



AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE KINGDOM OF BAHRAIN

Follow-up of OAI Report No. 2036 dated 3 May 2019

Report No. 2188
Issue Date: 30 October 2020



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**Report on Follow-up Audit of UNDP Kingdom of Bahrain
(Previous OAI Report No. 2036, 3 May 2019)
Executive Summary**

From 12 to 21 October 2020, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted a remote follow-up audit of the UNDP Country Office in the Kingdom of Bahrain (the Office). This remote follow-up audit was undertaken, in addition to regular desk reviews, in view of the 'unsatisfactory' audit rating assigned by OAI in Report No. 2036 dated 3 May 2019. The follow-up audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit scope and approach

The follow-up audit reviewed the implementation of 11 audit recommendations. OAI conducted appropriate tests of transactions and activities by the Office from 1 July 2019 to 30 August 2020 and interviewed management and staff concerned to determine whether the reported corrective actions were indeed implemented, as reported by the Office in the Comprehensive Audit and Recommendation Database System (CARDS).

Audit results

The Office had fully implemented all 11 audit recommendations.

Implementation status	Number of recommendations	Recommendation Nos.
Implemented	11	1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11
Total	11	

The detailed implementation status of the 11 recommendations has been updated by OAI in CARDS.

Section I summarizes the 11 recommendations that have been fully implemented.

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I. Details of implemented recommendations

Rec No.	Issue title	Recommendation	Implementation status reported by UNDP Bahrain	OAI assessment
1	Weak control environment	<p>High (critical) priority</p> <p>The Office should improve the control environment by:</p> <ul style="list-style-type: none"> (a) revising the organizational structure, job descriptions and reporting lines; and (b) developing, with the support of the Regional Bureau, an action plan to address the issues reported to the Bureau as well as the issues resulting from the Global Staff Survey. 	<p>Implemented</p> <ul style="list-style-type: none"> (a) The planned Office reprofiling was put on hold until a decision on the structure and UNDP presence in the Country is made, in accordance with the Government possibilities and UNDP Headquarters decisions. The organization chart and reporting lines have been amended in response to the audit recommendation. (b) An action plan issued from the Global Staff Survey and other issues reported to the Regional Bureau was developed and was being implemented. Progress in the implementation of the Global Staff Survey Action Plan was being monitored on a regular basis and feedback was being provided to the Resident Representative. 	<p>Implemented</p> <ul style="list-style-type: none"> (a) The organizational structure was last updated in May 2020 to capture the Office's current state. Jobs descriptions and reporting lines were also updated. At the time of the audit, there were ongoing discussions about Office reprofiling, which had been postponed because of uncertainty about UNDP presence in the Country. (b) The Regional Bureau deployed a Regional Specialist who worked with the Office's management and personnel to design and administer a follow-up survey based on the Global Staff Survey results. The results were used as the basis for an all-staff retreat, during which a Global Staff Survey Action Plan was developed addressing the issues in the survey as well as other issues reported to the Bureau. <p>The Global Staff Survey Action Plan was being updated on a regular basis to capture progress towards the implementation of action plans.</p>

2	Reduction in Government contributions to the Office	<p>High (critical) priority</p> <p>The Office should balance income and expenditures to ensure financial sustainability. The Office could, with participation of the Regional Bureau, strengthen its financial sustainability by communicating the Office's costs to the Government with the aim of receiving contributions that fully cover the Office's costs, securing its physical presence in the Country, and providing the assistance requested by the Government in the signed Standard Basic Assistance Agreement. The Office could also align its expenditures with the contributions received by ensuring a structure that is fit for purpose with the available financial envelope.</p>	<p>Implemented</p> <p>The Office has taken proactive measures to avoid deficits and has controlled the risks related to reduced operational funding by adopting conservative budget decisions to maintain the Office's financial sustainability into 2020 and in projections in 2021. In consultation with the Regional Bureau, the Office discussed with the Government options for UNDP interventions in the Country and the required government contributions. However, further reduction in the GLOC allocation announced by the Government in mid-2020 has generated different institutional budget scenarios compared to those at hand in early 2019. For that reason, the Office reprofiling would need to be rethought in light of the new financial envelope and will be discussed as the decision on Country Office presence and structure is made.</p>	<p>Implemented</p> <p>The Office took corrective actions to ensure its financial sustainability in 2020 and 2021. However, financial sustainability beyond 2021 could be at risk without additional contributions. The Regional Bureau was kept informed of the budget challenges faced by the Office, and was reviewing different scenarios on how to best address the alignment of the Office's structure with the new financial envelope as well as UNDP presence in the Country, since the minimum requirement of at least \$3 million in yearly programmatic contributions may not be met for 2020 and beyond.</p> <p>OAI is assessing this recommendation as implemented in view that the Office took actions to balance its income vs expenditures, and communicated the Office's costs to the Government and aligned its current organizational structure to available financial envelopes. Further reductions in the Government's contributions in 2020 are beyond the Office's control.</p>
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3	Low quality of Country Programme implementation	<p>High (critical) priority</p> <p>The Office should expedite the implementation of the Country Programme Document and strengthen monitoring by the Country Programme Board.</p>	<p>Implemented</p> <p>(a) During 2019 and 2020 the Office made all efforts to accelerate implementation, with over \$2 million in 2019 and that number being targeted for 2020. The very limited office structure as well as the COVID-19 disruptions, both in terms of no new projects, and delivery performance, are expected to reduce the projections for 2020.</p> <p>(b) The functions of the Country Programme Board in Bahrain have been carried out by the Strategic Partnership Framework Follow Up Committee, an inter-ministerial body. The Strategic Partnership Framework Follow Up Committee meetings take place as a substitute for the Country Programme Board meetings to avoid duplication given the small size of the UN Country Team. It has been agreed that the Country Programme Document will be extended by one year. UNDP will continue making all efforts to strengthen monitoring of the Country Programme Document in the new cycle.</p>	<p>Implemented</p> <p>(a) As of October 2020, the Country Programme implementation rate stood at 60.5 percent (\$7,258,960) of the Country Programme Document budget. The implementation of the Country Programme followed an upward trend from 2017 to 2020 to reach over \$2 million in 2018 and 2019.</p> <p>Since the audit in 2019, UNDP has signed two new projects. In addition, the Office has embarked on new programmatic activities through Engagement Facility interventions.</p> <p>(b) There was no formal Country Programme Board. The Strategic Partnership Framework Follow up Committee was used as a means of programmatic support and monitoring. During the Strategic Partnership Framework Follow Up Committee meetings, UNDP-specific projects were discussed, (the Government was briefed on them), and even pipeline projects were openly discussed and agreed upon.</p> <p>The meetings that were scheduled for 2020 have not taken place, mainly due to some disruptions in the Government following the outbreak of the COVID-19 pandemic in early 2020.</p>
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4	Weaknesses in project management	<p>High (critical) priority</p> <p>The Office should strengthen project management in the following two areas:</p> <ul style="list-style-type: none"> (a) Design of projects, by preparing annual work plans and project progress reports, to include results-based information, to monitor performance, and preparing and signing cost sharing agreements for the contribution of funds to projects. (b) Implementation and monitoring, by having the Project Board or Steering Committee meetings for all projects on a regular basis, undertaking substantive reviews of progress of projects, implementing budget revisions including budget for monitoring activities, and ensuring that the use of the Engagement Facility project adheres to the applicable guidelines, and activities are reported on the Results Oriented Annual Report. 	<p>Implemented</p> <ul style="list-style-type: none"> (a) The Office continues to enforce the correct project management practices, ensuring preparation of work plans, reports, and ensuring cost-sharing/financing agreements are properly prepared and signed. In addition, the Office staff will participate in the new corporate programming course in 2020. (b) Project Board meetings have been held for all projects, and properly documented. The Engagement Facility has been used strategically by the Office's management, to promote strategic initiatives, and has been reflected in the Results Oriented Annual Report. 	<p>Implemented</p> <ul style="list-style-type: none"> (a) In terms of project design, the audit team reviewed two projects and was able to validate the existence of annual work plan, cost-sharing agreements, and quarterly and annual progress reports. (b) In terms of project monitoring, Project Board meetings took place for both projects in 2019. The 2020 Project Board meeting was delayed but scheduled to take place prior to project closure in December 2020. The audit team reviewed Engagement Facility projects and verified that applicable guidelines were followed, and activities were reported in the Results Oriented Annual Report as required. This recommendation was therefore assessed as implemented.
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5	Inadequate use of project funds	<p>High (critical) priority</p> <p>The Office should improve its management of project funds by:</p> <ul style="list-style-type: none"> (a) expediting the closure of dormant projects; and (b) reversing transactions where expenditures have been charged to incorrect projects and implementing the correct budget override policy and setting approving override authority in Atlas. 	<p>Implemented</p> <ul style="list-style-type: none"> (a) Projects have been closed and the Office has avoided using incorrect project funds. Dormant projects have been systematically closed, and final project reviews have been prepared to ensure proper and agreed to closure with relevant implementing partners. (b) The practice of having expenditures charged to the correct projects has been enforced, ensuring that no exceptions take place, as well as the use of the correct budget override policy. 	<p>Implemented</p> <ul style="list-style-type: none"> (a) All dormant projects have been closed. At the time of the audit, there were four ongoing outputs that had expired based on output end dates. All four outputs were extended in Atlas until December 2020 and September 2021 based on the implementing partner request. No other exceptions were noted. (b) Project funds used to temporarily fund other projects were reversed back to the original project in 2019. Such practices were discontinued by the Office, and a budget override policy was developed for future exceptional circumstances.
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6	Deficiencies in procurement management	<p>High (critical) priority</p> <p>The Office should adhere to the UNDP procurement principles and all relevant policies and improve oversight and controls by:</p> <ul style="list-style-type: none"> (a) preparing a comprehensive procurement plan; (b) ensuring that procurement activities are well documented, starting with raising e-requisitions in Atlas and issuing purchase orders in Atlas prior to signing contracts; and (c) adhering to the requirements to conduct competitive and transparent procurements and using the direct contracting modality when engaging consultants only when valid justification exists and value for money is ensured. 	<p>Implemented</p> <ul style="list-style-type: none"> (a) The 2019 and 2020 procurement plans have been uploaded (the latter in the PROMPT platform). (b) The Office has strengthened internal capacities through a training by the Regional Advisor, and certifications by the procurement focal point. This capacity building will be ongoing. (c) Procurement processes are following the guidelines and the 'UNDP Programme and Operations Policies and Procedures', and direct contracts are following strict justifications to align to the direct contracting criteria laid out in the rules and regulations. 	<p>Implemented</p> <ul style="list-style-type: none"> (a) A comprehensive procurement plan was developed for 2020, with planned procurement volume of \$1.4 million. As of October 2020, the execution rate of the procurement plan stood at 32 percent, as reported in the PROMPT database. The implementation was largely affected by the COVID-19 pandemic. (b) No exceptions were found in the use of e-requisitions in Atlas and it was verified that purchase orders were created in Atlas prior to signing contracts. (c) The review of two procurement cases amounting to \$226,000 showed that procurement processes were competitive and transparent. Further, three consultants were contracted using the direct contracting modality for a total of \$234,000. To ensure value for money, the Office undertook a cost benefit analysis for each one of the three direct contracts, analysing similar cases in the market.
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7	Lack of review by the Contracts, Assets and Procurement Committee	<p>Medium (important) priority</p> <p>The Office should strengthen controls in procurement monitoring by submitting all procurement cases that meet the procurement thresholds to the procurement review committee through the ACP Online platform.</p>	<p>Implemented</p> <p>The local Contracts, Assets and Procurement Committee was established and functional. Effective support was provided, even for UN agencies, upon request. Training was provided to all personnel by the Regional Specialist. The ACP Online platform cases were entered in CARDS. Four cases have been processed through ACP Online since 1 July 2019.</p>	<p>Implemented</p> <p>The Contracts, Assets and Procurement Committee was functional and it reviewed four cases during the audit period. One contract was awarded without the Committee's review as its cumulative value was greater than the Office's delegation of authority of \$150,000. No other cases of non-submission to the Committee were observed during the audit period. Thus, OAI assessed this recommendation as implemented.</p>
8	Contracting and assigning UNDP staff members to a nationally implemented project	<p>High (critical) priority</p> <p>The Office should discontinue the practice of engaging and contracting UNDP staff members for nationally implemented projects.</p>	<p>Implemented</p> <p>Staff members are no longer working in projects. As of 1 October 2020, the SEU project had no UNDP fixed-term appointment contracts within their team. The recruitment of a service contractor was successfully completed for the project.</p> <p>The Office's management is enforcing the alignment with the policy to not have fixed-term appointment contracts within projects.</p>	<p>Implemented</p> <p>The Office discontinued the engagement of UNDP staff members in the support of nationally implemented projects.</p> <p>A new service contract position was advertised for the project and the selection process was finalized in August 2019.</p>

9	Weaknesses in recruitment and human resources management	<p>High (critical) priority</p> <p>The Office should strengthen its controls over human resources activities by:</p> <ul style="list-style-type: none"> (a) conducting local recruitment of General Service staff members and service contract holders, ensuring that personnel engaged under the service contract modality possess the proper authorization to work in the Country; (b) conducting a competitive and transparent process for filling new positions, documenting all the steps of the recruitment processes and explaining the rationale for not considering some candidates; and (c) avoiding the use of the service contract modality for core functions. 	<p>Implemented</p> <ul style="list-style-type: none"> (a) Local recruitments must provide evidence of proper authorization to work in the Country. (b) All recruitments processed during the audit period were subject to 'UNDP Programme and Operations Policies and Procedures' requirements. (c) Due to the pending Office reprofiling and structure change, service contract posts carrying out core functions (procurement and human resources) have not been converted. In the meantime, the Office has been controlling the risks related to service contract holders covering core functions, by adopting mitigating actions, including stricter supervision and controls. 	<p>Implemented</p> <ul style="list-style-type: none"> (a) For the two recruitments sampled, the Office validated that personnel engaged under the service contract modality possessed the proper authorization to work in the Country. (b) Two recruitments were sampled to review competitive and transparent processes and to ensure that proper justification was provided throughout the screening process. Out of five candidates, the Office provided rationale for shortlisting or not shortlisting candidates in all cases, mainly based on the relevance of their experience to the vacancies. (c) No new service contracts had been recruited to perform core functions since the previous audit. Due to pending reprofiling and financial sustainability challenges faced by the Office, the shift of service contract positions carrying out core functions (procurement and human resources) to fixed-term appointment positions had been put on hold. The Office committed to converting them as soon as the decision is made on the Office's presence in the Country as well as the availability of funds.
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10	Salary surveys for staff and service contract holders not conducted	<p>Medium (important) priority</p> <p>The Office should conduct salary surveys to update the salary scales for locally recruited staff members as well as the remuneration scales for service contract holders.</p>	<p>Implemented</p> <p>Fixed-term appointment salary scales and service contract remuneration scales have been revised and applied as of May 2020. This took place following the confirmation from the UN International Civil Service Commission.</p>	<p>Implemented</p> <p>For staff members in the General Service category, the revised salary scale took effect on 1 May 2020. For staff members in the National Officer category, the resulting salary scales took effect (retroactively) on 1 January 2018 and 1 January 2019. The new remuneration scale for service contracts took effect on 1 April 2020.</p>
11	Weaknesses in vehicle management	<p>High (critical) priority</p> <p>The Office should improve vehicle management by:</p> <ul style="list-style-type: none"> (a) effectively implementing the cost recovery for services provided to the Resident Coordinator Office following the 'Operational guidance on support to UNDS and business continuity for UNDP; (b) improving the recording of the vehicle logbooks including information on purposes of the trips, which is needed for adequate cost recovery, including recovery for personal use; and (c) implementing effective monitoring of vehicle use and fuel consumption. 	<p>Implemented</p> <ul style="list-style-type: none"> (a) A Service Level Agreement was signed between UNDP and the Resident Coordinator Office covering both 2019 and 2020. (b) Vehicle logs were adequately filled by the driver and oversight was exercised by a Programme Associate. The logs provided adequate details for processing of cost recovery and distinguished personal use from business reasons. (c) Fuel consumption was monitored by tracing the statement provided by the service provider to the vehicle logs, and discrepancies were investigated. 	<p>Implemented</p> <ul style="list-style-type: none"> (a) A Service Level Agreement was in force during the audit period and cost recovery was processed for services provided to the Resident Coordinator up to March 2020, when the Resident Coordinator left. (b) The December 2019 and June 2020 logs for two vehicles sampled were adequately filed. Because of the COVID-19 restrictions and the departure of the former Resident Coordinator, the vehicles had little usage. (c) Reports from the fuel service provider did not disclose any exceptions or abnormal fuel consumptions. Fuel consumption was being monitored by the Programme Associate, and vehicle maintenance had been done at least once a year.

ANNEX **Definitions of audit terms – implementation status, ratings and priorities**

A. IMPLEMENTATION STATUS

- **Implemented** The audited office has either implemented the action as recommended in the audit report or has taken an alternative solution that has met the original objective of the audit recommendation.
- **In progress** The audited office initiated some action to implement the recommendation or has implemented some parts of the recommendation.
- **Not implemented** The audited office has not taken any action to implement the recommendation.
- **Withdrawn** Because of changing conditions, OAI considers that the implementation of the recommendation is no longer feasible or warranted or that further monitoring efforts would outweigh the benefits of full implementation. A recommendation may also be withdrawn when senior management has accepted the residual risk of partial or non-implementation of recommendation.

B. 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.

C. 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.