

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

LIBYA

Report No. 2060

Issue Date: 29 November 2019

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Report on the Audit of UNDP Libya Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Libya (the Office) from 9 to 20 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 coordination.¹

The audit covered the activities of the Office from 1 January 2018 to 30 June 2019. The Office recorded programme and management expenses of approximately \$55 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 **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 weaknesses within the control environment, weaknesses in project management, and non-compliance with the HACT Framework.

Key recommendations: Total = 7, high priority = 3

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

¹ This audit covered the activities under this area only for 2018.

Weaknesses in Office's control environment (Issue 1)	<p>The approved organization chart did not reflect the Office's structure and operations, and a local Internal Control Framework had not been established. Standard operating procedures, workflows, reporting lines, job descriptions and delegation of authorities were either not established or not aligned with the existing structure.</p> <p><u>Recommendation:</u> The Office should improve its control environment by: (a) revisiting and finalizing its organizational structure, ensuring its alignment to programme and long-term objectives, as well as establishing adequate reporting lines and timely filling vacant positions; (b) aligning a comprehensive local Internal Control Framework to the updated organizational structure; and (c) revising standard operating procedures, workflows, job descriptions and delegations of authority.</p>
Weaknesses within project management (Issue 3)	<p>In four out of the six projects sampled, the information in the project documents was incomplete. The audit team noted the following weaknesses: Local Project Appraisal Committee meetings had not been held; risk logs had either not been created in Atlas or had not been updated; there were deficiencies in project monitoring; annual progress reports were incomplete; Project Board meetings were not being held; and Combined Delivery Reports had not been signed.</p> <p><u>Recommendation:</u> The Office should strengthen its project management by: (a) having all project documents reviewed by a Local Appraisal Committee to confirm that they adhere to the corporate template; (b) monitoring all project activities, utilizing the Atlas project module, preparing annual progress reports that adhere to UNDP reporting requirements and submitting Combined Delivery Reports for signature; and (c) holding Project Board meetings on an annual basis.</p>
Non-compliance with HACT Framework (Issue 6)	<p>A review of the implementation of HACT identified the following shortcomings: (a) the Office was not implementing the HACT Framework and macro-assessments had not been completed for the 2019–2020 programme cycle; (b) micro-assessment had not been completed for the three responsible parties receiving cash advances and cash advances had not been liquidated; and (c) an assurance plan had not been prepared for 2018 and 2019 detailing assurance activities such as spot checks.</p> <p><u>Recommendation:</u> The Office should implement the HACT Framework by: (a) undertaking, in collaboration with other United Nations agencies in the Country, the macro-assessment of the public finance system; (b) completing micro-assessments of responsible parties in receipt of cash advances, and liquidating cash advances within 60 days; and (c) developing and implementing an assurance plan.</p>

Implementation status of previous OAI audit recommendations: Report No. 1747, 25 January 2017.

Total recommendations: 5

Implemented: 5



Management comments and action plan

The Resident Representative accepted all seven 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 Tunis, Tunisia, due to the security situation in Libya (the Country). However, the Office continued to have a presence in the Country with limited international staff and the majority of local staff located in Tripoli.

At the time of the audit, the Office had 34 staff on fixed-term contracts, 27 service contract holders and 4 United Nations Volunteers. The 2019–2020 Country Programme Document covered the following areas: effective, inclusive and accountable governance institutions; and inclusive access to public services and economic opportunities.

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) ICT and general administrative management: ICT systems were operating effectively. General administration controls were well established and functioning adequately. No reportable issues were identified.
- (b) Staff and premises security: Staff and premises security management was found to be adequate and all security measures were in place. No reportable issues were identified.

OAI made three recommendations ranked high (critical) and four 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 the control environment (Recommendation 1).
- (b) Implement the HACT Framework (Recommendation 6).
- (c) Strengthen project management (Recommendation 3).

Medium priority recommendations, arranged according to significance:

- (a) Strengthen the procurement process (Recommendation 7).
- (b) Strengthen programme management (Recommendation 2).
- (c) Improve the inventory management process (Recommendation 4).
- (d) Strengthen monitoring of donor contributions (Recommendation 5).

The detailed assessment is presented below, per audit area:

A. Governance

1. Leadership

Issue 1 Weaknesses in Office's control environment

The 'UNDP Programme and Operations Policies and Procedures' define the control environment as one of the key components of the internal control system. The Internal Control Framework covers key control factors such as planning, monitoring, communication, policies, procedures, segregation of duties, individual authorities and accountabilities. It dictates the control environment and risk management strategy based on the Office's operating context.

Since 2018, the Office faced high turnover at the senior management level (two Resident Representatives, one Programme Coordinator and three Deputy Resident Representatives), which negatively impacted the overall management of the Office. The audit team highlighted the following shortcomings, which impaired efficiency and oversight:

(a) Outdated organization chart

The latest organization chart was approved in December 2018. At the time of the audit, it did not reflect the Office's structure and operations. The structure evolved based on managerial decisions focusing on delivery rather than long-term objectives and alignment with the programme structure, and without updating reporting lines and delegation of authorities. A revised organization chart was submitted to the Regional Bureau for Arab States for approval in August 2019.

(b) Inefficiencies in the proposed organizational structure

The audit team noted the following:

- The Deputy Resident Representative had 16 to 18 direct supervisees, which could hamper oversight and efficiency.
- The reporting lines of 11 staff in the Programme Management Support Unit had not been established, and the head of unit had yet to be recruited.
- Four out of the nine vacant posts in the organization chart were awaiting Regional Bureau approval.

(c) Local Internal Control Framework not updated

A local Internal Control Framework had yet to be updated to guide the existing control environment. Standard operating procedures, workflows, job descriptions and delegation of authorities were either not established or not aligned with the existing structure. A consultant had been recruited in 2018 to assess these key elements of the control environment; however, the deliverables could not be finalized until the Office's structure was approved.

Weaknesses in the Office's control environment could lead to unclear processes and may negatively impact the Office's performance.

Priority	High (Critical)
Recommendation 1:	
The Office should improve its control environment by:	
<ul style="list-style-type: none"> (a) revisiting and finalizing its organizational structure, ensuring its alignment to programme and long-term objectives, as well as establishing adequate reporting lines and timely filling vacant positions; (b) aligning a comprehensive local Internal Control Framework to the updated organizational structure; and (c) revising standard operating procedures, workflows, job descriptions and delegations of authority. 	
Management action plan	
<ul style="list-style-type: none"> (a) Finalization of the organizational structure taking into consideration long-term objectives and alignment with programme activities is one of the key priorities that the Office's senior management is working on, in close cooperation with Regional Bureau for Arab States. The Office expects to complete this process before the end of 2019. (b) A comprehensive local Internal Control Framework will be updated and aligned immediately after a new organizational structure is approved. (c) Standard operating procedures, job descriptions and delegations of authority will be updated after the organization chart is finally approved and will be completed during the first quarter of 2020. 	
Estimated completion date: March 2020	

B. Programme

1. Programme and project design

Issue 2 Weaknesses within programme management

The audit team observed the following weaknesses:

(a) Programme Board not established

The 'UNDP Programme and Operations Policies and Procedures' require the Office to establish a Programme or Outcome Board to monitor the achievement of expected outcomes.

The Office had not established a Programme or Outcome Board, as per the policies and procedures and as stipulated within the Country Programme Document 2019–2020. The Office explained that they would follow up with the government counterpart and propose establishing a Programme Board.

Without a Programme Board there is no formal process to monitor and provide assurance of the Office's progress towards meeting the established outcomes in its Country Programme.

(b) Limited number of programme and project evaluations

The 'UNDP Programme and Operations Policies and Procedures' stipulate that a comprehensive and strategic evaluation plan should be developed containing an appropriate mix of project and outcome evaluations, and every programme must be evaluated prior to its completion to inform the design of the next programme cycle.

The previous Country Programme 2012–2018 did not undergo an evaluation. Furthermore, at the time of the audit, there had been just two project evaluations planned and completed since 2014. One of these related to the largest project; however, the terms of reference, final report and recommendations had not been uploaded to the Evaluation Resource Centre (ERC) website. The evaluation plan for 2019–2020 included two project evaluations, one of which was in progress. The Office explained that they were in communication with the Evaluation Office to complete a review of the Country Programme.

A lack of programme or project evaluations may prevent the Office from determining the overall relevance, effectiveness and efficiency of UNDP's work, and from making any required adjustments.

(c) Weaknesses within the assurance function

The project assurance role supports the Project Board by carrying out objective and independent project oversight and monitoring functions. This role ensures project management milestones are managed and completed. The role should be independent from the project team and includes visiting project sites and ensuring all donor requirements are adhered to.

The audit team identified the following weaknesses:

- There was no evidence of project site visits during the audit period.
- Donor reports and requests for project "no cost extensions" were delayed. For example, donors informed the audit team of reporting delays in three of the six sampled projects and in one of them, the extension was requested from donors one month before the planned end date. At the time of the audit, the extension was still pending confirmation. The Office explained that the security situation created challenges in being able to complete regular project visits.

The Office was aware of the deficiencies in programme support and was in the process of building capacity to address the issues identified.

Weaknesses in project oversight may lead to project milestones and donor requirements not being met.

Priority	Medium (Important)
Recommendation 2:	
The Office should strengthen its programme management by:	
(a) establishing a Programme Board to monitor progress and provide assurance in the achievement of programme outcomes;	
(b) ensuring a programme evaluation is completed to inform the design of the new programme, and revising the 2019–2020 evaluation plan to ensure it includes an adequate mix of project and outcome evaluations that adhere to the UNDP evaluation guidelines; and	
(c) strengthening the programme assurance function by having regular project site visits and submitting donor reports and requests for no cost extensions in a timely manner.	

Management action plan:

- (a) A Programme Board will be established with participation of the Government and other partners during the first half of 2020.
- (b) The 2019–2020 Country Programme Document will be requested to be extended by the Executive Board in 2020. An evaluation of the new Country Programme will be in 2021. The evaluation plan will include an adequate mix of project and outcome evaluations.
- (c) The programme assurance function, quality of reporting and agreement management will be further strengthened with support of the new Programme Management Support Unit. The new head of the Programme Management Support Unit is expected to be on board in Q1 2020.

Estimated completion date: May 2021

Issue 3 Weaknesses within project management

The audit team selected six projects for detailed review and noted the following weaknesses:

(a) Inconsistencies within the project document

The 'UNDP Programme and Operations Policies and Procedures' require offices to ensure that project documents have the required elements, such as: well-defined project activities, outputs, and outcomes; a legal section; and an explanation of the assurance function.

In four out of the six projects sampled, the information in the project documents was incomplete, specifically:

- One project document had an end date of December 2014 and there had been no revision to the project document despite implementation throughout the audit period. Also, the original document excluded a number of required sections, including a monitoring and evaluation framework, legal clauses, and a risk log.
- In two other project documents, the legal section and the results and resources framework information were excluded, while the project assurance function was not elaborated.
- One project, which started implementation in January 2019, was still awaiting signature from stakeholders. The corresponding results targets had still to be defined and the project assurance function had not been elaborated.

Incomplete project documents including a lack of a well-formulated results and resources framework create challenges in determining whether project objectives have been met.

(b) Inadequate project oversight

According to the policies and procedures, offices are required to establish a Local Appraisal Committee, and to appraise the quality of each project document prior to implementation. Further, offices must ensure adequate monitoring of all activities, including the preparation of annual progress reports, and the maintaining of issue, monitoring and risk logs. The Project Board should meet at least annually to review the achievement of project results and corresponding challenges, and to endorse the annual work plan at the start of the year. The Combined Delivery Report is a mandatory report that reflects the expenses and funds utilized on a project and

must be signed by UNDP and certified by the designated authorized official of the implementing partner to confirm the validity of the expenses incurred on behalf of the project for the reporting period.

Within the project sample, the following weaknesses were identified:

- Local Project Appraisal Committee meetings had not been held prior to project inception in four of the six projects sampled.
- The risk logs had either not been created in Atlas (enterprise resource planning system of UNDP) or had not been updated within the audit period for three of the sampled projects.
- For two of the six sampled projects, the Office was unable to provide evidence of adequate monitoring of training and capacity-building activities.
- The annual progress reports were incomplete; risks including corresponding mitigation measures, and an analysis of budget against expenditure including variance analysis was not included in three of the sampled projects. In the case of one project, the report did not make any reference to output targets and excluded information on risks and lessons learned.
- The Project Board for three of the six sampled projects had only met on one occasion or not at all during the audit period. The Office explained the Project Boards had to be cancelled in many cases due to security concerns.
- The 2018 year-end Combined Delivery Reports for all projects had yet to be signed by the Head of Office.

The Office shared that there were weaknesses with capacity and that it would be creating a Programme Management Support Unit to address the areas highlighted.

Without adequate monitoring systems, project risks and mitigating actions may not be identified in time, causing delays and cost overruns.

Priority	High (Critical)
Recommendation 3:	
The Office should strengthen its project management by:	
<ul style="list-style-type: none"> (a) having all project documents reviewed by a Local Appraisal Committee to confirm that they adhere to the corporate template; (b) monitoring all project activities, utilizing the Atlas project module, preparing annual progress reports that adhere to UNDP reporting requirements, and submitting Combined Delivery Reports for signature at the end of each quarter; and (c) holding Project Board meetings on an annual basis, supported by meeting minutes. 	
Management action plan:	
An inter-office memorandum will be developed to ensure and reinforce the Office’s compliance with recommendations (a), (b), and (c) as follows:	
<ul style="list-style-type: none"> (a) A Local Appraisal Committee will be fully functional as soon as possible. 	

- (b) This recommendation will be implemented as soon as possible and fully in place in Q1 2020 (after the head of the Programme Management Support Unit is on board).
- (c) Project annual meetings will be held for all projects and will be properly documented.

Estimated completion date: December 2020

C. Operations

1. Financial resources management

Issue 4 Weaknesses in inventory management

The 'UNDP Programme and Operations Policies and Procedures' require offices to recognize inventory when the Office: (i) controls access to and distributes the inventory items, and administers a programme requiring the distribution of the inventory items; and (ii) bears the risks of loss, theft, damage and spoilage. All offices are required to perform a biannual physical verification of inventory, and the results should be certified and shared with the Office of Financial Resources Management.

The following weaknesses were identified within inventory management:

- Items purchased (valued at \$0.7 million) for transfer to the final beneficiaries were kept in storage but not reported as inventory as required within the year-end inventory certification. These items were incorrectly recorded as project expenses and not recorded as inventory. This caused an overstatement of \$0.7 million for project expenses as of December 2018 for one project.
- It was noted that inventory items (valued at \$0.4 million) that had been received in February 2019 and distributed to the final beneficiaries as per signed delivery notes in July 2019 were not included in the inventory certification as of 30 June 2019.
- The physical inventory count as of 30 June 2019 was conducted by the project team, who were responsible for the goods in storage. However, the verification should not have been completed by staff who are responsible for goods or inventory items in storage.
- The inventory list was not updated on a regular basis.

The Office had misunderstood clarifications received from Headquarters in 2017 regarding the recording of inventory, which contributed to some of the issues highlighted.

Inadequate control of the management of inventory can lead to misstatements of reported expenditures and can increase the risk of theft or loss.

Priority	Medium (Important)
Recommendation 4:	
The Office should improve the inventory management process by:	
(a) developing standard operating procedures on inventory management; and	
(b) performing a physical count and certification following the inventory management guidance.	

Management action plan:

- (a) An inter-office memorandum on inventory management with clear roles and responsibilities will be soon developed.
- (b) A physical count and certification will follow the inventory management guidance.

Estimated completion date: March 2020

Issue 5 Weak oversight over the utilization of donor contributions and management of cost-sharing deficits

The following weaknesses were identified with the utilization of donor contributions and management of cost-sharing deficits:

(a) Weaknesses in the utilization of donor contributions

Upon signature of the financing (cost-sharing) agreement, UNDP enters into legal commitment to utilize funds within an agreed timeframe.

The Office had not established a monitoring mechanism to ensure available funds were utilized within the timeframe agreed with the donors. For example, the EU agreement for the one project had a financing agreement with an end date of 30 June 2018. At the time of the audit, funds of \$859,548 were not utilized and based on information provided by the Office, the funding may have to be returned to the donor. Low utilization of 53 percent and 58 percent were identified with two other donor agreements (EU \$8.6 million, 18 months, and USAID \$4 million, 25 months). At the time of the audit, a no cost extension had not been requested from the donors despite the financing agreements having respective end dates of November and December 2019.

The financial performance dashboard of September 2019 included six pending contributions of \$7.8 million with an average delay of 190 days. This indicated that the Office did not have the capacity to implement projects within the agreed timeframe.

In the event funds are not fully utilized as per the donor agreement, funding may have to be returned to donors.

(b) Cost-sharing deficits

According to UNDP financial regulations (Regulation 5.07), offices do not have the authority to enter into commitments in the absence of available cash. As per UNDP financial closure instructions, managers should proactively analyse their project expenses and identify any potential deficits and take corrective action to resolve deficits at both the donor and project level.

The Office's cost-sharing deficit as of 30 June 2019 was over \$0.4 million; as of August 2019, the figure was unchanged as six out of the nine cases had yet to be resolved.

The cost-sharing deficits were due to regular Global Management Services and payroll expenses, which the Office had not taken into consideration when charging expenses to the same funding source. As a result, total charges exceeded available funding.

Improper monitoring of expenses and subsequent cost-sharing deficits increase risks of overspending of available project budgets.

Priority	Medium (Important)
Recommendation 5:	
The Office should strengthen monitoring of donor contributions by:	
<ul style="list-style-type: none"> (a) timely using donor funds, and requesting extensions well in advance in the event of delays in fund utilization; and (b) requesting support from the Office of Financial Resources Management to track and resolve cost-sharing deficits as prescribed by the financial closure instructions. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office will strengthen mechanisms on the utilization of donor contributions by enforcing more effective programme finance monitoring to raise issues in advance. Monthly reporting of the Programme Management Support Unit to senior management will be put in place. (b) Cost-sharing deficits will be more effectively tracked and resolved and support from the Office of Financial Resources Management will be requested as necessary. 	
Estimated completion date: June 2020	

Issue 6 Non-compliance with HACT Framework

The 'Framework for Harmonized Approach to Cash Transfers' (HACT) requires participating United Nations agencies to coordinate HACT activities to reduce the burden of organizational procedures on implementing partners. Cash compliance is achieved when the following is 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. Assurance activities include planning, periodic on-site reviews, programmatic monitoring, scheduled audits and special audits.

A review of the implementation of HACT identified the following shortcomings:

- At the time of the audit, the Office was not pursuing the implementation of the HACT Framework. Meetings with United Nations agencies confirmed that at least two other agencies were implementing the HACT Framework to manage risks related to cash advances to partners.
- Macro-assessments had not been completed for the 2019–2020 cycle. Additionally, the Office could not provide evidence that it was completed for the previous cycle.
- Micro-assessments had not been completed for any of the three responsible parties that received cash advances of \$3.5 million during the audit period.
- An assurance plan had not been prepared for 2018 and 2019 detailing assurance activities such as spot checks. Consequently, no assurance activities had taken place despite the high volume of cash advances to the responsible parties.
- The review of cash advances disclosed an outstanding amount of \$44,000, which had yet to be reported on, despite disbursements taking place between 9 and 16 months ago.

The issues highlighted were due to the Office’s lack of involvement on the HACT task force within the United Nations Country Team, and the lack of ownership to guide HACT implementation.

When micro-assessments and assurance activities are not conducted, the Office may not have adequate information on the programmatic implementation/delivery capacity of its implementing partners, which may result in funds not being used for the intended purposes.

Priority	High (Critical)
Recommendation 6:	
<p>The Office should implement the HACT Framework by:</p> <ul style="list-style-type: none"> (a) undertaking, in collaboration with other United Nations agencies in the Country, the macro-assessment of the public finance system; (b) completing micro-assessments of implementing partners in receipt of cash advances, and liquidating cash advances within 60 days; and (c) developing and implementing an assurance plan. 	
Management action plan:	
<p>On macro-assessment:</p> <p>Due to the ongoing conflict, there is no unified financial system in place. The banking system is facing major cash liquidity problems. For all these reasons, (i) a waiver, which is valid until 30 June 2021 has been granted to UNDP to pay vendors in hard currency at respective bank accounts open outside of the Country, and (ii) the Office has applied for a HACT Compliance Waiver granted in 2016 and assumed to be implemented in 2017, 2018 and 2019.</p> <ul style="list-style-type: none"> (a) Despite the situation as described above, the Office will raise the issue with the United Nations Country Team to look into possibilities to work together on the HACT macro-assessment. As per the HACT Framework, international financial institutions like the World Bank, the International Monetary Fund, and the African Development Bank, are usually are the ones to conduct macro-assessments. <p>On micro-assessments:</p> <ul style="list-style-type: none"> (b) For 2020 onwards, the Office will complete micro-assessments of implementing partners through a third-party entity. The Office will make efforts to liquidate cash advances within 60 days despite the challenges of the Country context. (c) The Office will develop and implement an assurance plan in the first quarter of 2020 (security constraints in the Country have to be taken into account to conduct field visits and spot checks). 	
Estimated completion date: December 2020	

2. Procurement

Issue 7 Weaknesses within the procurement process

The audit team identified the following weaknesses within the procurement process:

(a) Weaknesses in the monitoring of the procurement plan

The 'UNDP Programme and Operations Policies and Procedures' state that all business units and Country Offices are required to develop consolidated procurement plans on an annual basis. Offices are also required to conduct an analysis of this plan as well as review and update it regularly.

The Office timely prepared consolidated procurement plans for 2018 and 2019. However, there was no tracking mechanism in place to monitor the implementation of the plans. In addition, the procurement plans were not revised and updated following the *ad hoc* requests to procure for project activities that were not initially planned. The Office commented that given the evolving implementation environment, some adjustments to the procurement plans were needed, due to requests from counterparts.

Not following up on the implementation and update of the procurement plans may result in inefficiencies in the procurement process.

(b) Delays within the procurement process

During the review of 118 procurement cases valued at \$29.7 million, the audit team noted that there were delays, notably during the evaluation stage. As per the analysis of the procurement cases during the audit period, the audit team identified that for 55 (\$9.5 million) out of the 118 cases the evaluation of offers took between 40 and 100 days, leading to delays within project implementation. The Office explained that these delays were due to (i) competing demands of the evaluation panel, (ii) receiving documents in Arabic, which required translation, (iii) the lack of proper planning, and (iv) the need to start working on other procurement cases that were more urgent.

Delays in the procurement processes may lead to inefficiencies and delays in project implementation.

(c) Requisitions prepared at the end of the procurement process

The procurement of goods, civil works and services begin with an Atlas requisition. This is a formal request originated by a business unit or project staff. It is submitted to procurement staff, who use the procurement process to convert the requisition into a purchase order.

During the review of all procurement cases, the audit team noted that the Office was raising requisitions only after the finalization of the procurement process and upon signature of the contract.

Conducting procurement activities without formal requests indicating the required goods or service specifications may lead to errors in the items being purchased.

(d) Weak internal controls in contract management

As per the 'UNDP Programme and Operations Policies and Procedures', all contracts including purchase orders shall be monitored by the requesting unit with the support of the procurement unit. The procurement unit shall

implement all the administrative requirements including the management of required documentation, changes to and closure of contracts. Both units should work together to manage the relationship with the supplier and ensure effective communication to support delivery.

The Atlas Contract Management Module is designed to automate contract management and to facilitate the tracking and management of contracts. During the review of and discussions with the Office, the audit team noted that the Office was not using the Atlas Contract Management Module and there was no other centralized mechanism in place to manage and administer contracts, including the monitoring of the contract expiry dates.

Weaknesses in contract management could lead to late renewals of contracts, which may impact the efficiency of the Office.

Priority	Medium (Important)
Recommendation 7:	
The Office should strengthen the procurement process by:	
<ul style="list-style-type: none"> (a) regularly monitoring the implementation of and updating of the procurement plan, addressing the root causes of delays in the offer evaluation process and establishing timeframes for each stage of the procurement process; (b) starting the procurement process with raising an Atlas requisition by a requesting unit and sharing it with the procurement team; and (c) improving controls on contract management such as utilizing the Atlas Contract Management Module for monitoring contract expiration. 	
Management action plan:	
The Office has been taking the following measures to strengthen procurement processes:	
The Chartered Institute of Procurement and Supply (CIPS) certification Level 2 training was organized with broad participation (25) of the Office staff and project personnel involved in the procurement process. A UNDP specialized unit in Copenhagen conducted training in November 2019. In addition, a one-day training session dedicated to the 2021 procurement plan is planned to be conducted in the second week of December 2020.	
<ul style="list-style-type: none"> (a) The procurement plan will be completed and reported no later than February 2020. Regular communication with the projects to monitor and update the procurement plan for identifying and addressing the bottlenecks will be performed and monitored in joint monthly meetings. (b) The Office will make mandatory uploading of e-requisitions in Atlas at the time the procurement plan is entered into the corporate planning system. (c) To comply with audit recommendation on utilizing the Atlas Contract Management Module for centralized contract administration, a focal point will be assigned within the Service Center who will timely update project managers on the status of contracts under the respective projects. 	
Estimated completion date: June 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.