AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

Report No. 2192
Issue Date: 13 November 2020
## Table of Contents

**Executive Summary**

I. About the Office

II. Audit results

A. Governance
   1. Organization chart and overall staffing

B. Development activities
   1. Project administration
   2. Grants

C. Operations/Procurement
   1. Goods and services

D. Operations/Finance
   1. Payments

E. Operations/Human resources
   1. Service contracts
   2. Performance management

Definitions of audit terms - ratings and priorities


Report on the Audit of UNDP Programme of Assistance to the Palestinian People
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Programme of Assistance to the Palestinian People (the Office) from 10 to 26 August 2020. 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
(b) Development activities
(c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

The audit covered the activities of the Office from 1 January 2019 to 30 April 2020. The Office recorded programme and management expenses of approximately $110.7 million. The last audit of the Office was conducted by OAI in 2018.

The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

(a) A review of original supporting documentation could not be carried out and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
(b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team’s understanding of the Office’s working environment.
(c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
(d) A physical verification of assets was not performed.
(e) Safe and petty cash contents were not verified.

Overall audit rating

OAI assessed the Office’s performance as partially satisfactory/some improvement needed, which means “The assessed governance arrangements, risk management practices and controls were generally established and functioning but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.” This rating was mainly due to weaknesses in the administration of grants.

Key recommendations: Total = 9, high priority = 1

The nine recommendations aim to ensure the following:

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Recommendation No.</th>
<th>Priority Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achievement of the organization’s strategic objectives</td>
<td>1, 2</td>
<td>Medium</td>
</tr>
<tr>
<td>Reliability and integrity of financial and operational information</td>
<td>3, 4, 7</td>
<td>High/Medium</td>
</tr>
<tr>
<td>Effectiveness and efficiency of operations</td>
<td>6</td>
<td>Medium</td>
</tr>
<tr>
<td>Compliance with legislative mandates, regulations and rules, policies and procedures</td>
<td>5, 8, 9</td>
<td>Medium</td>
</tr>
</tbody>
</table>

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:
Weaknesses in the administration of grants (Issue 3)

Within the audit period, the Office delivered 8 percent of its total programme delivery ($7.6 million out of $90 million) through grants.

In all seven grants sampled, the policies regarding the single grant limit of $150,000 or cumulative grant limit of $300,000 per grant recipient during the programme cycle were not adhered to.

Additionally, two out of the seven grant agreements had been signed after the grant implementation period had commenced but had been back dated. In three cases, selection processes were dated after the signing of the grant agreements.

**Recommendation:** The Office should strengthen its administration of grants by: (a) contracting grantees only after the review and endorsement of the selection process by a selection committee; (b) providing single grants limited to $150,000, and $300,000 on a cumulative basis within the programme cycle; and (c) providing training and disseminating the policies on the use of grants to all programme and project personnel.

**Implementation status of previous OAI audit recommendations:** Report No. 2009, 9 November 2018.
Total recommendations: 7
Implemented: 7

**Management comments and action plan**

The Special Representative of the Administrator accepted all nine 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
Osttveiten
2020.11.13
15:55:40-05'00'

Helge S. Osttveiten
Director
Office of Audit and Investigations
I. About the Office

The Office, located in Jerusalem, was operating under the Palestinian Programme Framework covering the period 2018–2022 with the following development priorities:

a) enhance responsive and inclusive governance to increase access to sustainable and quality basic services, public goods and rights;

b) build resilience to climate change and disasters, ensure sustainable use of natural assets and close the energy gap (expanding energy access); and

c) foster access to sustainable and inclusive economic and productive opportunities.

During the period from January 2019 to April 2020, the Office spent $83.9 million on development, a decrease by 20.8 percent compared to the previous period.

The largest development projects in terms of expenses during the period covered by the audit were:

<table>
<thead>
<tr>
<th>Title</th>
<th>Expenditure Jan-Dec 2019 $million</th>
<th>Expenditure Jan-Apr 2020 $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction of 300 Housing Units in Rafah</td>
<td>12,621,435</td>
<td>690,255</td>
</tr>
<tr>
<td>Construction of Sewage Treatment Plant in Khan Younis</td>
<td>10,997,368</td>
<td>1,601,172</td>
</tr>
<tr>
<td>Economic Stimulus in Gaza through Cash for Work</td>
<td>7,150,117</td>
<td>668,988</td>
</tr>
<tr>
<td>Community Resilience and Development Programme for Area C and East Jerusalem</td>
<td>5,478,385</td>
<td>158,402</td>
</tr>
<tr>
<td>Wastewater management</td>
<td>4,531,139</td>
<td>516,472</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40,778,443</strong></td>
<td><strong>3,635,289</strong></td>
</tr>
</tbody>
</table>

The largest sources of funding of the Office’s development activities for the period covered by the audit were:

<table>
<thead>
<tr>
<th>Donor</th>
<th>Funding for the period $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government of Germany</td>
<td>11.4</td>
</tr>
<tr>
<td>Government of Qatar</td>
<td>7.2</td>
</tr>
<tr>
<td>Government of the Netherlands</td>
<td>7.2</td>
</tr>
<tr>
<td>Government of Japan</td>
<td>6.7</td>
</tr>
<tr>
<td>Ministry of Foreign Affairs - Norway</td>
<td>4.8</td>
</tr>
<tr>
<td>State of Palestine</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41.0</strong></td>
</tr>
</tbody>
</table>

II. Audit results

Satisfactory performance was noted in the following area:

(a) Operations/Information and Communications Technology (ICT): ICT systems managed by the Office were found to be operating effectively.

OAI made one recommendation ranked high (critical) and eight recommendations ranked medium (important) priority.

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

Medium priority recommendations that had been implemented as advised by the Office (and independently validated by OAI) prior to the issuance of this report are not included in this report.
High priority recommendation:
(a) Strengthen the administration of grants (Recommendation 3).

Medium priority recommendations, arranged according to significance:
(a) Strengthen internal control environment (Recommendation 1).
(b) In consultation with the Regional Bureau for Arab States, establish an appropriate oversight mechanism (Recommendation 2).
(c) Raise purchase orders in compliance with the ‘UNDP Programme and Operations Policies and Procedures’ (Recommendation 4).
(d) Enhance financial management (Recommendation 7).
(e) Improve the selection and management of individual contractors (Recommendation 5).
(f) Improve procurement and contract management processes (Recommendation 6).
(g) Conduct the service contract remuneration survey to update the remuneration scale for service contract holders (Recommendation 8).
(h) Improve human resources management (Recommendation 9).

The detailed assessment is presented below, per audit area:

A. Governance

1. Organization chart and overall staffing

Issue 1 Weaknesses within the Office's internal control environment

The ‘Operational Guide of the Internal Control Framework’ for UNDP requires that the head of office establish and maintain adequate internal controls in his/her office and maintain documentation of the office’s internal control procedures.

The following weaknesses were identified:

(a) Weak controls within vehicle management

The Office’s structure indicated that drivers should report to the Administrative Assistant. However, the job description of the Administrative Assistant did not include this supervisory role, and in practice, one of the drivers holding a service contract was responsible for the management of the vehicles. The responsibilities of this driver also included the following: custodian of vehicle keys; reviewer of vehicle logbooks; and administrator of the GPS vehicle tracking system. The audit team was not provided with the driver’s signed terms of reference.

Vehicle logbooks were incomplete since they excluded the driver name and logbook reviewer. The accuracy of the reports from the GPS system could not be ensured as they were exported to an Excel file that could be easily modified.

(b) Incomplete authorization forms

Staff members were authorized to use the UNDP vehicles for unofficial purposes, and cost recovery was done based on approved rates. However, the authorization forms did not include the justification for the use of the vehicles for unofficial purposes.

Weaknesses in vehicle management and incomplete authorization letters could lead to the unauthorized use of office resources.
Priority: Medium (Important)

**Recommendation 1:**

The Office should strengthen its internal control environment by:

(a) establishing clear reporting lines for transportation management and oversight with adequate segregation of duties that should ensure better control over logbooks and the GPS vehicle tracking system; and

(b) including adequate details about the purpose and duration of the use of vehicles for unofficial purposes on the authorization form.

**Management action plan:**

The Office agrees with the findings and will address them as follows:

(a) The Office will address the issue for clear reporting lines and segregation of duties within transportation by providing a clear definition of roles and responsibilities for the transportation team.

(b) The Office has already minimized the use of vehicles for unofficial purposes to a minimum. The current authorizations are based on an official request that must be submitted to the Special Representative outlining the justification. The Office will amend the current authorization forms to include the purpose and duration of the use of vehicles.

**Estimated completion date:** February 2021

---

**B. Development activities**

**1. Project administration**

**Issue 2**  Weaknesses within programme oversight

According to the 'UNDP Programme and Operations Policies and Procedures', programme oversight occurs through the programme board. In crisis contexts where constraints prevent governments from being able to participate in relevant programme and/or project boards, the Regional Bureau can grant approval for modified oversight mechanisms, taking risks and stakeholders into account.

The Office operated under the 'Palestinian Programme Framework', which was developed based on the 'United Nations Development Assistance Framework', to set strategic directions and ensure overall programmatic coherence. A systematic programme oversight and evaluation process had not been established, as illustrated below:

- A programme board was not established.

- Mid-term and final evaluations of the previous and current programme cycle were not completed. None of the three outcomes of the ‘Palestinian Programme Framework’ had been evaluated or included within the evaluation plan.

- Four out of six project evaluations commissioned by the Office were assessed by the Independent Evaluation Office against the quality standard and evaluation criteria, with a rating of “moderately satisfactory” to “moderately unsatisfactory.” The Office's Results Based Management strategy, which serves to provide quality assurance of programme and evaluations and strengthening the monitoring of programme results, had not been finalized.

Without an adequate programme oversight mechanism, programme results may not be achieved.
Priority: Medium (Important)

**Recommendation 2:**

The Office, in consultation with the Regional Bureau for Arab States, should establish the appropriate oversight mechanism. The Office should further finalize the Results Based Management strategy to address the quality assurance of programme and evaluations.

**Management action plan:**

The Office will engage the Regional Bureau for Arab States on identifying the appropriate measures needed to address the recommendation while taking into account the Office’s unique status within the organization.

The Office will finalize the Results Based Management strategy.

**Estimated completion date:** June 2021

---

**2. Grants**

**Issue 3**  
Weaknesses in the administration of grants

According to the 'UNDP Programme and Operations Policies and Procedures', funding provided to grant recipients cannot exceed $150,000 per grant and $300,000 on a cumulative basis within the same programme period. The selection of grant recipients should be reviewed and endorsed by a selection committee.

Within the audit period, the Office delivered 8 percent of its total programme delivery ($7.6 million out of $90 million) through grants. The audit team sampled 7 grants out of a total of 95, representing $2 million out of $7.6 million.

The audit team identified the following weaknesses within grants administration:

In all seven grants sampled, the policies regarding the single grant limit of $150,000 or cumulative grant limit of $300,000 per grant recipient during the programme cycle were not adhered to. In two instances, the cumulative grant received by grantees was $365,700 and $455,000. For one of these grants, an amendment was signed at a later stage reducing the total grant agreement to $265,700 to comply with the policy limit while the deliverables remained unchanged.

Additionally, two out of the seven grant agreements had been signed after the grant implementation period had commenced and had been back dated. In three cases, selection processes were dated after the signing of the grant agreements.

These issues occurred because of a lack of understanding of the grants policy.

Non-compliance with the low value grants policy may lead to over granting to individual institutions,
## Priority
High (Critical)

### Recommendation 3:

The Office should strengthen its administration of grants by:

(a) contracting grantees only after the review and endorsement of the selection process by a selection committee;
(b) providing single grants limited to $150,000, and $300,000 on a cumulative basis within the programme cycle; and
(c) providing training and disseminating the policies on the use of grants to all programme and project personnel.

### Management action plan:

(a) In all the reflected cases the review and endorsement of the selection process by a selection committee was done prior to the signature of the agreement. The signing ceremony took place on 27 November 2018 upon completion of the selection process; however, within the contract, the signing date was wrongly reflecting the retroactive start date of the agreement as approved by the project board rather than the signing date. For the future, the Business Solutions Service Center (BSSC) will ensure to reflect the signing date of the agreement rather than the starting date.

(b) The Office has instituted the BSSC to strengthen oversight on all future grant allocations so as not to exceed the cumulative threshold of $300,000. Since the start of 2020, the BSSC maintains a tracker for all signed low value agreements within the programme cycle and will share the tracker as evidence to address the finding.

(c) The BSSC will provide additional training on implementing and payment modalities to programme and project staff in order to address the finding. The BSSC has already provided project teams with standard templates, policies and guidelines from the ‘UNDP Programme and Operations Policies and Procedures’ to strengthen their understanding of the rules and regulations.

**Estimated completion date:** June 2021

---

### C. Operations/Procurement

#### 1. Goods and services

**Issue 4**  
Unrecorded commitments

According to the ‘UNDP Programme and Operations Policies and Procedures’, purchase orders represent a legally binding commitment. The full amount and the extent of the commitment should be recorded in Atlas (enterprise resource planning system of UNDP). It is best practice to raise one purchase order for a contract with several purchase order line details linked to the payment schedule.

The audit team reviewed 22 out of 1,044 purchase orders totalling $14 million, representing 44 percent of the total value of $32 million purchase orders issued during the audit period. For 3 out of 22 purchase orders reviewed totalling $1.5 million or 10 percent of the sample value, it was noted that the requisition, purchase order and voucher were raised in Atlas on the same date.

The Office explained that this was due to purchase orders being raised when payments are processed and not when contracts are signed. This occurred because the complete donor funds were not available when the contract was signed.
By not raising a purchase order at the time of contract signing and with the full contractual amount, the Atlas commitments will be understated. A built-in Atlas control will not be able to check if total funds needed to meet the obligation are available, which will create a risk that the Office might not have sufficient funds at the stipulated time of payment.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 4:</strong></td>
<td></td>
</tr>
<tr>
<td>The Office should raise purchase orders in Atlas in compliance with the ‘UNDP Programme and Operations Policies and Procedures’ for the full amount of the contract obligation when contracts are signed and with instalments matching the partial milestones during a particular year.</td>
<td></td>
</tr>
</tbody>
</table>

| Management action plan: |
| The Office is aware of the finding and noted guidelines; however, due to donor contributions being linked to multiple transfer milestones, the Office has been unable to secure the full resources in order to raise purchase orders in Atlas in the full amount of the contract. The Office will follow up with the Bureau for Management Services to seek guidance on how best to address this within existing milestones of contributions. |

**Estimated completion date:** February 2021

**Issue 5** Weaknesses in the selection and management of individual contractors

The ‘UNDP Programme and Operations Policies and Procedure includes the following requirements in relation to management of individual contractors: 1) The outcome of the selection process from shortlisting to interview shall be presented in a single report prepared and signed by the evaluation team and the selection should be conducted by UNDP personnel according to UNDP rules and regulations. 2) The reference checks should be completed for the selected candidate. 3) The performance of an individual contractor must be evaluated and monitored by the responsible manager on a regular basis to ensure that contractual obligations are fully met.

During a sample review of 14 individual contractors with contract value totalling $2.1 million (representing 30 percent of total individual contracts processed during the period), the following was noted:

(a) For one individual contractor selected through direct contracting (contract value of $47,800) the selection report, reference checks, financial offer and performance evaluation documentation were not available. For three individual contractors, it was noted that the government advisors completed the interviews and made the selection while the Office completed advertising and receipt of applications.

(b) Reference checks for two individual contractors were completed verbally and not documented.

(c) The performance evaluations were not available for five individual contractors sampled.

The unavailability of selection and administration documents of individual contractors may create uncertainty with regard to the fairness, integrity and transparency of the selection process. Not conducting reference checks and performance evaluations presents a risk that the individual contractors selected might not be suitable for the position they were hired for.
<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 5:</strong></td>
<td></td>
</tr>
<tr>
<td>The Office should improve the selection and management of individual contractors by:</td>
<td></td>
</tr>
<tr>
<td>(a) ensuring selection documentation is maintained and the selection process is completed by UNDP personnel;</td>
<td></td>
</tr>
<tr>
<td>(b) documenting reference checks of individual contractors and archiving them in the recruitment files; and</td>
<td></td>
</tr>
<tr>
<td>(c) conducting regular and timely performance evaluations of all individual contractors on UNDP contracts.</td>
<td></td>
</tr>
<tr>
<td><strong>Management action plan:</strong></td>
<td></td>
</tr>
<tr>
<td>(a) The referenced contracts relate to management services provided to Palestinian institutions. As such, recruitment was conducted by the national counterpart. The Office notes the finding and will seek to ensure future alignment for all new recruitments</td>
<td></td>
</tr>
<tr>
<td>(b) The Office accepts the finding and notes that relevant standard documents are now being updated with regards to reference checks. To address the finding a training session will be concluded for all involved staff.</td>
<td></td>
</tr>
<tr>
<td>(c) The Office accepts the finding and will address the weakness in evaluation through a training session to all project managers and involved staff.</td>
<td></td>
</tr>
<tr>
<td><strong>Estimated completion date:</strong> February 2021</td>
<td></td>
</tr>
</tbody>
</table>

**Issue 6  Weaknesses in procurement and contract management**

According to the 'UNDP Programme and Operations Policies and Procedures', performance evaluations shall be conducted upon delivery of required goods and services, in order to assess the fulfilment of the contractual requirements. Performance evaluations shall be filed and referred to prior to future engagement of the same supplier by the Office.

During the review of a sample of 11 performance evaluations corresponding to purchase orders totalling $8 million processed during the audit period, the following was noted:

(a) **Inconsistencies in the vendor/contractor performance evaluation process:**

   (i) The performance evaluation of one civil works contractor showed inconsistent ratings. The evaluation had ratings of "partly met expectations" and "needs improvement" in the individual assessment criteria but the overall rating provided was "good."

   (ii) The performance evaluation for another civil works contractor showed that in more than half of the areas assessed, the rating provided was "unsatisfactory." However, no overall rating was provided. Hence, there was no confirmation as to whether the contractor would be disqualified when applying for future contracts.

   (iii) In 4 out of the 11 contractor performance evaluation documents where the individual assessment criteria included ratings of either "partly met" or "partly satisfactory" and below, there was no additional information included to support the ratings provided.

   (iv) In all 11 performance evaluations, it was noted that there were no standard descriptions used. One document used terms such as "excellent, very good, good, satisfactory, unsatisfactory" while another used "exceed, fully met, partly met, needs improvement." Another version of the contractor evaluation form used "inadequate, below standard, standard, above standard, superior."
(v) Four performance evaluations out of 11 reviewed were completed with delays between 6 to 10 months after the goods were delivered or services were completed.

The Office explained that the change in structure and staffing contributed to the observations. The Office confirmed that for the cases highlighted, there had been no major performance issues that required interventions for disciplinary measures.

(b) No receipt flagged in the system

22 purchase orders processed during the audit period were set with a "no receipt required" flag in Atlas. The "no receipt required" is set by the project teams in order for them to process partial payments of purchase orders.

(c) Need to improve monitoring of project procurement plans

According to the Office, the procurement plan is set at the beginning of the year and is discussed with the procurement team. Plan progress, updates and revisions are monitored and discussed in programme and operations meetings and reflected in the internal tracking tool. Significant variances, changes or amendments to the plan are justified and documented, endorsed by the project steering committee, cleared by senior management and communicated officially to the donors.

Three projects were selected for review and copies of the procurement plan from PROMPT (UNDP’s corporate planning tool) were provided by the Office. There were no updates on the procurement plan despite the procurement requirements being modifying during the year. In addition, copies of the internal tracking tool and other significant documentation were requested to substantiate the Office’s representation. Documents were provided for only one project and were not available for the other two projects.

Weaknesses in procurement and contract management may impact project delivery. Without accurate, timely and complete recording of information, the Office might not properly manage procurement processes.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendation 6:</td>
<td></td>
</tr>
<tr>
<td>The Office should improve procurement and contract management processes by:</td>
<td></td>
</tr>
<tr>
<td>(a) performing performance evaluations of contractors consistently and timely.</td>
<td></td>
</tr>
<tr>
<td>(b) not disabling procurement system controls in Atlas, such as the &quot;no receipt required&quot; flag; and</td>
<td></td>
</tr>
<tr>
<td>(c) properly monitoring and documenting the updates, revisions and progress of procurement plans.</td>
<td></td>
</tr>
<tr>
<td>Management action plan:</td>
<td></td>
</tr>
<tr>
<td>(a) The Office accepts the finding and will seek to address the weakness in evaluation of vendors by updating standard documents in regard to performance evaluations. A training session will be concluded, within the month of November 2020, for all involved staff.</td>
<td></td>
</tr>
<tr>
<td>(b) The Office accepts the finding and will seek to address the finding by strengthening the monitoring of &quot;receipt&quot; through procurement. A training session for all involved staff was already provided in October 2020, on the procurement cycle within Atlas, to avoid any future issues. An additional follow-up training is scheduled in November 2020.</td>
<td></td>
</tr>
<tr>
<td>(c) The Office reviews its procurement plans bi-annually; however, the audit finding is accepted, that modifications are not updated in project plans. The Office’s procurement team will work closely with the programme to identify how this can be done best and monitored at the project level.</td>
<td></td>
</tr>
</tbody>
</table>
Estimated completion date: March 2021

D. Operations/Finance

1. Payments

Issue 7  Weaknesses in financial management

(a) Funding Authorization and Certificate of Expenditure (FACE) forms incorrectly filled or not used

The ‘UNDP Programme and Operations Policies and Procedures’ require that cash transfers to implementing partners be adequately supported by a FACE form. Before certifying the FACE form, the implementing partner should review the FACE form for completeness, and report the balance remaining unspent. In addition, a certified FACE form should support advances and the expenses recorded in Atlas.

The audit team reviewed four cash advance vouchers (and corresponding liquidation journals) totalling $976,777, representing 9 percent of total advances issued during the audit period, identifying the following weaknesses:

- In two transactions, the outstanding authorized amounts in the FACE forms did not match the Atlas records.
- In one transaction, the previous advance balance in the FACE form was omitted.

(b) Weaknesses in payment processing

The ‘UNDP Programme and Operation Policies and Procedures’ require that advances be recorded in Atlas through account 16005 (OFA Government NEX) for effective monitoring of amounts advanced to implementing partners.

The audit team reviewed 20 out of 5,770 payment vouchers totalling $9 million (representing 12 percent of the total value of vouchers processed during the audit period). The audit team observed that three vouchers totalling $1,640,812 represented advances that were incorrectly expensed.

Weaknesses in payment processing and controls over financial resources may lead to the loss of financial resources and errors in payments not being detected and addressed.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
</table>

Recommendation 7:

The Office should enhance its financial management by:

(a) completing the FACE forms accurately and consulting the Office of Financial Resources Management for guidance on how to record payments advanced to the bank to pay beneficiaries under directly implemented projects; and
(b) recording payments and advances accurately with all relevant supporting documents.

Management action plan:

(a) The Office accepts the finding and will seek to address any weakness through the provision of additional training by the BSSC on the completion of the FACE forms to programme and project
staff. The Office will follow up with the Office of Financial Resources Management on how best to record payments advanced to the bank to pay beneficiaries under directly implemented projects.

(b) The Office notes the finding and will work with BSSC and Finance to provide training to project managers and approvers on different payment modalities to address the finding.

**Estimated completion date:** March 2021

---

**E. Operations/Human resources**

**1. Service contracts**

**Issue 8**  
Outdated service contract remuneration scale

The ‘Handbook on Setting Remuneration for Service Contract Personnel’ states that at the time of data collection for the service contract remuneration survey, the periodicity of adjustment of surveyed organizations should be ascertained. Service contract remuneration scales should generally be updated annually.

The audit team noted that the service contract remuneration scale was established in 2014. The Office’s remuneration scale had not been updated, as the required agreement from all agencies to complete the survey had not been reached. Further delays were experienced in 2020 due to the restrictions imposed by COVID-19.

The outdated remuneration scale may deviate from prevailing conditions found in the local labour market and may have a negative impact on personnel.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 8:</strong></td>
<td></td>
</tr>
</tbody>
</table>

The Office should conduct the service contract remuneration survey to update the remuneration scale for service contract holders.

**Management action plan:**

The Office notes that the requested survey must be completed by all United Nations agencies. The survey was planned for 2020 but postponed due to the COVID-19 pandemic. The Office will follow up with the Operations Manager Team and the United Nations Country Team to conduct the survey in 2021. The Office will share its communications and the Operations Manager Team and the United Nations Country Team decision with OAI to address the finding.

**Estimated completion date:** March 2021

---

**2. Performance management**

**Issue 9**  
Weakness in human resource management

(a) Performance Management and Development goals and assessments not completed

Performance management measures a staff member's contribution towards corporate results and serves as a tool for career development.
As of August 2020, the 2019 Performance Management and Development assessments were not completed for 14 out of 37 staff, and the 2020 goals for 11 out of 44 staff were not yet finalized. Furthermore, 2020 mid-year reviews had not started for all 44 staff.

The Office confirmed that finalization of 2020 Performance Management and Development goals and mid-year reviews were delayed due to the COVID-19 Pandemic.

The lack of completed staff performance assessments may lead to delays in addressing areas requiring improvement. In addition, without agreed upon performance targets, supervisors may not have the proper criteria for conducting assessments.

(b) Leave management needs improvement

As per the ‘UNDP Programme and Operations Policies and Procedures’, annual leave must be authorized in advance by the supervisors, except where compelling circumstances makes this impossible.

The review of the performance dashboard indicated that there were 92 cases where staff and service contract holders entered their leave in Atlas with delays ranging from 2 to 431 days after the leave start date. The Office confirmed that some of these cases were due to personal emergencies but for others there was no justification.

Not submitting annual leave requests in a timely manner may result in back-up functions not being established, which may have a negative impact on the performance of the Office.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
</table>

**Recommendation 9:**

The Office should improve its human resources management by:

(a) completing without further delays the Performance Management and Development goals and assessments for all staff members; and

(b) communicating to staff and personnel that annual leave needs to be entered and approved prior to its start dates.

**Management action plan:**

(a) The Office takes note of the finding – the HR unit will follow up with supervisors and supervisees to finalize the 2019 Performance Management and Development and to set the goals and complete midterm evaluations for those pending in 2020. The HR unit will support staff and managers through one-on-one meetings to finalize Performance Management and Development assessments prior to the end of 2020.

(b) The Office takes note of the finding – the HR unit will follow up with staff and supervisors to ensure timely submissions and approvals of leave requests. The HR unit will remind staff and managers of their obligation and will share all necessary guidance.

**Estimated completion date:** March 2021
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.