



AUDIT

OF

UNDP PACIFIC OFFICE

IN

FIJI

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Table of Contents

Executive Summary	i
I. About the Office	1
II. Audit results	2
A. Governance	3
1. Organization Chart and Overall Staffing	3
B. Development Activities	5
1. Country Programme	5
2. Project Administration	7
Definitions of audit terms - ratings and priorities	9

Report on the Audit of UNDP Pacific Office in Fiji Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UNDP Pacific Office in Fiji (the Office) from 18 May to 3 June 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)

OAI designed six performance audit questions to guide the review of the following areas and sub-areas:

- (a) Governance
 - (i) Was the Office's organizational structure appropriately designed to carry out its mandate, including oversight of projects implemented?
- (b) Development Activities
 - (i) Was programme monitoring undertaken effectively?
- (c) Procurement
 - (i) Were procurement transactions being completed in a timely manner?
 - (ii) Was the Office adequately leveraging economies of scale in its procurement processes?
- (d) Financial Management
 - (i) Were payments to vendors processed in a timely manner?
- (e) General Administration
 - (i) Were travel services (airline tickets) being procured at economical values (in line with a Long Term Agreement signed with a travel services provider)?

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 \$57 million. The last audit of the Office was conducted by OAI in 2017.

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, although photo images of sampled assets were shared.
- (e) Safe contents and petty cash were not verified.

- (f) The information communication and technology area was not reviewed on-site although video images were shared.

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 gaps in Country Programme governance and oversight.

Key recommendations: Total = **3**, high priority = **1**

The three recommendations aim to ensure the following:

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

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:

Gaps in Country Programme governance and oversight (Issue 2)

The Office's 2018–2022 Sub-Regional Programme Document for the Pacific Island Countries and Territories comprised a combined Country Programme for the 14 Pacific Island Countries. The Sub-Regional Programme Document, however, did not specify the outputs to be delivered by each of the 14 countries implementing the Sub-Regional Programme. This resulted in various gaps in governance and oversight of the overall Country Programme:

(a) Unclear budget allocation structure:

As the Sub-Regional Programme Document covered two UNDP Offices, the Office and the Multi-Country Office in Samoa, the Office prepared a consolidated annual delivery figures for the period 2020 – 2022 for both Offices without breaking down the amount of delivery attributed to each Office. In addition, the Sub-Regional Programme Document did not indicate the specific outputs and budgets attributed to the Office and the Multi-Country Office in Samoa, and therefore, it was not possible to determine the individual target of the Country Programme budget for the Office.

(b) Absence of a programme board:

The Office had not instituted a programme board to monitor the Sub-Regional Programme Document. In the absence of a programme board, the

Office relied on individual project boards to provide oversight; however, these were focused on specific projects and not on the overall outcome-level programme. Further, as the Sub-Regional Programme targets were not linked to individual countries, this created progress reporting challenges, specifically for the Results Oriented Annual Report.

(c) Inadequate programme oversight:

Senior management programme oversight was not consistent; only two programme oversight meetings were held, in March and July 2019, despite the risks identified and recent local and global factors affecting programme implementation.

Recommendation: The Office should enhance its programming and oversight mechanisms by: (a) ensuring all new regional programmes include, to the extent possible, estimated budget allocations and expected results by the country implementing the programme, which will also address reporting challenges; (b) establishing an annual programme review process; and (c) establishing regular programme monitoring meetings by senior management to ensure emerging risks and issues are identified and addressed in a timely manner.

Implementation status of previous OAI audit recommendations: Report No. 1877, 26 July 2017.

Total recommendations: 10

Implemented: 9

Withdrawn: 1

Management comments and action plan

The Resident Representative accepted all three 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.

Moncef Ghrib

Moncef Ghrib
Officer-in-Charge
Office of Audit and Investigations

I. About the Office

The Office, located in Suva, Fiji (the Country) with a Sub-Office in Solomon Islands, had at the time of the audit a Sub-Regional Programme for the Pacific Island Countries and Territories comprising 14 countries. Of these, 10 countries were under the purview of the Office while 4 other countries were under the coverage of the UNDP Multi-Country Office in Samoa. The Office's Sub-Regional Programme covered the period 2018–2022 with the following development priorities:

- a) climate change, disaster resilience and environmental protection;
- b) sustainable and inclusive economic development; and
- c) effective governance for service delivery.

During the audit period from January 2019 to April 2020, the Office spent \$52.6 million on development activities, an increase by 2 percent compared to the previous period.

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

Title	Expenses during the audited period \$ million	Total expenses from start of project \$million
Western Pacific Integrated HIV /TB Programme	3.7	4.4
Fiji Ridge to Reef (R2R)	2.6	3.5
Vanuatu Electoral Environment Project	2.4	2.8
Regional Ridge to Reef - Pacific Island Countries	2.1	6.1
Effective Governance	1.8	5.7
Total	12.6	22.5

Source: UNDP's STREAM Analytics website

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
Global Environment facility	28.1
Japan	22.6
Australia	15.3
Total	66.0

Source: UNDP's STREAM Analytics website

Other critical information

Cyclone Harold hit the Country as well as Solomon Islands and Vanuatu, causing floods and devastation across these countries in early April 2020. The COVID-19 global pandemic also affected the Pacific region, resulting in various forms of lockdowns and restrictions on movement from early March until the end of

May 2020. Hence, various government institutions and national implementing partners were not able to operate during this critical period. Only essential staff were permitted to work in the Office. As a result, the Office had implemented its business continuity plan during this period.

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Operations – Finance. Adequate controls were put in place to manage the various processes related to financial management. The Office implemented additional measures to strengthen controls over cash disbursement. No reportable audit issues were noted by the audit team.
- (b) Operations – Human Resources. A review of processes relating to recruitment, separation, leave management, and trainings indicated that controls were adequate and working effectively.
- (c) Operations – Procurement. A review of procurement functions, including samples of procurement transactions and management of individual contractors indicated that controls were working well.
- (d) Operations – General Administration. The audit disclosed that adequate controls were put in place.
- (e) Operations – Information and Communication Technology. The Office's business continuity and disaster recovery plan had been tested and implemented satisfactorily during the audit period. No reportable audit issues were noted.

Satisfactory performance was observed in relation to the performance audit questions indicated below:

(a) Procurement

- (i) Were procurement transactions being completed in a timely manner?
- (ii) Was the Office adequately leveraging on economies of scale in its procurement process?

The audit team noted that the procurement transactions were processed in a timely manner and were completed within a comparable timeframe with two other Country Offices of similar size selected for comparison. The Office had utilized the corporate procurement planning tool sufficiently, and a limited number of local Long Term Agreements were used by the Office. Procuring using these Long Term Agreements enabled the Office to benefit from economies of scale and limit the time taken to complete the procurement process. The Office was working with other UN agencies to establish additional local Long Term Agreements so that it could utilize them in the near future.

(b) Financial Management

- (i) Were payments to vendors processed in a timely manner?

A review was conducted to determine if payments were completed within 30 days after the receipt of invoices; this timeframe was set by the Office to complete the payment processing. A

review of 50 samples of payments to vendors amounting to \$1.6 million revealed that in 23 cases (46 percent) amounting to \$1.2 million, the time taken to complete payment transactions was longer than expected. The average time taken in these 23 cases was 160 days. The reasons for these delays in processing payments to vendors were mainly due to the extended time taken to verify and certify the receipt of services or goods by project team members or programme staff across a territory comprising 10 islands. Although the risk level was relatively low, there was room for improvement for the Office to have a more systematic process for tracking and monitoring account payables.

(c) General Administration

- (i) Were travel services (airline tickets) being procured at economical values (in line with a Long Term Agreement signed with a travel services provider)?

Based on a review of 10 samples, the audit team noted that the Office had procured airline tickets at economical rates during the audit period based on Long Term Agreements signed with vendors. The Office was also performing periodic price comparisons with other vendors in the market.

OAI made one recommendation ranked high (critical) and two 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 recommendation:

- (a) Enhance programming and oversight mechanisms (Recommendation 2).

Medium priority recommendations, arranged according to significance:

- (a) Review the organizational structure in consultation with the Regional Bureau for Asia and the Pacific (Recommendation 1).
(b) Strengthen project monitoring and risk management (Recommendation 3).

The detailed assessment is presented below, per audit area:

A. Governance

1. Organization Chart and Overall Staffing

Issue 1 Inadequate Office organizational structure

The 'UNDP Programme and Operations Policies and Procedures' define the control environment as one of the components of the internal control system that sets the tone for the organization and provides the foundation for an effective internal control system. Further, the vision and mission of an office as well as its organizational effectiveness relies on the Office's adequate organizational structure.

The Office's organizational structure was developed in 2016. It included the Sub-Office in Solomon Islands and two Programme Analysts based in Kiribati and Vanuatu that performed programme oversight and coordination functions, among others. In addition, there were four advisors from the Bureau for Policy and Programme Support outposted to the Office who provided support to the Office as well as to UNDP offices in Samoa and Papua New Guinea.

A review of the Office's organizational structure highlighted the following concerns:

- (i) There was a lack of sustainability in positions filled by Bureau for Policy and Programme Support advisors and UN Volunteer personnel since there was uncertainty as to whether funding of posts would continue indefinitely. There were four programme advisory positions funded by the Bureau for Policy and Programme Support and two UN Volunteers in the Solomon Islands Sub-Office who were heading the finance and procurement functions.
- (ii) Programme implementation and oversight across a large expanse of territories (with long travel times and high costs associated) did not have the required staff presence on the ground. As an example, programme assurance and oversight over projects being implemented in 8 out of the 10 Pacific Island Countries under the purview of the Office were found to be inadequate as illustrated in audit issues 2 and 3 below. The corresponding staffing was identified as being insufficient in six of the countries reviewed.
- (iii) There were unclear roles and responsibilities over programme advisors' positions funded by the Bureau for Policy and Programme Support due to unclear reporting lines and job descriptions. The technical and advisory roles of the programme staff also included the implementation of projects as confirmed by the Regional Bureau for Asia and the Pacific Management Advisor's Back-to-Office report dated July 2019.

The Office acknowledged the need to review its existing organizational structure and in fact would consider reviewing this when undertaking a review of the Office's framework for the overall Northern Pacific presence in the Pacific Region in the near future.

The lack of an appropriate and well-functioning organizational structure may prevent the Office from achieving its overall objectives in an efficient and productive manner.

Priority	Medium (Important)
Recommendation 1:	
The Office should, in consultation with the Regional Bureau for Asia and the Pacific, review its organizational structure with a view to:	
<ul style="list-style-type: none"> (a) establish a field office presence in individual or cluster countries, based on programmatic footprint and priorities, and broaden the field office's role in providing programme oversight and support, and ensuring financial sustainability; and (b) establish clear roles and responsibilities for the programme advisor positions funded by the Bureau for Policy and Programme Support, including reporting lines and job descriptions. 	

Management action plan:

The Office will work with the Regional Bureau for Asia and the Pacific to review its structure to correct some of the inefficiencies observed in overall programme oversight including clarity between the Office and the UNDP Multi-Country Office in Samoa related to programmes that transcend the Office's boundaries.

Estimated completion date: June 2021

B. Development Activities

1. Country Programme

Issue 2 Gaps in Country Programme governance and oversight

According to the 'UNDP Programme and Operations Policies and Procedures' programming standards, the governance of programmes and projects should be defined with clear roles and responsibilities, providing active and regular oversight to inform decision-making and governed by a multi-stakeholder board or committee.

The Office's 2018–2022 Sub-Regional Programme Document for the Pacific Island Countries and Territories comprised a combined Country Programme for the 14 Pacific Island Countries that were under the purview of two UNDP offices, the Office in Fiji and Multi-Country Office in Samoa. This approach was meant to promote a regional service delivery model with appropriate tailoring of a regional offer to country-level circumstances, and increasingly pool the capacities of both the Office and the Multi-Country Office in Samoa for programme and policy advisory services. The results and resources framework of the Sub-Regional Programme Document, however, did not specify the outputs to be delivered by each of the 14 countries implementing the Sub-Regional Programme. This resulted in the following challenges:

(a) Unclear budget allocation architecture

As the Sub-Regional Programme Document covered two UNDP Offices, the Office and the Multi-Country Office in Samoa, the Office prepared consolidated annual delivery figures for the period 2020–2022 for both offices without breaking down the amount of delivery attributed to each office. In addition, the Sub-Regional Programme Document did not indicate the specific outputs and budgets attributed to the Office and the Multi-Country Office in Samoa separately, and therefore, it was not possible to determine the individual target of the Country Programme budget for the Office. The Office was responsible for 17 regional programmes (excluding Global Fund) to enhance the regional effectiveness of UNDP interventions. As the funding for the Sub-Regional Programme was not disaggregated by Country Offices, the Office in Fiji and the Multi-Country Office in Samoa, the budgets needed to be negotiated between the Office and the Multi-Country Office in Samoa at the time of implementation, resulting in implementation delays.

(b) Absence of a programme board

The Office had not instituted a programme board to monitor the Sub-Regional Programme Document. The Office stated that coordinating the programme board had been a challenge due to the large number of participating countries in addition to travel costs. In the absence of a programme board, the Office relied on individual project boards to provide oversight; however, these were focused on specific projects and not on the overall outcome-level programme. It was unclear how the monitoring of programme outcomes defined in the Sub-Regional Programme Document programme strategy was being performed. Further, as the Sub-Regional Programme targets were not linked to individual countries, this created progress reporting challenges, specifically for the Results Oriented Annual Report. The Office had to determine, retroactively, what was implemented by each country at the reporting time instead of what were the planned results to be achieved per country within the regional programme.

(c) Inadequate programme oversight

Senior management programme oversight was not consistent; only two programme oversight meetings were held in March and July 2019 despite the risks identified and recent local and global factors affecting programme implementation. The Office stated that additional meetings had been held from October 2019, but had not been documented.

In the absence of disaggregated budgets and a programme board, the Office may not be able to assess its progress towards meeting its Sub-Regional Programme objectives.

Priority	High (Critical)
Recommendation 2:	
The Office should enhance its programming and oversight mechanisms by:	
(a) ensuring all new regional programmes include, to the extent possible, estimated budget allocations and expected results by the country implementing the programme, which will also address reporting challenges;	
(b) establishing an annual programme review process; and	
(c) establishing regular programme monitoring meetings by senior management to ensure emerging risks and issues are identified and addressed in a timely manner.	
Management action plan:	
The Office will aim to attribute budget allocations country by country to the extent possible. In most instances this will be done through some form of attributions, which would be approximations. The Office will establish programme monitoring reviews to make it more systematized and ensure that those are action oriented and recorded for future reference. The Office will commission a Sub-Regional Programme Document mid-term review, which would act as an initial review and further set out an annual review process from now until the end of the Sub-Regional Programme Document.	
Estimated completion date: 31 March 2021	

2. Project Administration

Issue 3 Weaknesses in project monitoring and risk management

UNDP programme and project monitoring is driven by the need to account for the achievement of intended results and to provide a factual basis for decision-making purposes. Monitoring relates to pre-identified results in the development plan that are achieved through project implementation, where baselines, indicators, targets, risks, and measurement of results are clearly defined and regularly monitored.

Weaknesses in project monitoring and risk management identified during the review of six projects were as follows:

- (a) The Office had not established a costed monitoring plan for the Multi-Country Programme or project-level monitoring plans.
- (b) Out of the six projects reviewed, only two projects had specific monitoring activities undertaken. However, none of the monitoring reports highlighted emerging issues even though all six faced various challenges in meeting the delivery targets.
- (c) The risk logs in Atlas had not been updated regularly. For example, one project's risk and issue logs were last updated in September 2017 despite delivering less than 50 percent of its target in 2019, while two other projects had their risk and issue logs last updated in July 2018 despite facing numerous implementation challenges in 2019.
- (d) Budget revisions were not undertaken to rephase project funds where delays were encountered.
- (e) Project challenges were not reflected in the annual reports, nor did they articulate the specific risks encountered. Further, there was no standard template for project reporting.

The Office stated that assurance monitoring was a challenge given the multi-country nature of the programmes/projects across a vast range of territories. According to the 2019 Assurance Plan, out of 32 planned spot checks, only 11 (34 percent) spot check reports were performed, while no programme monitoring reports were provided for the 45 planned programme assurance activities.

The Office risks not meeting its developmental results without adequate project monitoring and risk management.

Priority	Medium (Important)
Recommendation 3:	
The Office should strengthen its project monitoring and risk management by:	
(a) developing a costed, robust monitoring plan that incorporates assurance monitoring activities, indicating what will be monitored, by whom and when – assurance plan activities should be fully implemented and documented;	

- (b) reviewing, identifying, and assessing emerging risks, and recording these in the risk log, which should be periodically updated, and including the project challenges and risks in the project annual reports, using standard templates for project reporting; and
- (c) undertaking budget revisions where projects anticipate not meeting the planned budget.

Management action plan:

The Office will implement the recommendations made above.

Estimated completion date: 31 December 2020

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.