



AUDIT

OF

UNDP MULTI-COUNTRY OFFICE

IN

SAMOA

Report No. 2415
Issue Date: 13 January 2022

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Report on the Audit of UNDP Multi-Country Office in Samoa Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Multi-Country Office in Samoa (the Office) from 12 October to 8 November 2021. 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 2020 to 30 September 2021. The Office recorded programme and management expenses of approximately \$21.5 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 contents and petty cash were not verified.
- (f) The information communication and technology area was not reviewed on-site.

Overall audit rating

OAI assessed the Office's performance as **partially satisfactory / major improvement needed**, which means "The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area". This rating was mainly due to the Office's delivery challenges, project implementation delays and weaknesses in procurement processes.

Good practice

Building staff knowledge

As a result of the 2020 Global Staff Survey results, the Office instituted an action plan that incorporated a learning component related to the 'UNDP Programme and Operations Policies and Procedures' (POPP). In September 2021, the Office rolled out the 'POPP Master Competition', whereby sections of the POPP were assigned to staff to determine their understanding. These were then tested through a game-based learning platform ('Kahoot').

Weekly scores were reflected on a leaderboard, with the highest scoring staff member receiving a management-sponsored prize. Feedback from both staff and management was very positive. In addition to joint learning, the process also served to build rapport between staff and management, thereby enhancing communication and relationship-building.

Key recommendations: Total = **6**, high priority = **3**

The six recommendations aim to ensure the following:

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

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendations are presented below:

Office delivery challenges
(Issue 1)

The audit team reviewed the programme resources, delivery and budgets and observed the following:

- (a) In 2020, the Office recorded programme delivery of \$14.3 million (79 percent of the original delivery target of \$18 million). The target was revised down to \$12.6 million.
- (b) In 2021 (as of 10 December), the Office recorded programme delivery of \$8.4 million (48 percent of the 2021 delivery target of \$17.4 million).
- (c) The three largest projects accounting for 58 percent of total delivery in 2021 had a delivery rate ranging from 34 to 66 percent.

The Office explained that the low delivery was due to:

- Impact of COVID-19 pandemic, resulting in the continued closure of borders since March 2020. During this period personnel and consultants were unable to travel and there were delays in the transport of goods.
- The political crisis in the Country in early 2021, which remained ongoing until September.
- Lack of programmatic and financial management capacity at the implementing partner level.

Recommendation: The Office should address the delivery and sustainability challenges by: (a) reviewing its implementation modalities, and strengthening the project and financial management capacity of the implementing partners; and (b) aligning operational costs with available resources or increase its revenue through higher delivery.

Green Climate Fund
(GCF) project
implementation delays
(Issue 3)

In 2017, the Office initiated the implementation of a project with a budget of \$65.7 million, out of which \$57.7 million was funded by the GCF. The expected completion date was July 2023.

In December 2020, during implementation of output 2 for this project, the UNDP Social and Environment Standard on displacement and resettlement became applicable following an environmental assessment undertaken for the construction of a bridge and river wall. These assessments indicated the likelihood of a voluntary physical displacement of people and voluntary land acquisition within the project area. This issue had not been foreseen in the project document approved by the GCF board.

In addition, there was a \$12.9 million shortfall in the original budget for output 2 of the project, due to the original budget estimates being outdated.

To address the issues relating to the environment standard and funding shortfall the Office is working on a restructuring paper, for submission to the GCF Secretariat by February 2022. While the review was ongoing the construction component of the project was delayed.

Recommendation: The Office in coordination with the Regional Bureau for Asia and the Pacific should strengthen the oversight of the GCF project by ensuring the project restructuring process incorporates a revised budget and addresses the risks identified through the safeguards assessments.

Weaknesses in
procurement
processes (Issue 5)

A review of 10 RACP cases, 20 individual contract procurement transactions and 2 Long Term Agreements included the following issues:

Non-Compliance:

- (a) Out of 10 RACP submissions, 3 were post-facto submissions.
- (b) Five out of 10 direct contracting cases reviewed did not include adequate justifications.

Performance:

- (c) There were delays in submitting procurement cases to the RACP, including responding to clarification requests. Six out of 10 RACP submissions took longer than three months to conclude, while one case required seven months for the Office to address RACP's inquiry.
- (d) Price quotations were not thoroughly reviewed; in two cases (valued at \$164,800 and \$99,800) prices were re-negotiated with the vendor after the contract was awarded.

The timing for all the observations (noncompliance and performance) occurred after 1 July 2021, following the imposition of additional controls by the Regional Bureau, except for one of the price quotations renegotiated in highlighted in (d).

Recommendation: The Office should further enhance its procurement operations by ensuring: (a) RACP comments and inquiries are addressed in a timely manner and including complete supporting documentation with all submissions; (b) use of direct contracting in accordance with the policy and cost amendment cases are adequately supported by a Note-to-File; (c) the training needs of procurement, programme and project staff involved in the procurement process are identified and addressed.

Implementation status of previous OAI audit recommendations: Report No. 1913, 26 April 2018.

Total recommendations: 5

Implemented: 4

Withdrawn: 1

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.

Helge S. Ostveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Apia, Samoa (the Country) is a Multi-Country Office covering three countries and one territory, namely, Samoa, Cook Islands, Niue, and Tokelau, respectively. The 2018–2022 UN Pacific Strategy covers the 14 Pacific Island Countries and Territories and is shared between the Samoa Multi-Country Office (the Office) and the Pacific Multi-Country Office in Fiji, 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 period from January 2020 to September 2021, the Office spent \$19.3 million on development activities.

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

Title	Expenditure Jan to Dec 2020 \$million	Expenditure Jan to Sept 2021 \$million
GCF Vaisigano River Catchment	8.0	1.3
Ridge to Reef Approach in Cook Islands	1.1	0.4
Economy-wide integration of CC Adaptation	1.0	0.3
Niue Ridge to Reef	0.9	0.5
IMPRESS Renewable Energy	0.6	0.2
Total	11.6	2.7

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
Green Climate Fund	11.6
Global Environment Facility	10.9
Multi-Partner Trust Fund	2.3
Total	24.8

Other critical information

The COVID-19 pandemic resulted in the continued closure of borders since March 2020. This severely affected UNDP operations in the three countries and territory comprising the Multi-Country Office. Personnel and consultants were unable to travel, and there was a slow-down of transport of goods. This was further exacerbated by the extended political crisis in the Country from April to September 2021, which reduced the implementation capacity of government partners. There were also delays within public payment and procurement systems, which impacted programme delivery.

In August 2020, OAI undertook a review of the financial transactions related to the Global Environment Facility (GEF) projects implemented in UNDP Samoa. The review highlighted several issues, including a weak control environment, irregularities in the payments to vendors and deviations from standard

practices. Further, payments were made without adequate supporting documentation. The existence or condition of assets could also not be determined.

Actions taken following the review:

- In July 2020, the delegated authority relating to GEF and GCF projects were suspended in response to fraud allegations and assigned to the Regional Bureau for Asia and the Pacific.
- The procurement authority for the remaining projects was also reduced to \$50,000, as were the authorities for the local procurement committee.
- Restrictions were imposed on procurement actions, financial management and decision-making.
- The Regional Bureau was involved in all decision-making for the GEF/GCF projects.
- Restrictions were also placed on the micro-purchasing limit, vendor creation, non-competitive individual contract hiring and temporary appointments.
- All Funding Authorization and Certificate of Expenditures (FACE) forms and Combined Delivery Reports were to be certified by the Resident Representative or Deputy Resident Representative only when delegated in writing, with specific conditions having been met.
- In relation to programmatic processes, all multi-year/annual work plans, budget revisions, donor reports, recruitment of project staff/personnel, selection of independent evaluators and quality reviews were also to be approved by the Regional Bureau before any action was initiated.

The Office instituted a number of measures to address the OAI review report recommendations; it is against this backdrop that the Country Office audit was undertaken.

II. Good practice

OAI identified a good practice, as follows:

Building staff knowledge

As a result of the 2020 Global Staff Survey results, the Office instituted an action plan that incorporated a learning component related to the 'UNDP Programme and Operations Policies and Procedures' (POPP). In September 2021, the Office rolled out the 'POPP Master Competition', whereby sections of the POPP were assigned to staff to determine their understanding. These were then tested through a game-based learning platform ('Kahoot').

Weekly scores were reflected on a leaderboard, with the highest scoring staff member receiving a management-sponsored prize. Feedback from both staff and management was very positive. In addition to joint learning, the process also served to build rapport between staff and management, thereby enhancing communication and relationship-building.

III. Audit results

Satisfactory performance was noted in the following areas:

- (a) Operations – Human Resources: The audit team reviewed the recruitment and separation of personnel and noted that adequate controls were established and working effectively.
- (b) Operations – Administrative Services: The audit confirmed that adequate controls were in place in within asset and travel management. No reportable audit issues were observed.

- (c) Operations – Information and Communication Technology: The Office's business continuity and disaster recovery plan had been tested and implemented. No reportable audit issues were observed.

OAI made three recommendations ranked high (critical) and three recommendations ranked medium (important) priority.

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

High priority recommendations, arranged according to significance

- (a) Mitigate the delivery and sustainability challenges (Recommendation 1).
- (b) Strengthen the oversight of the GCF project (Recommendation 3).
- (c) Enhance procurement operations (Recommendation 5).

Medium priority recommendations, arranged according to significance:

- (a) Strengthen resource mobilization efforts (Recommendation 2).
- (b) Improve NIM project payment controls (Recommendation 4).
- (c) Improve procurement planning (Recommendation 6).

The detailed assessment is presented below, per audit area:

A. Governance

1. Data Analytics and Performance Indicators

Issue 1 Office delivery challenges

The POPP stipulates that annual work plans should articulate activities to be implemented. The Office is required to align available funding with expected expenditures to ensure financial sustainability and operational continuity.

The audit team reviewed the programme resources, delivery and budgets and observed the following:

- (a) In 2020, the Office recorded programme delivery of \$14.3 million (79 percent of the original delivery target of \$18 million). The target was revised down to \$12.6 million, as the Office had anticipated the COVID-19 pandemic would significantly affect the Office's delivery.
- (b) In 2021 (as of 10 December), the Office recorded programme delivery of \$8.4 million (48 percent of the 2021 delivery target of \$17.4 million).
- (c) The three largest projects (projects 98736, 79044 and 117508) accounting for 58 percent of total delivery in 2021 had a delivery rate ranging from 34 to 66 percent.

The Office explained that the low delivery was due to several factors, including the following:

- Impact of the COVID-19 pandemic, resulting in the continued closure of borders since March 2020. During this period, personnel and consultants were unable to travel and there were delays in the transport of goods.
- The political crisis in the Country in early 2021, which remained ongoing until September.

- There was a lack of programmatic and financial management capacity at the implementing partner level, as outlined below:
 - A review of the micro-assessment reports of two implementing partners indicated that accounting policies and procedures were not fully adhered to. This included improper financial record-keeping, lack of segregation in performing bank reconciliations, and lack of financial reporting and monitoring procedures.
 - Spot check reports for two implementing partners highlighted discrepancies within the accounting records.
 - There were also delays in processing of payments beyond the timelines stipulated in government policies. This resulted in delayed clearance of FACE forms.
 - Other weaknesses, including weak project and risk management capacities, were observed within the micro-assessment and through spot checks.
 - The HACT macro-assessment report from March 2021 identified budget performance as high risk.

As a result of the low delivery, the Office was unlikely to achieve its revenue targets and was at risk of becoming reliant on additional core funding to remain financially sustainable. In 2020, the Office's management expenditure /programme expenditure ratio was 10.1 percent; as of 10 December 2021, this ratio increased to 16.4 percent, significantly higher than the Regional Bureau's average of 8.2 percent.

Priority	High (Critical)
Recommendation 1:	
The Office should mitigate the delivery and sustainability challenges by:	
(a) strengthening the project and financial management capacity of the implementing partners; and	
(b) aligning operational costs with available resources or increase its revenue through higher delivery.	
Management action plan:	
The Office will:	
(a) Monitor the delivery pattern and invest in strengthening the project and financial management/reporting capacity of its implementing partners to improve delivery.	
(b) Develop a forward-looking financial sustainability analysis and strategy based on resource mobilization projections, considering forecast staffing needs.	
Estimated completion date: March 2022	

Issue 2 Challenges in mobilizing resources

The financial sustainability of UNDP Country Offices is dependent on their ability to mobilize resources and develop partnerships. This requires a fund mobilization action plan and funding pipeline development.

In 2019 the Office achieved 54 percent of its \$17.2 million resource mobilization target. In 2021, the Office had only achieved 56 percent of its \$16 million target. Within this period no resources were mobilized from the Government or the private sector.

A review of the funding outlook for the Office highlighted the following:

- (a) All nine projects under the governance portfolio will conclude by December 2022.
- (b) The environment portfolio includes nine projects. Three will conclude in 2022 with an estimated delivery of \$3 million.
- (c) As of 10 December 2021, the Office's pipeline was \$8.9 million (hard pipeline), \$2.3 million (soft pipeline) and \$8.7 million (ideas), respectively. Given the number of projects ending in 2021/2022, the available pipeline was inadequate to sustain the current level of delivery for the Office.
- (d) The Office was highly dependent on vertical funds; in 2020, out of the total available resources of \$21 million, \$17 million was from vertical funds (80 percent).

Reliance on a limited number of donors and a limited pipeline will impact the Office's sustainability and its ability to achieve programme results.

Priority	Medium (Important)
Recommendation 2:	
The Office should strengthen its resource mobilization efforts, developing programme pipelines in line with the programmatic priority areas through increased engagement with potential donors, including government and private sector financing.	
Management action plan:	
The Office will continue to expand and diversify its programme pipeline in line with the approved Partnership and Communication Strategy and Action Plan (PCAP) and will provide staff training on resource mobilization with particular focus on government and private sector financing.	
Estimated completion date: March 2022	

B. Development Activities

1. Project Administration

Issue 3 Green Climate Fund (GCF) project implementation delays

A project document that meets UNDP's quality standards must be developed for all projects and contain underlying assumptions, including those related to the project budget, and assess the impact of the project.

In 2017, the Office initiated the implementation of the project "Integrated flood management to enhance climate resilience of the Vaisigano river catchment in Samoa", with a budget of \$65.7 million, out of which \$57.7 million was funded by the GCF. The expected completion date was July 2023. The project accounted for 55 percent of the Office's planned 2021 delivery (before the budget was reduced) and 56 percent of the 2020 delivery.

In December 2020, during implementation of output 2 for this project, the UNDP Social and Environment Standard on displacement and resettlement became applicable, following an environmental assessment undertaken for the construction of a bridge and river wall. These assessments indicated the likelihood of a voluntary physical displacement of people and voluntary land acquisition within the project area. This issue had not been foreseen in the project document approved by the GCF board.

In addition, there was a \$12.9 million shortfall in the original budget for output 2 of the project, due to the original budget estimates being outdated.

To address the issues relating to the environment standard and funding shortfall, the Office was working on a restructuring paper, for submission to the GCF Secretariat by March 2022. While the review was ongoing, the construction component of the project (output 2) was delayed. As a result, the 2021 budget for this project was reduced by 40 percent from \$9.6 million to \$5.8 million.

The Office was undertaking a safeguards assessment to ensure all potential risks were addressed.

The implementation delays impacted the Office's delivery and income in 2021, creating sustainability challenges, as highlighted in issue 1.

Priority	High (Critical)
Recommendation 3:	
The Office in coordination with the Regional Bureau for Asia and the Pacific should strengthen the oversight of the GCF project by ensuring the project restructuring process incorporates a revised budget and addresses the risks identified through the safeguards assessments.	
Management action plan:	
The Office in coordination with the Regional Bureau and Bureau for Programme and Policy Support will:	
<ul style="list-style-type: none"> (a) Finalize the Restructuring Proposal in standard GCF format for submission to the GCF Secretariat by the end of Q1 2022. (b) Complete the holistic safeguards assessment for construction of the Lelata Bridge and the Segment 2 and 3 river walls by January 2022. 	
Estimated completion date: March 2022	

C. Operations

1. Finance/Payments

Issue 4 Weaknesses in NIM project payment controls

The POPP specifies that projects implemented through the National Implementation Modality (NIM) should be aligned with the UNDP Financial Rules and Regulations, including ensuring that direct payments are sufficiently supported.

In August 2020, OAI undertook a review of the financial transactions related to the GEF projects being implemented by the Office. The review highlighted several issues, including lack of segregation of duties, weaknesses in vendor management and weaknesses in supporting documentation for the implementing partners' financial transactions.

In July 2020 the Office had its delegation of authority revoked for the vertical fund (GEF, GCF) projects, with delegation being assigned to the Regional Bureau.

The audit team sampled all 24 NIM advance payments and 23 NIM liquidation payments made during the audit period, and 40 purchase order payment vouchers out of a total of 1,734 to assess the internal controls in place for the audit period of 1 January 2020 to 30 September 2021.

The audit team noted there was an improvement in NIM payment controls during the review period, as follows:

- From the first quarter to the third quarter of 2020 there was incomplete supporting documentation for NIM transactions. From the fourth of quarter of 2020 the Office introduced the Itemized Cost Estimate form (ICE) together with Payment Authorization Form (PAF), Government Ledgers, and Funding Authorization and Certificate of Expenditures (FACE) form as a complete set of supporting documents for its NIM liquidation payment approval reviews. With the delegation of authority to the Regional Bureau and additional reviews, the audit team noted that the Office had improved its compliance and documentation related to NIM liquidation payments.
- The audit team also noted that the Office was fully HACT (Harmonized Approach to Cash Transfers) compliant; according to the Office's FY2020 HACT Assurance Plan, all three Samoa NIM implementing partners were assessed as low risk. The Office had yet to adjust its risk rating in the Assurance Plan to reflect the known risks from OAI's review report and other sources.

The delegation of authority to the Regional Bureau and additional reviews were considered temporary measures while existing controls were being strengthened and monitored.

The audit team also observed that the Office strengthened controls for voucher payments including:

- A monthly Internal Control Framework review on segregation of duties and a secondary approval.
- A finance quality assurance review was undertaken by its finance staff via the PAF on all sampled voucher payments after May 2020.
- The Office also conducted periodic updates of its vendor contact information. Out of 30 vendors sampled, the audit team noted that the vendors including contact information had improved, with the inclusion of either an address, phone number and/or email within their Atlas profiles.

While improvements were visible in the controls relating to the payments of NIM projects, regular reviews should be undertaken to confirm the additional controls are operating effectively.

Weaknesses in NIM project payment controls creates a financial risk to the organization.

Priority	Medium (Important)
Recommendation 4:	
To further improve NIM project payment controls, the Office should:	
(a) perform an annual NIM payment compliance self-review to ensure its NIM payment controls (such as the use of ICE, PAF, FACE, and the secondary review of ICE form line items) are in place for all NIM liquidations; and	
(b) elevate its HACT assurance activities level by using micro-assessment reports, spot checks, risk information and NIM payment compliance review information to strengthen its 2022 HACT Assurance Plan.	
Management action plan:	

The Office wishes to note that the necessary actions for improvement of NIM financial controls were already implemented as of Q4 2020. The Office will:

- (a) Conduct a NIM payment compliance self-review for all liquidations processed during Q4 and document its findings and any follow-up actions needed.
- (b) Use micro-assessment reports, spot checks and NIM payment compliance review related information to inform its 2022 HACT Assurance Plan.

Estimated completion date: March 2022

2. Procurement/Goods and Services

Issue 5 Weaknesses in procurement processes

The POPP stipulates that procurement involves acquiring goods, works and services and all business units must follow the organization-wide policies and procedures and apply procurement principles in all phases and types of procurements. Specifically, procurement transactions are subject to procurement committee reviews once the specified thresholds are exceeded. Further, direct contracting is only permitted under prescribed circumstances and the best value for money should be obtained through the procurement process.

OAI's review of the financial transactions related to the GEF projects in August 2020 highlighted several issues in the Office's procurement processes, including:

- weaknesses in vendor management, such as missing or inaccurate vendor contact details, non-compliance with UNDP's General Terms and Conditions, and lack of controls in vendor creation/modification requests; and
- inadequate documentation in the receipt of goods and services.

As of 1 July 2020, the procurement within the Office included the following additional controls:

- procurement delegation of authority reduced to \$50,000;
- The Contracts, Assets and Procurement Committee reviews were submitted to the Regional Advisory Committee on Procurement (RACP) for a secondary check; and
- all vertical fund-related procurement actions, including the evaluation panel, would include a staff member from the Bangkok Regional Hub.

These were considered temporary control measures pending the institution of adequate controls within the Office.

The review of procurement resulted in the following observations:

- The audit team sampled 30 vendor profiles and confirmed that all vendor profiles were updated with either an email address, physical addresses, or a phone number for contact information.
- In 30 out of 314 purchase orders sampled there was adequate recording of receipts.
- The Office established standard operating procedures in February 2021, which assigned the Procurement Associate to create and modify vendor profiles and the Programme Finance Associate/Finance Analyst to perform quality assurance on documents submitted to the Global Shared Service Centre for vendor creation/modification.

A review of 10 RACP cases, 20 individual contract procurement transactions and 2 Long Term Agreements included the following issues:

Non-Compliance:

- (a) Out of 10 RACP submissions, 3 were post-facto submissions with 2 of these cases belonging to the same purchase order for an engineering service contract amendment. The other post-facto case was related to an individual contract procurement whereby the contract was awarded before the required procurement committee review.
- (b) Five out of 10 direct contracting cases reviewed did not include adequate justifications.
- (c) In one case amounting to \$11,788, the purchase order cancellation procedures were not followed leading to the reordering of the same equipment from different vendors. This resulted in a duplicate order, which could not be returned.

Performance:

- (d) There were delays in submitting procurement cases to the RACP, including responding to clarification requests. Six out of 10 RACP submissions took longer than three months to conclude, while one case required seven months for the Office to address RACP's inquiry. The RACP requested the Office to improve its procurement case submission quality, including completeness of the supporting documents.
- (e) Price quotations were not thoroughly reviewed; in two cases (valued at \$164,800 and \$99,800) prices were re-negotiated with the vendor after the contract was awarded.

The timing for all the observations (noncompliance and performance) occurred after 1 July 2021, following the imposition of additional controls by the Regional Bureau, except for one of the price quotations renegotiated in (e).

During the audit period, the Office took actions to improve its procurement operations including a comprehensive internal control review (August 2020), and two procurement assistance missions from the Regional Bureau in November 2020 and August 2021. In addition, the Office recruited an international procurement staff member in August 2021 and updated the procurement standard operating procedures on vendor profiles and provided training for its operations, programme staff and implementing partners. While procurement controls improved, further monitoring was required to ensure the additional control measures were working effectively.

Weaknesses in procurement may cause delays in programme implementation, not achieving value for money, and increased risk of fraudulent activity.

Priority	High (Critical)
Recommendation 5:	
The Office should further enhance its procurement operations by ensuring:	
<ul style="list-style-type: none"> (a) RACP comments and inquiries are addressed in a timely manner and including complete supporting documentation with all submissions; (b) use of direct contracting in accordance with the policy and cost amendment cases are adequately supported by a Note-to-File; and (c) the training needs of procurement, programme and project staff involved in the procurement process are identified and addressed. 	

Management action plan:

The Office will undertake the following:

- (a) Analyse the direct contracting cases of the past six months valued above micro-purchasing thresholds and use the lessons learned to update its existing standard operating procedure for direct contracting and further staff training.
- (b) Include continuous training on procurement in the 2022 Office Learning Plan.
- (c) Prepare a checklist for procurement staff to review prior to submitting cases in ACP Online, to ensure the completeness of supporting documentation, and establish clear timelines for the procurement team to turn around the responses to RACP queries.

Estimated completion date: March 2022

Issue 6 Weaknesses in procurement planning

The POPP requires offices to develop a consolidated procurement plan within the corporate procurement planning tool (PROMPT). Market research and other solicitation methods should be used to attract suitable vendors to ensure competition to achieve value for money.

(i) Lack of utilization of the procurement planning tool

The PROMPT tool was not being fully utilized. For example, in 2020 the Office recorded \$39,000 in 'contracted status' per the PROMPT dashboard report, representing 1 percent of the \$3.9 million total contracted amount. As of 8 November 2021, PROMPT included procurement of \$436,135 out of actual procurement of \$1.7 million. The issue of lack of procurement plans in PROMPT was also raised in the third-party internal control review report.

Moreover, most of the PROMPT procurement entries were entered in the second or third quarter of the year and hence the late entries defeat the purpose of consolidating procurement requirements early to achieve economies of scale and procurement efficiencies.

The Office explained the incomplete and late entry of information within PROMPT was due to delays in the approvals of work plans by implementing partners, projects starting in the middle of the year, and late receipt of project funds.

(ii) Limited use of Long-Term Agreements

The Office had not completed an annual procurement transaction analysis to identify categories of transactions for which Long Term Agreements may be suitable. The Office planned to establish new Long-Term Agreements after consultation with other UN agencies in 2022.

(iii) Limited use of prequalified vendor rosters

Due to the limited market of suppliers for specialized goods and services, the Office had to extend its procurement advertising period several times to generate sufficient qualified responses to obtain value for money, and maintained a roster list of only 20 vendors, indicating insufficient effort by the Office to expand this roster.

(iv) Limited number of qualified bids

There were 6 out of 30 cases in the goods and services procurement samples reviewed and 1 in 10 RACP cases with less than three qualified bidders. The Office's lack of market research for large procurement cases was also cited in an RACP case review, where the Office received only one bid after an advertisement period of one month.

The Office risks not achieving procurement efficiency and effectiveness due to its poor procurement operational planning.

Priority	Medium (Important)
Recommendation 6: The Office should improve its procurement planning by: <ul style="list-style-type: none"> (a) entering all procurement plans into PROMPT before the start of the year, and updating it periodically; (b) performing a procurement transaction analysis annually to identify opportunities for Long Term Agreements and establish pre-qualified vendor rosters in line with procurement requirements; and (c) ensuring adequate market research to attract qualified bids. 	
Management action plan: The Office will strengthen its procurement planning by carrying out the following: <ul style="list-style-type: none"> (a) Early completion of full 2022 procurement plans in PROMPT by the end of January 2022 and updated when there are changes to approved work plans. (b) Analysing the procurement plans for 2022 and exploring the option of setting up Long Term Agreements for common categories of goods and services, where feasible. (c) Use Requests for Information and Expressions of Interest to better understand the market and establish supplier rosters within the Country. 	
Estimated completion date: March 2022	

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 after the fieldwork. Therefore, low priority recommendations are not included in this report.