



AUDIT

OF

UNDP COUNTRY OFFICE

IN

TURKEY

Report No. 2042
Issue Date: 8 November 2019

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Report on the Audit of UNDP Turkey Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Turkey (the Office) from 2 to 13 September 2019. 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 coordination¹.

The audit covered the activities of the Office from 1 January 2018 to 30 June 2019. The Office recorded programme and management expenditures approximately \$63 million. The last audit of the Office was conducted by OAI in 2016.

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 practices

OAI identified the following good practices:

Operations/Procurement. In October 2018, the Office launched a Procurement Case Management System that is complementary to the corporate tool introduced in UNDP called PROMPT; through this system, staff/personnel upload their procurement requirements/needs using a web-based tool. Once uploaded, the procurement documents are reviewed and cleared by the Procurement Unit. Each step of the procurement action is therefore traced through system-generated email notifications. The system also serves as a repository of all procurement documentation.

Operations/Human resources management. The Human Resources Unit developed two products that were posted by the corporate Talent Development Unit on their website to be used as reference material by any office. One relates to 'Gender-sensitive Recruitment Guidelines', developed as part of the 2019 Country Office Gender Seal Exercise. The second product was an Orientation Handbook intended to assist incoming personnel.

OAI considered the above initiatives good practices that could be replicated for use and application in other offices within UNDP.

Key recommendations Total = 2, high priority = 1

¹ UN coordination is only relevant for 2018; as such, the activities audited for 2019 excluded UN coordination.

The two recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 2, medium priority); and (b) effectiveness and efficiency of operations (Recommendation 1, high priority).

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:

Lapses in organizational structure and Office efficiency impaired by workflows (Issue 1)

The audit team identified several gaps in the Office's existing structure and internal processes that hindered operational efficiency, as follows:

- Inefficient coordination between the Syrian programme and other programme portfolios hampering the working relationship with the counterparts.
- The Office established the Programme Support Center (PSC) unit to provide operational support to programme and operations areas on different capacities. The PSC reported to both heads of programme and operations following a dual matrix reporting scheme. However, due to the matrix reporting some roles were unclear and overlapping, thus, responsibility and accountability became unclear.
- The procurement function was not fully centralized, which led to the following: (i) difficulties in the monitoring and supervision of the procurement function; (ii) procurement project personnel under individual contract modalities conducting project procurement functions; and (iii) service contract holders involved in all phases of the procurement functions, conducting core procurement functions.

Recommendation 1: To enhance efficiency in its operations, the Office should improve its organizational structure, workflows and functions by: (a) strengthening coordination (including adequately staffing) between the Syrian programme and other programme portfolios clusters for greater integration and collaboration to take place; (b) clarifying the role of the Programme Support Center; and (c) fully centralizing the procurement function and ensuring that core procurement functions are carried out by staff members.

Implementation status of previous OAI audit recommendations: Report No. 1690, 6 October 2016.

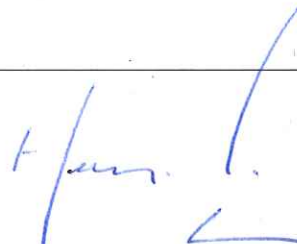
Total recommendations: 5

Implemented: 5

Management comments and action plan

The 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.

A handwritten signature in blue ink, which appears to read 'Helge S. Osttveiten', is enclosed within a rectangular box.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Ankara, Turkey (the Country), had 26 staff members, 151 service contract holders, and 17 UN Volunteers at the time of the audit. The UNDP Country Programme for 2016–2020 was aligned with the Tenth National Development Plan and Sustainable Development Goals (SDGs), as well as the United Nations Development Cooperation Strategy (UNDCS). The Programme was structured around the following outcome areas: inclusive and sustainable growth, environmental governance, democratic governance, and gender-inclusive policies and development processes. While not part of the approved Country Programme, the Office was also providing support to the Syrian Arab Republic crisis under the Turkey Regional Refugee and Resilience Plan (known as 3RP), representing about half of the Office's delivery during the period under review. In the course of implementing the Syrian Crisis Response Programme, the Office integrated some of the project outputs into its Country Programme.

II. Good practices

OAI identified the following good practices:

Operations/Procurement. In October 2018, the Office launched a Procurement Case Management System that is complementary to the corporate tool introduced in UNDP; through this system, staff/personnel upload their procurement requirements/needs using a web-based tool. Once uploaded, the procurement documents are reviewed and cleared by the Procurement Unit. Each step of the procurement action is therefore traced through system-generated email notifications. The system also serves as a repository of all procurement documentation.

Operations/Human resources management. The Human Resources Unit developed two products that the corporate Talent Development Unit posted on their website to be used as reference material by any office. One product relates to 'Gender-sensitive Recruitment Guidelines', developed as part of the 2019 Country Office Gender Seal Exercise. The second product was an Orientation Handbook intended to assist incoming personnel.

OAI considered the above initiatives as good practices that could be replicated for use and application in other offices within UNDP.

III. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance/Corporate direction. Key controls were in place. Overall, staff were aware of the Office's priorities, challenges and control objectives.
- (b) Governance/Corporate external relations and partnerships. Implementing partners, United Nations agencies, and government counterparts with whom the audit team members met during the audit mission expressed their appreciation of the Office as a valued development partner.
- (c) Operations/Financial resources management. Records and controls were generally adequate, and the audit team found a sound financial management system.
- (d) Operations/Information and communication technology. The systems managed by the Office, including hardware, software and systems security were operating adequately. The Office tested its Disaster and Recovery Plan with good results.
- (e) Operations/General administrative management. Records and controls were adequate for asset management.

- (f) Operations/Staff and premises security. Security was well managed, and sound business continuity systems and security arrangements were in place. The Office, along with four UN agencies, were collocated, and the premises were properly managed by UNDP.
- (g) United Nations leadership and coordination. No reportable issues were identified for the period under the responsibility of the UNDP, up to 1 January 2019. The audit team noted that key controls were in place and the Resident Coordinator de-linking process had been properly managed even though it was a work in progress.

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) Improve organizational structure, workflows and functions (Recommendation 1).

Medium priority recommendation:

- (b) Address weaknesses in project management (Recommendation 2).

The detailed assessment is presented below, per audit area:

A. Governance

1. Leadership

Issue 1 Lapses in organizational structure and Office efficiency impaired by workflows

The vision and mission of an office as well as its organizational effectiveness rely on the office's adequate organizational structure, which allows for clear roles and responsibilities, as well as reporting lines. The 'UNDP Programme and Operations Policies and Procedures' define the control environment as one of the components of the internal control system that sets the tone for the organization and provides the foundation for an effective internal control system. The control environment encompasses ethical values, management's philosophy and operating style, organizational structure, assignment of authority and responsibility, human resource policies and practices, efficiency, competence, and integrity of personnel.

The audit team identified control weaknesses in the Office's structure and internal processes that hindered efficiency, as follows:

- (a) Inefficient coordination between the Syrian programme and other programme portfolios

Since approval rights over transactions such as purchase orders and vouchers in Atlas are reserved only for staff members, project personnel from the Syrian programme had to rely on staff members from the other three portfolios for these tasks, which created additional workload for the other portfolios and bottlenecks for the Syrian programme. In addition, the day-to-day work, combined with the work complexities and the different approaches governing the other portfolios part of the Country Programme Document, limited synergies and opportunities for enhanced collaboration between the Syrian programme and the other portfolios. For example, two projects were working with the same government counterpart, yet the provision of services varied from project team to project team. This had a negative impact on the working relationships with the counterpart.

(b) Unclear supporting role of the Programme Support Center unit

The Office established the Programme Support Center (PSC) unit to provide operational support to programme and operations areas on different capacities. The PSC reported to both heads of programme and operations following a dual matrix reporting scheme. However, due to the matrix reporting, some roles were unclear and overlapping, thus, responsibility and accountability became unclear. There was insufficient coordination on the work carried out by the PSC and other units in support activities related to human resources (recruitment of project personnel), procurement (pre-award phase activities) and project implementation (project monitoring, cash advances to projects and payments to vendors on behalf of projects).

(c) Lack of centralized procurement function

The 'UNDP Programme and Operations Policies and Procedures' stipulate that the general procurement principals of (i) best value for money, (ii) fairness, integrity and transparency, (iii) effective competition, and (iv) the protection of UNDP interests, must be applied to all types of procurement modalities and phases (pre-award, award and post award) of a procurement process.

At the time of the audit mission, the procurement function was handled by the procurement unit as well as by the project-based procurement personnel of the programme units and the Syrian programme, which led to:

- Difficulties in the monitoring and supervision of the procurement function; the procurement unit was headed by a Procurement Analyst who was not directly supervising the procurement functions conducted elsewhere at project sites.
- Project procurement personnel, under the individual contract modality and reporting to project managers, conducted project procurement functions. Under UNDP regulations, the individual contract modality is to be used to perform time bound and non-staff tasks.
- Service contract holders were involved in all phases (pre-award, award and post award) of the procurement function, and were conducting core procurement functions that should have been conducted by staff within a procurement unit. A staff post at the GS-6 level remained vacant in the procurement unit at the time of the audit mission.

Priority	High (Critical)
Recommendation 1: To enhance efficiency in its operations, the Office should improve its organizational structure, workflows and functions by: <ul style="list-style-type: none"> (a) strengthening coordination (including adequately staffing) between the Syrian programme and other programme portfolios for greater integration and collaboration to take place; (b) clarifying the role of the Programme Support Center; and (c) fully centralizing the procurement function and ensuring that core procurement functions are carried out by staff members. 	
Management action plan: With a view to ensure increased efficiency in operations the Office will undertake the following corrective measures: <ul style="list-style-type: none"> (a) For recommendation (a), the following actions will be taken: 	

- Recruit a Programme Manager at the NOB level for the Syrian Crisis Response Programme (SCRP) so that it can conduct the required tasks without reliance on staff members working at other portfolios.
- Involve and integrate the Syrian Crisis Response Programme into the new Country Programme Document currently in preparation.
- Convene a management meeting with participation of Portfolio Manager(s) and the Syrian Crisis Response Programme team formalizing and promoting cross portfolio cooperation, collaboration and start considering this programme as a specific agenda item on all programme team meetings.
- Revise supervisory and reporting line arrangement within the Office for the Syrian Crisis Response Programme Manager.

(b) For recommendation (b), the following actions will be taken:

- In view of the current business model, the Office will prepare an in-house background paper on the desired role of the PSC, detailing present working arrangements as per the job descriptions of the PSC unit staff/personnel and linkage with other units within the Office and projects.
- Solicit corporate support (through invite of a Management/Operations Specialist or Expert/Consultant) to review the role of PSC, business processes, identify interlinkages with other units within the Office and propose efficient options for management decision, in line with the new Country Programme Document currently in preparation.

(c) For recommendation (c), the following actions will be taken:

- Conduct an in-house assessment on the Office's current procurement staffing structure, capacity and the architecture of an expanded procurement unit in view of evolving requirements of the programme to serve as a basis for full centralization of procurement.
- Revise the supervisory arrangement of all project-based procurement practitioners so that the "Head of Procurement Unit" acts as primary supervisor and reflect it in the job descriptions accordingly.
- Establish or identify additional office space (as extension of Procurement Unit) enabling sitting and interaction all of project-based procurement practitioners.
- Revise 'Standard Operating Procedures (SOPs) of Country Office Procurement' to clarify and detail the business processes, the workflows and the roles and responsibilities of the Procurement Unit vis-à-vis staff and project personnel.
- As part of the core Procurement Unit structure, the Office will fill the vacant Procurement Associate position at the G6 level.

Estimated completion date: 30 December 2020

B. Programme

1. Programme/Project design and implementation

Issue 2 Weaknesses in project management

Sound project management includes (i) project document formulation, (ii) implementation of activities to achieve the agreed outputs, (iii) monitoring, evaluation, and (iv) the closing of projects. Project management information should be stored in Atlas (the enterprise resource planning system of UNDP), and project quality

assessments stored in the Corporate Planning System. Once a project has completed its operations, it should be operationally closed, and within 12 months, it should be financially closed.

The audit team reviewed a sample of seven ongoing projects (one project under the direct implementation modality part of a joint programme and six projects under the national implementation modality), of a total of 48 projects, representing 54 percent of total programme delivery in 2018 and 58 percent of programme delivery in 2019 (as of 31 August 2019). In addition, out of 26 closed projects for the audit period, the audit team reviewed 4 closed projects. The following weaknesses were noted:

(a) Project design:

- Two of the seven sampled ongoing projects had weaknesses in their formulation since the results and resources framework contained results, indicators, baselines and targets that were not SMART (specific, measurable, attainable, relevant and trackable). Without SMART results, indicators, baselines and targets, and project management can be compromised since progress might not be measurable.
- Three projects lacked clarity in the roles between the implementing partner and the Office. The implementation modality agreed upon in the project documents was that of national implementation (NIM), yet the project document designated UNDP as responsible for all project results and expenses. Under a NIM project, these responsibilities lie with the implementing partner.

(b) Project implementation:

- Two of the seven projects sampled lacked the Quality Assessments for their implementation. The remaining five projects were assessed, but the information was not detailed enough and supporting documentation for the ratings selected referred to the project document and not to other monitoring evidence, as required.
- Three of the seven projects sampled contained a monitoring framework that described quarterly or bi-annual monitoring activities to be carried out during the life-cycle of the project. These activities that entailed preparing quarterly project progress reports, providing the financial monitoring of the annual work plan, risk assessments, capturing lessons learned and project board meetings, were not carried out by the Office as agreed in the project documents.
- As of September 2019, 30 out of 48 ongoing development projects reported in Atlas recorded less than 60 percent delivery of the total budget for 2019 (the total combined budget of \$18 million with expenses of \$6 million). Although the Office indicated that the overall delivery target was on track to be achieved, at the project level, not all projects were performing as planned. Low project delivery can negatively impact resource mobilization.
- Support to National Implementation was provided using a blanket letter of agreement signed with the Government on 22 January 2002. Although the letter had most of the standard clauses, it lacked the annex with the details of the services that would be provided for each project and the associated costs involved for the Office to recover them.

(c) Project closure:

- Three of the four closed projects sampled lacked the Quality Assurance closure assessments, limiting how lessons learned could be captured for further improvement.
- Three out of the 26 projects remained operationally closed for over 12 months before being financially closed.

Failure to implement the corporate guidelines may prevent the achievement of intended project outputs, which in turn may also negatively affect UNDP's reputation and result in the loss of confidence from stakeholders and the host Government.

Priority	Medium (Important)
Recommendation 2: To address the weaknesses in project management, the Office should take corrective measures by: <ul style="list-style-type: none"> (a) strengthening project design, ensuring that projects results are SMART with an appropriate monitoring framework and have clear roles for implementation modalities; (b) ensuring that monitoring activities and quality assessments are timely conducted by providing supporting evidence and lessons learned, including financial monitoring to ensure adequate project delivery levels, and timely project closure; and (c) ensuring that the standard letter of agreement with its corresponding annex is used when providing support to national implementation and that those projects are not included in the HACT/NIM audit exercise. 	
Management action plan: The Office will undertake the following actions: <ul style="list-style-type: none"> (a) In the context of strengthening of project design will revise 'Local Project Appraisal Committee Checklist' to include results that are SMART, the appropriateness of monitoring framework, clear linkage of results to the Theory of Change, clarity on roles and implementation modalities. (b) Develop a 'Monitoring and Evaluation Tracking Tool' to measure and monitor timeliness of monitoring of activities and quality conduct of assessments with supporting evidences and lessons learned and start implementation. The Programme Finance Associate will monitor adequacy of project delivery levels so that 80 percent is maintained both at the project and at total Office programme level, by the end of the year. (c) The design of new project documents under NIM will include annexes of the standard letter of agreement with a view to ensure the required information is covered within/as a part of project document within the overall legal framework of 2002 agreement. (d) Exclude qualifying NIM projects from the 2019 HACT/NIM audit exercise in consultation with Headquarters and the Office of Audit and Investigations. 	
Estimated completion date: 30 December 2020	

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.