UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

ANGOLA

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Table of Contents

Executive Summary i

I. About the Office 1

II. Audit results 1

A. Development activities 3

1. Country Programme 3
2. Projects administration 4

B. Operations/Procurement 5

1. Individual contractors 5

C. Operations/Human resources 7

1. Recruitment of staff 7

D. Operations/ICT 8

1. Disaster Recovery Plan 8

Definitions of audit terms - ratings and priorities 9

United Nations Development Programme
Office of Audit and Investigations

Report on the Audit of UNDP Angola
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Angola (the Office) from 16 to 30 November 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 also addressed performance audit questions during the review of the following areas:

(a) Development activities:
  i. Was the office on target in implementing its CPD and projects as planned?
  ii. Was the achievement of planned results adequately monitored?

(b) Procurement:
  i. Did procurement processes result in the contracting of required services and products at best value for money with fairness, transparency, and integrity?
  ii. Were procurement processes conducted in a timely manner?

(c) Human resources:
  i. Were recruitment activities conducted timely?
  ii. Were best qualified individuals selected and recruited?

The audit covered the activities of the Office from 1 January 2019 to 30 September 2020. The Office recorded programme and management expenses of approximately $36.8 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*. 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.
(f) The ICT area was not reviewed on-site.

Overall audit rating

OAI assessed the Office's performance as **satisfactory/some improvements 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 project management, procurement, and recruitment processes.

Key recommendations: Total = **5**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There are five medium (important) priority recommendations, which means "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP."

The five recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 2	Medium
Effectiveness and efficiency of operations	4, 5	Medium
Compliance with legislative mandates, regulations and rules, policies, and procedures	3	Medium

Management comments and action plan

The Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

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Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Luanda, Angola (the Country) and its Country Programme covered the period 2020–2022 with the following development priorities:

a) Fostering poverty eradication and inclusive economic growth.
b) Increasing resilience to shocks and crisis and enhancing management of natural resources for conservation and economic development; and
c) Strengthening inclusive democracy, human rights, justice, and rule of law.

During the period from January 2019 to September 2020, the Office spent $36.8 million on development activities, a decrease by 11.8 percent compared to the previous period.

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

Title	Expenditure Jan-Dec 2019 $million	Expenditure Jan-Sept 2020 $million
PSS Min of Health – INLS	6.76	2.86
Strengthening the National Response to HIV in Angola	5.83	3.47
LDCF Climate Change Angola's Curvelai River Basin	2.27	0.91
Total	**14.86**	**7.24**

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

Donor	Funding for the period $million
Government of Angola	13.9
Global Environment Fund (GEF)	17.4
Global Fund to fight AIDS, Tuberculosis & Malaria (GFATM)	8.0
Total	**39.3**

II. Audit results

Satisfactory performance was noted in the following areas:

(a) Governance. No issues were identified relating to organizational structure and financial sustainability.

(b) Finance. Controls over the disbursement and receipting processes were found to be adequate.

(c) Administrative services. The internal controls were found to be adequate.

OAI's assessment on the performance audit questions examined was as follows:

(a) Development activities

i. Was the office on target in implementing its CPD and projects as planned?

The Office was not on target in implementing its CPD and projects. Delivery for 2017, 2018 and 2019 was below the RBA average. A review of five projects also found low delivery and poor timeliness in the implementation of projects. Low efficiency in implementing the CPD and projects may jeopardize the achievement of planned results for the current programme cycle. This is further addressed in issue one.

ii. Was the achievement of planned results adequately monitored?

The achievement of planned results was not adequately monitored. For two out of five projects sampled, there were no results and timelines defined in project documents, upon which results monitoring could be undertaken. Project results were not being monitored regularly by Project Steering Committees and there was irregular reporting of progress and achievements in 4 out of 5 sampled projects. This is further addressed in issue one.

(b) Procurement

i. Did procurement processes result in the contracting of required services and products at best value for money with fairness, transparency, and integrity?

Procurement processes were found to be weak in ensuring best value for money, fairness and integrity. As part of the review of procurement systems, the audit sampled 20 purchase orders with total amount of $1,087,355 which represented 43 percent of the total value of purchase orders for the period under review. OAI also sampled 5 individual contractors (ICs) with total contract value of $257,903. The audit noted three cases out of 20 cases where there were deficiencies in the procurement process, and four out of five cases with weaknesses in the management of individual contracts. This is further addressed in issue three.

ii. Were procurement processes conducted in a timely manner?

Timeliness of the procurement systems was found to be efficient, but exceptions were noted. There were two out of 20 cases sampled where the duration of the procurement process was unnecessarily long. This is further addressed in issue three.

(c) Human resources

i. Were recruitment activities conducted timely so as to meet the requesting units' needs?

The recruitment process activities were not conducted to meet the timelines defined by the requesting units. In testing 9 recruitment cases out of 10 recruitments that was completed in the period under review, the audit noted that 8 out 9 recruitments were delayed. This is further addressed in issue four.

ii. Were best qualified individuals selected and recruited?

OAI found that the recruitment process was effective in recruiting best-qualified staff. The audit also noted that all 9 recruited staff met the advertised requirements.

OAI made five 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, arranged according to significance:

- (a) Ensure programme oversight by establishing a programme oversight function (Recommendation 1).
- (b) Improve effectiveness of project implementation (Recommendation 2)
- (c) Strengthen procurement processes (Recommendation 3).
- (d) Strengthen efficiency of the recruitment process (Recommendation 4).
- (e) Improve the management of ICT (Recommendation 5).

The detailed assessment is presented below, per audit area:

A. Development activities

1. Country Programme

Issue 1 Ineffective oversight systems for programme delivery

An oversight function should be established to oversee the timely and full implementation of the Country Programme. The oversight function can be carried out by the Country Programme Board or through the United Nations Development Assistance Framework (UNDAF).

Programme delivery over budgeted resources for 2017, 2018 and 2019 was 79, 81 and 59 percent, respectively, which was low when compared with Regional Bureau for Africa average of 86, 83 and 87 percent. Delivery in 2020, the first year of the programme cycle 2020–2022, was at 71 percent compared to the 83 percent Regional Bureau for Africa average.

There was no oversight function established to oversee the timely and full implementation of the Country Programme. Management explained that oversight was to be undertaken through the UNDAF Outcome Board; however, the Board did not meet in 2018 and 2019 to review UNDAF results. At the time of the audit, there was no programme oversight board established for the 2020–2022 Country Programme cycle.

Due to the lack of effective oversight of the Country Programme, remedial action might not be identified in a timely manner, which may result in low delivery.

Priority Medium (Important)

Recommendation 1:

The Office should ensure programme oversight by establishing a programme oversight function that specifically monitors the timely and full implementation of the Country Programme Document.

Management action plan:

The Office will pursue its current efforts on strengthening its internal planning, budgeting, and reporting system in order to ensure effective programme oversight and financial delivery.

Such a system includes the development, review, and monitoring of internal work plans, budgets and procurement plans on a monthly basis.

It will help ensure that corrective actions such as acceleration plans or budget revisions are decided and implemented in a timely manner.

Estimated completion date: December 2021

2. Projects administration

Issue 2 Weaknesses in project management

Offices should ensure that project documentation supports the achievement of project results within the planned timeframes. Steering committees need to be established to provide timely oversight. Audit recommendations should be followed up on to mitigate identified risks.

The audit team sampled five projects: three GEF-funded projects with a total expenditure of nearly $6.4 million (representing 92 percent of the Office's GEF portfolio) and two Development Services Projects with total expenditure of nearly $9,9 million (representing 49 percent of total project expenditure for the period under review). The following was noted:

Incomplete project documentation

- One project did not have a signed project document.
- Another project, with expenditures of nearly $9.63 million, had a project document that expired in December 2019.

Weaknesses in Project Steering Committees

- For all three GEF-funded projects, Project Steering Committees were not adequately providing project strategic direction and oversight. One project did not have a Project Steering Committee for the four years of its implementation. A second project did not have a Steering Committee for the first and third year of implementation. The third project had a Steering Committee meeting only once in 2019 and had not met in 2020, while it was supposed to meet four times a year.

Inadequate audit recommendation follow-up

- HACT audit recommendations were not adequately addressed to mitigate risks for project delivery for projects audited in 2018 and 2019. As of April 2020, out of seven nationally implemented (NIM) projects that were audited in 2019, four had prior year (2018) audit recommendations that were not implemented. The Office had also not initiated the Action Plan for the 2019 implementation of audit recommendations.

Priority	Medium (Important)

Recommendation 2:

The Office should improve effectiveness of project implementation by:

(a) ensuring that all projects have valid project documents;
(b) ensuring that projects receive oversight from Steering Committees; and
(c) ensuring that project implementation risks identified in HACT audit reports are systematically followed up with implementing partners.

Management action plan:

The Office will:

(a) Ensure that project documents are defined and/or updated for all projects.
(b) For NIM projects, will emphasize with the implementing partner the need for more frequent and regular Project Steering Committee meetings.
(c) Strengthen its monitoring systems for the implementation of HACT audit recommendations and the management of risks at the level of project implementers.

Estimated completion date: December 2021

B. Operations/Procurement

1. Goods and Services

Issue 3 Weaknesses in the effectiveness and timeliness of procurement processes

To be effective, procurement processes in UNDP must contract required services and products at best value for money with fairness, transparency, and integrity.

The audit team sampled 20 purchase orders with a total amount of $1,087,355, representing 43 percent of the purchase order expenditures for the period under review. The audit team also sampled the procurement of five individual contractors with total contract value of $257,903, which represented 26 percent of total contract value for the period under review. The following was noted:

Deficiencies in the procurement processes

- For the selection of one individual contractor amounting to $93,456, there was inadequate justification for direct contracting. The reason given for direct contracting was that there was no competitive market for the requirement in the local market. As individual contracts are open to international markets, this is not a justified reason. In addition, the waiver for competitive selection was signed by a staff member who did not have the delegated authority to do so.
- For the selection of another individual contractor amounting to $36,300, inconsistent scoring of applicants was noted. The successful applicant, who met the criteria for relevant qualifications and experience, was awarded the higher score, even though there was another candidate with higher-level qualifications in the required field and more years of relevant experience.
- In one case for the procurement of goods worth $54,733, a vendor quote was received after the submission deadline and was included in the evaluation process. The Office explained that this was done to have three quotes for the procurement of these goods.

Weaknesses in the management of individual contracts

- Performance payments for three individual contractors with a total contract value of $149,967, representing 58 percent of the selected sample, was based on the number of days worked rather than on deliverables. Quantified deliverables were included as an annex to the contracts however these were not linked to the schedule of payments. The UNDP Individual Contract Policy requires that contracts identify the total amount and the payment terms, according to specific and measurable deliverables.
- For another individual contractor with a contract value of $19,480, representing 8 percent of the selected sample, no evidence was available for the achievement of the deliverables.

Timeliness of procurement processes

OAI noted that in two cases, the procurement process did not ensure timelines set by requesting units were met:

- In one case valued at $121,291, the procurement process was initiated on 4 December 2018, and requests for quotations were sent to suppliers on 9 April 2019 with a submission deadline of 22 April 2019. Evaluation was completed and finalized 14 August 2019.
- In a second case for $54,733, quotes were received on 21 May 2020 and evaluations were only carried out on 13 August 2020. The purchase was for furniture and all quotes were from local companies.

The exceptions noted were due to inadequate oversight on the procurement process.

Weaknesses in procurement practices may have an impact on the quality of goods and services received, which may negatively affect project implementation.

Priority	Medium (Important)
Recommendation 3: The Office should strengthen procurement processes by: (a) ensuring that direct contracting is properly justified, scoring for shortlisted applicants is consistent and results in the most qualified applicant being contracted, and quantified deliverables are included in contracts, linked to payment schedules, and are certified with adequate documentation before payment is made; and (b) developing a standard operating procedure that details the procurement processes and the turnaround times associated with each process to facilitate better planning and efficiency of procurement.	
Management action plan: The Office will organize sessions for programme and finance staff on specific aspects of procurement processes including scoring, TOR development for consultants. The Office will develop standard operating procedures for its procurement processes, with a view to improving timelines and streamlining practices. The Office will amend its Atlas user profiles to facilitate the use of e-requisitions to initiate procurement processes. **Estimated completion date:** December 2021	

C. Operations/Human resources

1. Recruitment of staff

Issue 4 Inefficient recruitment processes

Efficient recruitment processes must ensure that the best qualified individuals are timely selected and recruited for the posts advertised.

From a total of 10 recruitments, a sample of 9 recruitments was selected. For eight of these nine selected cases, the recruitment process was prolonged and resulted in the Office not being able to meet start dates stipulated by requesting units.

- Recruitment of two positions for the Accelerator Lab project was completed in September 2019 and January 2020, respectively, whereas onboarding for these positions should have been done no later than April 2019 as stipulated by project guidelines.
- Recruitment for the Partnership and Development Finance Specialist in the Resident Coordinator's Office took 10 months to be completed.
- Recruitment process for a Climate Change Specialist took nine months to be completed.
- The requested start date for three posts (Project Manager in the Governance Unit, Procurement Specialist in the Global Fund Programme Unit and driver for the Resident Representative) was May 2019. Due to the delayed selection process, the contracts for the three posts were signed with delays ranging between two and four months after the required start date.
- The recruitment of the Office's driver position was completed six months after the requested start date.

The Office did not have a standard operating procedure detailing the recruitment process, the time to be taken to complete the recruitment, and what information requesting units should provide for the process to start. Lack of clarity thereon resulted in delays in recruitment.

Priority Medium (Important)

Recommendation 4:

The Office should strengthen efficiency of the recruitment process by developing a standard operating procedure that includes the requirements for a recruitment process and indicate the expected turn-around time.

Management action plan:

The Office will develop a standard operating procedure that will guide staff on the requirements for a recruitment process and indicate the expected turnaround times.

Estimated completion date: June 2021

D. Operations/ICT

1. Disaster Recovery Plan

Issue 5 Weaknesses in the management of ICT resources

The 'UNDP Programme and Operations Policies and Procedures' and ICT industry standards stipulate that the ICT unit should have adequate staff and maintain an updated Disaster Recovery Plan.

The following weaknesses were noted:

The ICT unit was not staffed adequately. The ICT unit consisted of one staff member providing services to 90 users from five UN agencies including UNDP. However, the UNDP Office of Information Management and Technology recommended a ratio of 1 ICT staff member for every 50 users.

The Office did not have a finalized and approved Disaster Recovery Plan. The draft Disaster Recovery Plan dating back to 2015 had not yet been finalized and approved by senior management. There had also been no testing of the Disaster Recovery Plan.

Weaknesses in the ICT staffing and the Disaster Recovery Plan could cause unreliable ICT services impacting the delivery of the Office and other UN agencies.

Priority Medium (Important)

Recommendation 5:

The Office should improve the management of ICT by:

(a) ensuring that the ICT unit is adequately staffed; and
(b) finalizing the Disaster Recovery Plan and scheduling regular testing.

Management action plan:

The Office will explore the possibilities of funding an IT Associate to complement the staffing in the ICT Team. In the meantime, the Office will resume with its existing practice of hiring interns.

The Office will finalize the draft Disaster Recovery Plan and schedule regular testing of the Business Continuity Plan.

Estimated completion date: June 2021

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

Fully 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.
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.