UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

OFFICE OF THE ADMINISTRATOR OF UNDP

Report No. 2427
Issue Date: 9 March 2022
## Table of Contents

**Executive Summary** 1

I. About the Office

II. Audit results

A. Operations
   1. Procurement – Individual Contracts 2
   2. Human Resources – Personnel Development & Training 2

**Definitions of audit terms - ratings and priorities**

Audit Report No. 2427, 9 March 2022, UNDP Executive Office
Report on the Audit of the Office of the Administrator of UNDP
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the Office of the Administrator (the Office) from 7 to 17 February 2022. 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) Operations – procurement, finance, human resources, and administrative services

The audit covered the activities of the Office from 1 January to 31 December 2021. The Office recorded expenses of approximately $8.4 million. This was the first audit of the Office.

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) A physical verification of assets was not performed.

Overall audit rating

OAI issued an audit rating for the Office of fully satisfactory, which means “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.”

Key recommendations: Total = 2, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are two 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.” These recommendations include actions to address the lack of justification for direct contracting and limitations in the reporting functionality of the Learning Management System regarding mandatory course completion status (corporate issue).

The two recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendation 2); and (b) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 1).

Management comments and action plan

The Chief of Staff and Director, Executive Office, and the Assistant Administrator and Director, Bureau for Management Services, accepted both recommendations and are 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 of the Administrator (the Office) is responsible for the strategic positioning of the Administrator and Associate Administrator, including dedicated press and communications support, to leverage high impact opportunities for thought leadership and influencing, including managing the Administrator’s and Associate Administrator’s agendas for high visibility events, bilateral meetings and country visits.

The Office is part of the Executive Office (ExO), which includes a number of sub-teams (Executive Board Secretariat, Corporate Performance Unit, Executive Group/Organizational Performance Group Secretariat, and ‘Surge’ teams, such as the Business Model Team and Strategy and Planning Team) to support priorities and initiatives. The Digital Strategy Team is located in the ExO.

The audit focused on the Office of the Administrator only.

The Office’s budget for staff salaries and general operating expenses was $6.8 million in 2021. In addition, there were other budget lines, which included travel expenses, Executive Board costs and a contingency budget line. The Office recorded expenses of approximately $8.4 million in 2021.

At the time of the audit, the Office employed 32 staff. In addition, 14 consultants were contracted throughout 2021.

II. Audit results

Effective controls were established and functioning in the following areas:

(a) Governance, Office structure, terms of reference, funding, Internal Control Framework.
(b) Operations, Finance, recruitment, training, travel, asset management and security.

OAI made 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.

Medium priority recommendations, arranged according to significance:

(a) Ensure that justification of direct contracting and approval by the authorized procurement authority are properly documented (Recommendation 1).
(b) Improve the reporting functionality of the Learning Management System as required to enable UNDP offices and users to obtain reliable, accurate and up-to-date reports on the completion status of mandatory courses (Recommendation 2).

The detailed assessment is presented below, per audit area:
A. Operations

1. Procurement – Individual Contracts

Issue 1  
No record of justification and approval for direct contracting of individual contracts

As per the ‘UNDP Programme and Operations Policies and Procedures’, the justification for direct contracting must be documented and approved by the authorized procurement officer.

The audit team reviewed 10 individual contracting processes (out of 59 individual contracts in 2021). The total value of the 10 individual contracts was $237,352. Five out of the 10 cases were completed through direct contracting and valued at $79,050. For these cases, there was no documentation of the justification and approval of the direct contracting approach. During the fieldwork, the Office provided the audit team with adequate justification for the direct contracting in all five cases.

Without written justification and official approval of direct contracting, procurement activities may not be aligned with UNDP’s rules and regulations.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
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<tbody>
<tr>
<td>Recommendation 1:</td>
<td>The Office should ensure that justification of direct contracting and approval by the authorized procurement authority are properly documented.</td>
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<tr>
<td>Management action plan:</td>
<td>The Office will ensure that formal documentation providing justification and approval of the direct contracting approach is captured in the appropriate form and signed by the authorized procurement officer.</td>
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<tr>
<td>Estimated completion date:</td>
<td>July 2022</td>
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2. Human Resources – Personnel Development & Training

Issue 2  
Corporate Issue: Incomplete and unreliable reporting on mandatory course completion

Having accurate, up-to-date reporting on staff training enables management to identify instances where mandatory training has not been completed and to take timely follow-up action.

UNDP has nine mandatory courses that all staff must complete. As per the Talent Hub guidance, newly recruited staff must complete all courses within one month of their appointment.

Data obtained from the Learning Management System on completion rates for the mandatory courses was incomplete and inaccurate. In relation to six staff members out of 32, the system did not include accurate information on the status of course completion for all nine mandatory trainings. This situation made the monitoring of the mandatory courses unreliable, ineffective and time consuming.
Not having up-to-date and reliable information regarding the completion status of mandatory courses may prevent staff members and their supervisors from identifying incomplete courses on a timely basis.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
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<tr>
<td><strong>Recommendation 2:</strong></td>
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<tr>
<td>The Bureau for Management Services should improve the reporting functionality of the Learning Management System as required to enable UNDP offices and users to obtain reliable, accurate and up-to-date reports on the completion status of mandatory courses.</td>
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**Management action plan:**

The Bureau for Management Services is working on the launch of the Quantum Learning Management System in the second quarter of 2022, which is expected to send automated notifications each month to those staff members who have incomplete courses. This will also help ensure that staff report any incorrectly recorded course completions.

**Estimated completion date:** June 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 subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.