/major improvement needed**, which means "The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to non-compliance with the Internal Control Framework, weaknesses in the implementation of Harmonized Approach to Cash Transfers, weak vendor management, and poor procurement planning and weak procurement processes.

Key recommendations: Total = **6**, high priority = **4**

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	3, 6	Medium
	1, 4, 5	High
Compliance with legislative mandates, regulations and rules, policies and procedures	2	High

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

Non-compliance with Internal Control Framework (Issue 2)	The audit noted inadequate segregation of duties, staff Atlas profiles not aligned with their functional duties, and excessive number of staff with manager approver and project manager user profiles. For example, two staff members were each allocated Atlas user profiles of both vendor approver and treasury/finance at the same time. Also, two project associates were allocated project manager user profiles. Furthermore, 15 staff members had manager roles and another 18 staff members had project manager roles.
	Recommendation 1: The Office should comply with the Internal Control Framework by ensuring that Atlas user profiles conform with segregation of duties and are properly aligned with functional duties and responsibilities including the number of manager level approvers and project managers.
Weaknesses in implementation of Harmonized Approach to Cash Transfers (Issue 3)	The audit team noted the following weaknesses:

    (a) The micro-assessments for the 2014-2018 programme cycle were done on an *ad hoc* basis and the assessment plan was not updated annually as required. For the next programming cycle (2018-2022), the Office had yet to develop a micro-assessment plan.

    (b) The Office made direct payments amounting to $669,000 to 21 county governments between 1 January 2017 and 30 June 2018, although micro-assessments were not conducted. There were also no agreements in place between the Office and these 21 county governments even though they were identified as Responsible Parties in the project document.

    (c) The Office paid advances amounting to $667,000 to two responsible parties that had been assessed with significant risk ratings.

    (d) The assurance plan developed by the Office did not include spot checks, which were required to ensure funds were expended adequately.

Recommendation 2: The Office should improve the implementation of HACT by: (a) ensuring that micro-assessments are conducted for entities with whom major activities are planned and that the correct cash transfer modality is applied in line with the risk rating; (b) including spot checks in the assurance plan based on the risk rating of each entity and conducting these spot checks as planned; and (c) ensuring that agreements are signed by responsible parties before payments are made.

Weak vendor management (Issue 5)	From a selected sample of 36 vendors, the audit team observed the following weaknesses: (a) there were 17 vendor forms that were not fully completed; (b) there were two vendor profiles that were created in Atlas in 2011 and 2015 but the supporting vendor forms were dated 18 September 2018; (c) there were 21 vendors with duplicate banking details; and (d) there was no justified business case for the creation of two vendor profiles.
	Recommendation 4: The Office should improve vendor management by: (a) conducting a full vendor verification exercise for all active vendors, including ensuring vendor forms are fully completed, validated, and supported; (b) developing an adequate process to check that vendors do not already exist before being entered and approved; and (c) undertaking appropriate actions to

address weaknesses noted on the United Nations Development Support and United Nations Support to Country Programme vendor profiles.

Poor procurement planning and weak procurement processes (Issue 6)	In 2018, the procurement plan uploaded onto the Procurement Management Platform showed a total of $1.3 million. However, at the time of the audit, the total procurement value was $5.8 million. The audit team noted that the Office did not monitor and adjust the procurement plans to facilitate timely initiation and efficient implementation of procurement processes. In addition, the audit team noted that the Office had not considered using e-tendering as a procurement tool.

Recommendation 5: The Office should strengthen procurement management by: (a) maintaining a comprehensive and up-to-date procurement plan, which is to be uploaded onto the Procurement Management Platform to facilitate effective monitoring; and (b) considering using e-tendering as a procurement tool.

Implementation status of previous OAI audit recommendations: Report No. 1541, 15 December 2015.
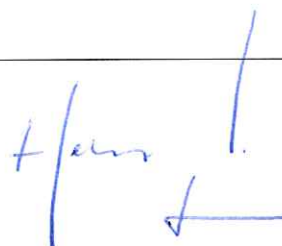   Total recommendations: 6
    Implemented: 6

Management comments and action plan

The Resident Representative accepted all 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, located in Nairobi, Kenya (the Country) had a total of 53 staff at the time of the audit. In 2017, the Office initiated a change management process, which was still not finalized at the time of the audit mission. The Office was implementing 26 projects, 24 of which were national implementation and 2 of which were direct implementation. Developmental areas of focus of these projects were: devolution and accountability; productive sectors and trade; and environment sustainability, renewable energy and sustainable land management.

II.   Audit results

Satisfactory performance was noted in the following areas:

(a) <u>Human resources.</u> Internal procedures on human resources management were adequate.

(b) <u>Information and communication technology.</u> Information and communication technology control procedures were found to be adequate.

(c) <u>General administration.</u> The control procedures for vehicle and fuel management were adequate.

(d) <u>UN leadership and coordination.</u> Support to the Resident Coordinator Office was adequate and the UN Development Operations Coordination Office funds were used for the purposes intended.

OAI made four recommendations ranked high (critical) and two recommendations ranked medium (important) priority.

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

High priority recommendations, arranged according to significance:
(a) Improve vendor management (Recommendation 4).
(b) Strengthen procurement management (Recommendation 5).
(c) Ensure that Atlas user profiles conform with segregation of duties and are properly aligned with functional duties (Recommendation 1).
(d) Improve the implementation of HACT (Recommendation 2).

Medium priority recommendations, arranged according to significance:
(a) Improve the management of individual contracts (Recommendation 6).
(b) Improve the management of grants (Recommendation 3).

The detailed assessment is presented below, per audit area:

A. Governance

1. Corporate Direction

Issue 1   Delayed implementation of Transformation Plan

In May 2013, UNDP instituted "Interim Change Management Measures" as part of the organization's financial sustainability exercise. The change also saw the suspension of the Policy on Change Management Clearance and the Policy Governing Human Resource Alignment to increase the flexibility available to Country Offices to implement changes that may be needed.

In an audit report on the UNDP Financial Sustainability and Effectiveness Exercise (Report No. 1601, issued on 27 July 2016), OAI noted the ambiguity created by the policy on steps that need to be followed in implementing change management processes. OAI recommended that the Bureau for Management Services institute a new change management policy, one which more clearly defines roles and responsibilities of key parties involved in change management.

Consistent with this finding, the audit fieldwork noted considerable confusion regarding the change management process. The Office undertook a comprehensive change management process in April 2017. The Regional Bureau for Africa cleared the Rationale for Change in July 2017. However, the Office was waiting for the Regional Bureau to provide final clearance on the Transformation Plan, which was before proceeding with change management. The resulting, protracted delays in change management had the following consequences:

- Staff uncertainty regarding employment continuity.

- Significant depletion of staff numbers and the Office not being able to fill the vacancies. There were 15 fixed-term positions that remained vacant in September 2018.

- Reliance on temporary support such as detailed assignments, use of independent contractors and service contract holders to perform core office functions, which led to non-conformance with the Internal Control Framework at times and affected continuity.

No recommendation is being provided on this issue since the Bureau for Management Services has implemented OAI's recommendation from Report No. 1601 to better define roles and responsibilities of key actors in change management processes. The Operational Performance Group adopted a new interim change management policy in October 2018 and the Regional Bureau for Africa also provided, during the drafting of this report, clearance of the Transformation Plan for change management to proceed.

2. Leadership

Issue 2   Non-compliance with Internal Control Framework

The 'UNDP Programme and Operations Policies and Procedures' and the Internal Control Framework require segregation of duties, alignment of Atlas (enterprise resource planning system of UNDP) user roles with functional duties and limited number of staff performing specific roles that are considered of importance to the Internal Control Framework.

There was inadequate segregation of duties noted in the following instances:

- Two staff members were each allocated Atlas user profiles of both vendor approver and treasury/finance at the same time. This was contrary to Internal Control Framework's requirement not to assign these two roles to one individual.
- The Procurement Manager was also allocated an Atlas manager approver profile. As such, there was the possibility of this staff member approving transactions that she presided over.
- A staff member was running a pay cycle and performing the bank reconciliation.

There were Atlas profiles allocated to staff that were not aligned with functional duties in the following instances:

- Two project associates were allocated project manager user profiles.
- Two ICT staff were allocated both vendor approver and treasury/finance user profiles.

There was an excessive number of staff with manager approver and project manager user profiles:

- A total of 15 staff members had manager roles.
- A total of 18 staff members had project manager roles.
- The Finance Analyst had a manager level 2 user profile, was the disbursement officer for payroll, and was a bank signatory. Due to the vacant position of the Senior Finance Officer, who was the head of the Finance Unit, the Finance Analyst was also reviewing payments.

After the audit, the Office initiated the process of aligning Atlas roles with functional responsibilities and establishing the segregation of duties.

Due to the attrition of staff brought about by the envisaged Transformation Plan, management faced the challenge of adhering to Internal Control Framework and limiting conflicting Atlas user profiles.

Non-adherence to the Internal Control Framework and staff members performing several roles may hinder the proper segregation of duties and might result in conflicts of interest and fraud not being detected.

Priority	High (Critical)
Recommendation 1: The Office should comply with the Internal Control Framework by ensuring that Atlas user profiles conform with segregation of duties and are properly aligned with functional duties and responsibilities including the number of manager level approvers and project managers.	
Management action plan: A review of the number of manager level approvers and project managers will form part of the planned change management process business review, which starts December 2018. **Estimated completion date:** 31 December 2018	

3. Corporate Oversight and Assurance

Issue 3   Weaknesses in implementation of Harmonized Approach to Cash Transfers

The 'Framework for Harmonized Approach to Cash Transfers' (HACT) requires that participating United Nations agencies agree on and coordinate HACT activities to reduce the burden of a multiplicity of organizational procedures on implementing partners. Compliance is achieved when the following components have been completed: (a) macro-assessment of the public financial system; (b) micro-assessments of implementing partners; and (c) an assurance plan, which details the spot checks for each implementing partner, based on the results of the micro-assessment. A micro-assessment plan should be prepared at the beginning of the programme cycle and subsequently updated annually. Where an entity is not assessed, high risk is assumed and neither advances nor direct payment modalities are permissible.

The total amount of funds advanced by the Office to implementing partners in 2017 and 2018 were $2.8 million and $1.1 million, respectively.

The following weaknesses were noted:

(a) The micro-assessments for the 2014-2018 programme cycle were done on an *ad hoc* basis and the assessment plan was not updated annually as required. For the next programming cycle (2018-2022), the Office had yet to develop a micro-assessment plan.

(b) The Office made direct payments amounting to $669,000 to 21 county governments between 1 January 2017 and 30 June 2018, although micro-assessments were not conducted. There were also no agreements in place between the Office and these 21 county governments even though they were identified as Responsible Parties in the project document.

(c) The Office paid advances amounting to $667,000 to two responsible parties that had been assessed with significant risk ratings.

(d) The assurance plan developed by the Office did not include spot checks, which were required to ensure funds were expended adequately.

Failure to conduct micro-assessments and to apply cash transfer modalities based on the adjusted risk rating might lead to the loss of funds.

Priority	High (Critical)
Recommendation 2:	
The Office should improve the implementation of HACT by: (a) ensuring that micro-assessments are conducted for entities with whom major activities are planned and that the correct cash transfer modality is applied in line with the risk rating; (b) including spot checks in the assurance plan based on the risk rating of each entity and conducting these spot checks as planned; and (c) ensuring that agreements are signed by responsible parties before payments are made.	

Management action plan:

(a) The Office is currently developing the Micro-Assessment Assurance Plan for the 2018-2022 Country Programme. This will be finalized by December 2018. For the three implementing partners who had significant and moderate risk ratings, new micro-assessments were commissioned in September 2018 and finalized. The reports and action plans have been shared with the implementing partners and the Office will ensure that the action plans are implemented.

(b) In the upcoming cycle of the project, consultations will be held at the UN Country Team level regarding micro-assessments for each of the prospective county government responsible parties. This will form part of a UN-wide approach in the new programme cycle.

(c) The Office has developed the spot check schedule for the last quarter of 2018 and is working on the schedule for 2019.

Estimated completion date: 31 March 2019

B. Programme

1. Project Design & Implementation

Issue 4 <u>Weaknesses in management of grants</u>

According to the 'UNDP Programme and Operations Policies and Procedures', a project document should provide for an independent committee to review and endorse the selection of recipient institutions for grants. Where not defined in the project document, the selection procedures need to be documented. In nationally implemented (NIM) projects, the Office can engage civil society organizations as responsible parties if it signs a full Country Office Support to NIM Agreement with the implementing partner. Funds advanced to implementing partners or responsible parties can only be expensed when the recipient provides reporting for the use of funds and not when funds are dispersed.

The audit team reviewed five projects representing 62 percent of programme delivery during the audit review period (IDs 91871, 90771, 93740, 93173, 92042). The following issues were noted:

(a) Micro-capital grants were issued without clear criteria in place on one project (ID 93740). The Office invited select candidates to apply for grants from a certain geographical area. The basis of restricting the number of invitees and the criteria used to select these invitees had not been developed. A Request for Proposals was sent to the select candidates. After the initial evaluation of the candidates who responded, 22 entities were deemed to have met the minimum 70 percent criteria for a grant award. However, the Office decided that it only wanted to award grants to 16 entities and then proceeded to develop supplementary criteria during the evaluation process to further eliminate grantees that had initially qualified. There was no evidence that the Office applied these criteria against all 22 entities. A total of $450,000 was dispersed as grants to the 16 entities.

(b) The Office engaged 21 responsible parties (16 under project 93740 and 5 under project 90771) and incorrectly expensed a total of $1.04 million (under grants) instead of recording them as advances. The

manual tracking system used by the Office to monitor funds given to responsible parties showed total overdue advances from the two projects amounting to $50,044.

Failure to comply with procedures for issuance of micro-capital grants may result in funds being awarded inappropriately and may result in reputational damage for the Office. In addition, expensing advances incorrectly overstates programme delivery and makes it difficult to track outstanding advances.

Priority	Medium (Important)

Recommendation 3:

The Office should improve the management of grants by:

(a) developing criteria prior to making calls for micro-capital grants and ensuring that they are applied fairly to all respondents; and
(b) discontinuing the practice of recording advances given to responsible parties as expenses and strengthening controls to ensure the timely liquidation of advances.

Management action plan:

A project level standard operating procedure for the Emerging Issues funding window will be revised with additional clarity on criteria for selection of civil society organizations as partners derived from the 'UNDP Programme and Operations Policies and Procedures'. The Office has instituted a process of recovering all overdue amounts from all the responsible parties. Outstanding advances have been paid back, apart from one held by a civil society organization for which the Office and the government implementing partner are steadfastly pursuing recovery. Unique implementing agent codes have been created and applied for purposes of funds disbursement as advances for continuing agreements.

Estimated completion date: March 2019

OAI response:

OAI acknowledges the actions taken by management; these will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

C. Operations

1. Procurement

Issue 5 <u>Weak vendor management</u>

The 'UNDP Programme and Operations Policies and Procedures' stipulate that offices should exercise due diligence when entering vendors into the Atlas database. This includes authenticating the vendor's identity through independent means, verifying the vendors' banking details and establishing the relationship between the vendor and the Office.

From a selected sample of 36 vendors, the audit team observed the following weaknesses:

(a) There were 17 vendor forms not fully completed. Specifically, details of the individuals requesting the creation of the vendors and the relationship of the vendors with the Office were missing. Further, the completed vendor forms for seven vendors were missing.

(b) There were two vendors whose profiles that were created in Atlas in 2011 and 2015. However, the supporting vendor forms were dated 18 September 2018.

(c) There were 21 vendors with duplicate banking details. Specifically, 3 vendors were sharing the same bank account and the remaining 18 were sharing a total of 9 bank accounts among them.

(d) There was no justified business case for the creation of two vendor profiles: United Nations Development Support, and United Nations Support to Country Programme. Further analysis showed that the vendor United Nations Development Support was created by the Office as an internal tool to process journal vouchers. The Office was not able to explain why there was a need to create a vendor that was being used as a suspense account. The Office could not give details on the journals that had been processed using this vendor. The second vendor, United Nations Support to Country Programme, was created for a project that was being implemented by a government ministry. The project name was South Chemicals Management Mainstreaming & UPOPS Reduction. The government institution opened a bank account called United Nations Support to Country Programme instead of using the correct project name.

Weak vendor management increases the risk of duplicate and fraudulent payments being made and not being detected.

Priority	High (Critical)
Recommendation 4: The Office should improve vendor management by: (a) conducting a full vendor verification exercise for all active vendors, including ensuring vendor forms are fully completed, validated, and supported; (b) developing an adequate process to check that vendors do not already exist before being entered and approved; and (c) undertaking appropriate actions to address weaknesses noted on the United Nations Development Support and United Nations Support to Country Programme vendor profiles.	
Management action plan: (a) The database will be reviewed for completeness in line with the 'UNDP Programme and Operations Policies and Procedures' and the Office's standard operating procedures, ensuring that all appropriate vendor form sections are completed, and banking details are validated either through a dated bank letter or dated bank stamp. (b) The Procurement Unit will request for new vendor forms and supporting documents to be made available for verification purposes for any vendor to be reactivated. A standard operating procedure has been developed and shared to guide all staff responsible for vendor management processes. In addition, learning sessions for the programme associates, buyers and approvers will be conducted to ensure full	

understanding of the importance of compliance with the standard operating procedures and Internal Control Framework.

(c) The vendor United Nations Development Support has been archived.

(d) The Office has communicated and has received correspondence from the implementing partner that the matter of the bank account has been taken up with the government institution. The Office is assured that a new account in the name of the project will be designated before the end of November 2018.

(e) The Operations Manager and Deputy Country Director/Operations are now set up to approve vendors pending the finalization of the change management process.

Estimated completion date: 30 April 2019

OAI response:

OAI acknowledges the actions taken by management; these will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

Issue 6   Poor procurement planning and weak procurement processes

For an effective procurement process, there must be adequate planning that will ensure that the pursuant process is transparent, competitive, and results in best value for money. Offices are required to complete a comprehensive procurement plan at the beginning of each year and to update the plan continuously during the year. For the procurement process to be competitive, it should generate a minimum of three responsive offers. A procurement process is still considered competitive even if it generates less than three responsive offers provided that the sourcing was done correctly, and the limited response is not a result of limited shortlisting or an unsuitable sourcing strategy.

The following weaknesses were noted:

(a) In 2017, seven procurement cases that were submitted to the Contracts, Assets and Procurement Committee were not included in the 2017 procurement plan. In 2018, the procurement plan uploaded into the Procurement Management Platform showed a total of $1.3 million. However, at the time of the audit, the total procurement value was $5.8 million. The audit team noted that the Office did not monitor and adjust the procurement plans to facilitate timely initiation and efficient implementation of procurement processes.

(b) From a selected sample of 51 procurement cases, totalling $2.6 million (representing 20 percent of the total value of procurement cases completed during the period under review), the following weaknesses were noted:

▪ There were 21 procurement cases, totalling $1.2 million where the Office did not adhere to the minimum seven-day advertising period for procurement notices.

▪ There were eight cases totalling $0.5 million where the evaluation process was weak and resulted in the best candidate not being selected. Specifically, the audit team noted that in one case ($27,896), the application of the selected candidate was submitted after the deadline. Also, the candidate failed to

attain the minimum 70 percent score required to be shortlisted for the post. The head of the requesting unit prepared a Note to File stating that the selection took into consideration gender parity and that the candidate should not be from the local community where the consultancy was going to be implemented. However, this was not included in the advertisement of the post. Therefore, it could not be used to justify the selection of this candidate.

- The Office used an interoffice memo as an internal tool to track requests for goods and services received from implementing partners and agencies. There were eight cases totalling $150,838 where the interoffice memo was not signed timely. As a result, the procurement process was delayed and did not meet the requested delivery dates. Further, in four cases totalling $151,638, the interoffice memo had different specifications from the request sent by the requesting unit.

- In three cases totalling $94,288, the e-requisitions and purchase orders were created after goods and services had been received.

- In three cases totalling $100,243, the terms of the Request for Quotation were not suitable for the types of goods that were being procured.

The audit team noted that the Office had not considered using e-tendering as a procurement tool.

The above weaknesses in procurement may increase the risk of the most suitable candidate not being selected or the best value for money not being obtained.

Priority	High (Critical)
Recommendation 5: The Office should strengthen procurement management by: (a) maintaining a comprehensive and up-to-date procurement plan, which is to be uploaded onto the Procurement Management Platform to facilitate effective monitoring; and (b) considering using e-tendering as a procurement tool.	
Management action plan: (a) Senior management will issue an internal memo to reiterate the need for all project managers to actively address planning challenges by engaging more and early with implementing partners on the importance of identifying procurement needs during the annual work plan process at the beginning of the year. Requesting units/project staff and procurement staff will review actual procurement against planned procurement and monitor *ad hoc*/unplanned procurement to use as a delivery monitoring tool and project performance tool on a quarterly basis with implementing partners. Management will continue to hold team leaders and project managers accountable for continually updating the procurement needs in the Procurement Management Platform from the beginning of the year based on signed annual work plans and/or project documents and as and when any *ad hoc* requests are received from implementing partners. (b) The Office will enforce the use of e-tendering for all procurement processes above $150,000.	

Estimated completion date: 30 April 2019

Issue 7 <u>Poor management of individual contracts</u>

The 'UNDP Programme and Operations Policies and Procedures' stipulate that individual contracts must be used for assignments that are results orientated and are to be completed within a defined period, and payments are to be linked to the deliverables/outputs. The work and performance of individual contractors must be evaluated and monitored by the responsible manager on a regular basis to ensure that contractual obligations are fully met. The key elements for monitoring shall be the deliverables (quantity and quality), time frame and cost. The 'UNDP Programme and Operations Policies and Procedures' also state that for support service functions that are longer than three months, service contracts and temporary assignment contracts are the more appropriate forms of contracts to be used.

From a selected sample of 12 individual contracts totalling $349,903, which represents 20 percent of the total value of issued individual contracts from 1 January 2017 to 30 June 2018, the following weaknesses were noted:

(a) There were six cases totalling $186,873 (53 percent of selected sample) where the Office incorrectly used the individual contract modality because the roles and responsibilities of the contractors pertained to programme or office support functions. In all cases, the support service functions were longer than three months.

(b) There were eight cases totalling $343,518 (98 percent of selected sample) where the payments were not linked to deliverables. Payments were based on time/hours worked and not on completed deliverables or outputs. The preferred approach is the lump sum approach, which specifies the specific deliverables and whether the payment will be made in installments based on deliverables or at the end of the assignment.

(c) There was one case of $105,000 where the individual contract was being used as a framework for a Long Term Agreement. A review of the contract showed that there were no details regarding the types of services that the individual contractor could be contracted for and what the unit price for each service would be. The Office used the option of referring to the individual contract as a Long Term Agreement to extend the contract beyond the maximum allowable two-year duration.

(d) There was one case valued at$81,000 (23 percent of selected sample), where the deliverables given in the terms of reference were different from the deliverables on the contract that was signed by the consultant. The Office was not able to explain the discrepancy. A review of certification of payments made for this individual contract showed that the Office was certifying deliverables as stated in the contract and not those in the terms of reference. Further, the Office paid the consultant although the requesting unit assessed that the milestones in the contract had not been completed.

(e) Performance evaluations were completed only for 2 of 12 sampled individual contracts. There were four consultants on their second contracts with UNDP. There was no evidence that performance in the previous contracts was taken into account prior to awarding a new contract.

Contracts that do not quantify deliverables may result in payments being made for work that has not been completed. Non-evaluation of individual contractor performance may result in the Office not detecting contractual obligations that have not been met.

Priority	Medium (Important)

Recommendation 6:

The Office should improve the management of individual contracts by:

(a) using the correct contracts for office and programme support functions;
(b) ensuring that deliverables are quantified and linked to the payment schedule;
(c) considering using the lump sum approach for individual contracts;
(d) ensuring that certification of payment is be based on specified deliverables and not days worked; and
(e) conducting performance evaluations of consultants to ensure that contractual obligations are met.

Management action plan:

(a) The Office will ensure that the correct contracts are used for office and programme support functions.

(b) The Procurement Unit is working with programme to ensure individual contractors are hired on specific terms with specific deliverables.

(c) The Office endeavors to engage individual contractors on specific terms and specific deliverables going forward, hence payment will also be based on the same terms.

Estimated completion date: 30 April 2019

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 /**   The assessed governance arrangements, risk management practices and
   Some Improvement   controls were generally established and functioning but need some
   Needed   improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.

▪ **Partially Satisfactory /**   The assessed governance arrangements, risk management practices and
   Major Improvement   controls were established and functioning, but need major improvement.
   Needed   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.