



**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**JORDAN**

**Report No. 2452**  
**Issue Date: 10 June 2022**

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## Report on the Audit of UNDP Jordan Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Jordan (the Office) from 14 to 29 March 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) Development activities
- (c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT).

In addition, OAI assessed the performance of the Office in the following areas and sub areas: development activities and operations (procurement).

Performance auditing is an independent, objective and reliable examination of an entity or process to assess whether economy, efficiency and effectiveness in the employment of available resources is being achieved.

The performance audit questions were selected based on internal assessments and they are as follows:

- (a) Development activities:
  - 1. Did the Country Programme have clear objectives, with sufficient resources and was it implemented as planned?
  - 2. Were the Country Programme indicators clearly defined, measurable and adequately monitored to enable achievement of results?
  - 3. Were the project objectives clearly defined, and results measurable and adequately monitored?
- (b) Operations / Procurement:
  - 4. Were the procurement activities effectively and efficiently supporting programme delivery?

The audit covered the activities of the Office from 1 January to 31 December 2021. The Office recorded programme and management expenses of approximately \$17.2 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.
- (e) Safe content and petty cash were not verified.
- (f) The ICT area was not reviewed on-site.

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## Overall audit rating

OAI issued an audit rating for the Office of **satisfactory/some improvement needed**, which means that “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 development activities and procurement management

Conclusions on the performance audit areas reviewed:

(a) Development activities:

1. Did the Country Programme have clear objectives, with sufficient resources and was it implemented as planned?

The Country Programme objectives were clear and addressed the national priorities. Resources mobilized exceeded the Country Programme Document (CPD) target by \$25.2 million one year prior to the end of the four-year programme cycle. The delivery rate under the CPD for the period 2018 to 2021 has been consistently over 90 percent despite the challenging environment and the Covid-19.

2. Were the Country Programme indicators clearly defined, measurable and adequately monitored to enable achievement of results?

The CPD established clear outputs that were specific, measurable, achievable, relevant, and time-bound, and linked to the United Nations Sustainable Development Framework’s outcomes.

3. Were the project objectives clearly defined, and results measurable and adequately monitored?

Project objectives were clearly defined and aligned with the CPD. However, four out of the six sampled projects totaling \$10.5 million did not consistently ensure quantification of output indicator benchmarks and indicator targets as well as identification of annual targets. The CPD mid-term evaluation identified the need to better reflect project-level contributions to CPD outcomes. The monitoring and reporting on progress of output indicator targets was not always clear, complete, up-to date and well-supported (refer to Issue 2).

(b) Operations – procurement

4. Were the procurement activities effectively and efficiently supporting programme delivery?

Weaknesses in procurement practices have impacted programme efficiencies. Review of 23 sampled purchases amounting to \$2.9 million found that 13 (or 56 percent of sample) amounting to \$1.3 million had various shortcomings that indicated the Office had not timely and efficiently planned and implemented procurement activities to demonstrate value for money. The shortcomings included inadequate procurement plan implementation that resulted in urgent procurements, including direct contracting, approving purchase orders after the activities ended, and procurement activities not reviewed by relevant committees. (refer to issue 4)

These findings have been taken into account in the overall auditing rating.

**Key recommendations:** Total = **4**, high priority = **2**

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	3	Medium
Effectiveness and efficiency of operations	1	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	2,4	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. All high (critical) priority recommendations are presented below:

Inadequate project administration  
(Issue 2)

The review of six ongoing projects totalling \$10.5 million out of \$14.5 million or 72 percent of programme delivery in 2021 disclosed inadequate assessments of responsible parties, unclear reporting on project implementation progress, and inadequate project oversight.

**Recommendation:** The Office should improve project oversight by: (a) completing all steps of the mandatory partner capacity assessment tool and HACT micro-assessments for transfers above \$150,000 regardless of mode of cash transfer and implement this for all responsible partners; (b) ensuring the project board meeting minutes are signed, reflecting board decisions including approved project annual work plan linked to outputs; (c) ensuring risks identified in the project document are managed in the corporate risks register, and the review of major risks by the project board is documented; and (d) improving monitoring and reporting of project implementation progress by ensuring the corporate tools are adequately utilized.

Weaknesses in procurement practices  
(Issue 4)

There was inadequate justification for the use of the direct contracting modality. Further, the Office did not document proper value for money analysis. A review of 23 of the 192 purchase orders totalling \$2.9 million of \$9.2 million, representing 32 percent of the total value, disclosed that in 13 sampled cases (56 percent) totalling \$1.3 million (or 6 percent of the total purchase orders) had shortcomings, namely, inadequate justification of direct contracting modality and value for money, inadequate procurement committee review, commitments recorded after the goods/services were received, and inadequately defined and validated technical requirements

**Recommendation:** The Office should: (a) strengthen controls over the use of the direct contracting modality; (b) submit procurement actions valued at \$50,000 and above to the appropriate procurement review committees through the automated Advisory Committee on Procurement (ACP) Online application; (c) record commitments by raising purchase orders in Atlas at the time of signing agreements with the suppliers; and (d) validate the appropriateness of bills of quantity for comprehensive technical requirements with end-users during the planning phase to avoid frequent contract amendments at later stages.

**Implementation status of previous OAI audit recommendations:** Report No. 1887, 15 December 2017.

Total recommendations: 11

Implemented: 11

#### Management comments and action plan

The Resident Representative accepted all four 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

## About the Office

The Office, located in Amman, Jordan (the Country) and its Country Programme covered the period 2018-2022 with the following development priorities:

- a) Inclusive participation and social cohesion;
- b) Resilient communities, livelihoods and environment; and
- c) Enabling an institutional framework for the realization of the Goals.

During the period from 1 January to 31 December 2021, the Office spent \$15.9 million on development activities, an increase by 41.6 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 to Dec 2021 \$million
Women empowerment in solid waste management	2.7
Human security and preventing violent extremism	2.1
Preventing online radicalization	1.9
COVID-19 network of local governance	1.7
Decentralization accountability	1.5
<b>Total</b>	<b>9.9</b>

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
European Union	3.8
Japan	3.0
Jordan	2.7
Vertical fund – GEF	1.9
Canada	1.5
<b>Total</b>	<b>12.9</b>

## Audit results

Effective controls were established and functioning in the following areas:

- (a) Finance. Financial resources were managed effectively and efficiently, and were well supported with sufficient documentation and proactive mitigation of financial risks.
- (b) Human resources. Effective and efficient human resource processes ensured significant achievement of the recruitment plan, realization of gender and diversity considerations, identification of additional high-risk functions for compliance with the Financial Disclosure Policy, and timely completion of mandatory trainings and performance management reviews.
- (c) General administration. There were effective administrative processes for travel services, asset verification and vehicle management.

OAI made two recommendations 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 recommendations**, arranged according to significance:

- (a) improve project oversight (Recommendation 2).
- (b) Strengthen controls over the use of the direct contracting modality and improve oversight over the procurement process (Recommendation 4).

**Medium priority recommendations**, arranged according to significance:

- (a) Address inefficiencies in the Office's structure (Recommendation 1).
- (b) Carry out adequate closure of projects (Recommendation 3).

**Conclusion on the Office's performance in the following audit areas/sub areas:**

To form an opinion and conclude on the performance elements of this audit, the audit team used the following audit criteria:

- CPD 2018-2022, National Priority Vision 2025, UNDP Strategic Plan signature solutions for 2018 to 2021 and the United Nations Sustainable Development Cooperation Framework 2018-2022;
- The CPD Results and Resources Framework;
- Percentage of delivery when compared with CPD expectation and the Regional Bureau average;
- Management Effectiveness Ratio compared with the Integrated Results and Resources Framework targets and the Regional Bureau average; and
- UNDP Programme and Operations Policies and Procedures (POPP).

(a) Development activities:

1. Did the Country Programme have clear objectives, with sufficient resources and was it implemented as planned?

The Country programme objectives were clear and addressed the national priorities. Resources mobilized exceeded the CPD target by \$25.2 million one year prior to the end of the four-year programme cycle. The delivery rate under the CPD for the period 2018 to 2021 has been consistently over 90 percent despite the challenging environment and the Covid-19.

2. Were the Country Programme indicators clearly defined, measurable and adequately monitored to enable achievement of results?

The CPD established clear outputs that were specific, measurable, achievable, relevant, and time-bound, and linked to the United Nations Sustainable Development Framework's outcomes. However, improved programme monitoring could strengthen the achievements of objectives (refer to Issue 2).

3. Were the Country Programme indicators clearly defined, measurable and adequately monitored to enable achievement of results?

Project objectives were clearly defined and aligned with the CPD. However, four out of the six sampled projects totaling \$10.5 million did not consistently ensure quantification of output indicator benchmarks and indicator targets as well as identification of annual targets. The CPD mid-term evaluation also identified the need to better reflect project-level contributions to CPD outcomes. The monitoring and reporting on progress of output indicator targets was also not always clear, complete, up-to-date and well-supported (refer to Issue 2).

(b) Operations/Procurement



4. Were the procurement activities effectively and efficiently supporting programme delivery?

A review of 23 sampled purchase orders amounting to \$2.9 million found that 13 purchase orders (or 56 percent of sample) amounting to \$1.3 million had various shortcomings that indicated the Office had not timely and efficiently planned and implemented procurement activities to demonstrate value for money. The shortcomings included inadequate procurement plan implementation that resulted in urgent procurements, including direct contracting, approving purchase orders after the activities ended, and procurement activities not reviewed by relevant committees (refer to issue 4).

The detailed assessment is presented below, per audit area:

**A. Governance**

**1. Organizational chart and overall staffing**

**Issue 1**      Inadequacies in the Office structure

In accordance with the POPP, the Office's staffing structure should be in line with the programme delivery, which would support the achievements of the CPD results.

Two long-term core strategic functions of programme pillar team leaders had been filled with short-term temporary appointments, and this led to turnovers, which could undermine the achievements of the pillars' programmatic results and resources mobilization objectives as required in the CPD. The mid-term evaluation of the CPD indicated that the high turn-over in two programme pillars have resulted in the loss of institutional memory. The high staff turnover post midterm evaluation of the CPD comprised of 12 resignations, two service contracts not renewed and five terminations. According to the Office, this was not a main root cause, as many of the personnel referred were junior staff and had not served with UNDP for very long. To avoid the loss of Institutional memory, the Office has worked on an internal repository on SharePoint. The Office attributed the high turnover of staff to less competitive salary scales or opportunities when compared to other international organisations and sometimes the private sector, although OAI noted that the last salary survey was conducted in May 2021, which should have taken into consideration the prevailing market conditions.

At the time of the audit, the post of Team Lead Inclusive Growth & Sustainable Livelihoods Pillar (P5-TA) had been abolished because of insufficient resources and was replaced by a position at the P4-FTA level, which may not provide any notable cost savings to the Office. The other P5-TA, while abolished, has still not been updated in the organization chart.

Only one staff member was in charge of the procurement function despite an increase by 41.6 percent of the programme delivery from 2020 to 2021. In addition, this same staff member handling the procurement function was also the ICT Support analyst. This limited staffing within the procurement unit was flagged as part of the root causes of procurement weaknesses in the procurement section (Issue 5). The second procurement post was not filled and was frozen pending the outcome of the clustering processes.

The above occurred because the Office had not undertaken a comprehensive review and establish a structure that was fit for purpose to address the programmatic challenges and to position itself in the highly competitive environment for programme resources. The Office explained that a more comprehensive review to align capacities and the organization chart would be undertaken for the new Country Programme cycle for 2023-2027.

Inadequacies in the Office's structure undermines the Office's capacity to effectively deliver its commitments in the CPD.

<b>Priority</b>	Medium (Important)
<b>Recommendation 1:</b>  The Office should: <ul style="list-style-type: none"> <li>(a) address inadequacies of its structure including vacancies that led to inefficiencies by conducting a comprehensive review of its staffing capacity and reporting lines; and</li> <li>(b) establish a structure that is fit for purpose and in line with programme objectives and financial capacity.</li> </ul>	
<b>Management action plan:</b>  A new structure will be implemented in line with the new Country Programme Document.  <b>Estimated completion date:</b> December 2023	

## B. Development activities

### 1. Project administration

#### Issue 2 Inadequate project administration

The review of six ongoing projects totalling \$10.5 million out of \$14.5 million or 72 percent of programme delivery in 2021 noted the following inadequacies in project administration:

- (i) Inadequate assessment of responsible parties

The POPP requires mandatory use of the partner capacity assessment tool (PCAT), for all responsible parties, except for UN agencies. The harmonized approach to cash transfers (HACT) micro-assessment is mandatory if the amount expected to be transferred exceeds \$150,000 per year. Frequency of spot checks for annual expenditures that exceed or are equal to \$50,000 is determined by the risk rating of the micro-assessments. To the fullest extent possible, spot checks for transfers, within the HACT micro-assessment threshold, should be conducted by a third party that will later be contracted to perform scheduled audits.

All eight capacity assessments conducted under four projects totalling \$2.9 million did not assess the 'partner's programme and project management capacity' as required in the PCAT. Thus, topics that are not included in the HACT micro-assessment along with the resulting risk mitigation strategies were not captured under the 'capacity assessment conclusion' as required. In addition, the following were noted:

- For three responsible party agreements exceeding \$150,000, the PCAT incorrectly reported that the HACT micro-assessments were not needed.
- For another two responsible party agreements where the PCAT required a HACT micro-assessment, this was not conducted.
- All spot checks for the sampled responsible parties were conducted by a national officer instead of authorized international staff as required by HACT policy, for engagements within the HACT micro-assessment threshold.
- A review indicated that Funding Authorization and Certification of Expenditures (FACE) forms were not used to report expenses as payment was based on deliverables. However, per HACT policy, regardless of mode of cash transfer (advance or reimbursement), which should be determined

through a HACT assessment, a FACE form should be used to pre-clear and report on itemized expenses based on the agreed work plan and should be the basis for selecting a sample for the spot check.

The above occurred because the Office understood that it did not need to undertake a complete capacity assessment and HACT micro-assessment as transfers to the RPs were based on deliverables and as annual spot checks were conducted. The deliverables for two RPs, however, also included on-granting/funding to beneficiaries.

Without adequate partner capacity assessments, UNDP is not safeguarded against responsible party project implementation risks.

(ii) Inadequate project monitoring and reporting

The UNDP Handbook on Monitoring and Evaluating for results states that the annual progress report (APR) provides an analysis of project performance over the reporting period, including outputs produced. Project monitoring is tracked through Atlas (enterprise resource planning system of UNDP), which enables automatic generation of project progress reports.

The Office did not utilize the Atlas tool for monitoring the progress on outcomes and outputs as it did not find the tool conducive. It therefore manually prepared the APR using data from the responsible party and field visit reports. This, however, did not always facilitate clear, complete, up-to-date and well-supported annual and cumulative progress reporting on outcome and output indicators, which also informed project contribution to implementation progress of the CPD. For instance, four completed activities relating to output indicators were not reflected in two APRs.

The above occurred because the Office did not have an adequate internal project monitoring mechanism and was in the process of developing internal tools for centralized and streamlined monitoring and reporting, expected to be completed by December 2022.

Without adequate monitoring and reporting of output indicators, accurate reporting and the timely address of implementation challenges may not be ensured.

(iii) Inadequate project oversight

The POPP requires the project board to make management decisions by consensus on key project execution, including the approval of project plans, reviews of evidence on project performance and management of any major risks. Minutes of the project board should be recorded by UNDP and should capture the agenda, issues discussed and the agreed upon action items and decisions.

Minutes of project board meetings did not indicate decisions by consensus and recommendations for all six sampled projects, including approval of the annual work plans, of which for four out of the six projects were not linked to the outputs. In all cases reviewed the minutes were not signed by a designated official to confirm board decisions, as a good practice. The above occurred due to inadequate project oversight activities. The Office has started developing a template for mandatory use to record the project board meetings.

Without adequate review of projects and recording of board decisions, project oversight may not be effective to ensure that implementation challenges at the project and Country Programme level are identified and addressed timely.

(iv) Inadequate risk management

The POPP requires that project risks included in the project document should be identified and assessed using the project risk register which must be maintained and updated at least annually in Atlas for the duration of the project.

Review indicated that 35 out of 54 project risks identified in the six project documents were not monitored in Atlas as required by the POPP. There was therefore no monitoring to ensure required treatments, such as the development of a project sustainability plan and contingency plans. Further, there was no record of project board reviews of major risks.

The above occurred due to inadequate monitoring of project risks. Without adequate risk management, project objectives may not be achieved.

<b>Priority</b>	High (Critical)
<b>Recommendation 2:</b>	
The Office should improve project oversight by:	
<ul style="list-style-type: none"> <li>(a) completing all steps of the mandatory partner capacity assessment tool and HACT micro-assessments for transfers above \$150,000 regardless of mode of cash transfer and implement this for all responsible partners;</li> <li>(b) ensuring the project board meeting minutes are signed, reflecting board decisions including approved project annual work plan linked to outputs;</li> <li>(c) ensuring risks identified in the project document and during project implementation are managed in the corporate risks register, and the review of major risks by the project board is documented; and</li> <li>(d) improving monitoring and reporting of project implementation progress by ensuring the corporate tools are adequately utilized.</li> </ul>	
<b>Management action plan:</b>	
<ul style="list-style-type: none"> <li>(a) The Office will seek clarification from the Regional Bureau, add this to the Office lessons learnt log and will review all responsible parties, which will need to be assessed and prepare a plan with a timeline to implement.</li> <li>(b) Although the Office has maintained records documenting board meetings, the recommendation of standardizing the structure to better document decisions, action points and approval of the Annual Work Plan is being translated into a template.</li> <li>(c) The Office is working on addressing the risks, and all projects have detailed risk logs (outside of Atlas). This will be migrated to the new Quantum system.</li> </ul>	
<b>Estimated completion date:</b> December 2022	

### **Issue 3**      Inadequate monitoring of project closure

The review of overall project closure for 16 projects in 2021 and detailed review of four closed projects with total expenditure of \$9.2 million highlighted the following:

#### (i)      Final project quality assurance and board reviews not conducted

The POPP requires that as part of project closure, a project closure quality assessment is prepared. This is reviewed by the project board during a final project review to ensure that all project deliverables have

been produced satisfactorily, including lessons learned. The project board certifies the project closure and endorses the final project review report.

None of the four closed projects had undergone the required final project board review. Project closure quality assessments had also not been conducted for two of the projects. This happened due to inadequate oversight of project closure activities and lack of enforcement of the closure checklist requirements.

Without completion of required final project closure quality assessments and reviews prior to operational closure, there is no assurance that all project deliverables have been produced satisfactorily, including lessons learned.

(ii) Projects re-opened multiple times after financial closure

The POPP requires programme/project managers to initiate closure of inactive projects and trust funds and ensure all projects are financially closed. Before the status of project 'output' is changed to 'operationally closed', the Office should ensure that there is a zero advance balance to the implementing partner in the local currency at the full Chart of Accounts (COA) level, to prevent the mismatch of COA transactions. If there are ledger balances in the local currency in a mismatched COA (e.g., different implementing agents and donors), the revaluation will be processed periodically, and the closed project will be re-opened by Headquarters to post the foreign currency revaluation in a designated account.

The following were noted:

- Five projects that were financially closed in 2021 had been re-opened and subsequently financially re-closed two to eight times from 2012 to 2021, totalling 26 instances of re-opening.
- Adjustments totalling \$147,794 were made mainly relating to foreign currency revaluation of implementing partner accounts to achieve a zero balance.
- In 21 of the 26 re-opened instances, this was done a day after financial re-closure and in 14 instances the status remained re-opened for 3 to 33 months, due to involvement of multiple personnel at Headquarters; thus, four projects remained continuously open between 1.5 to 10 years.
- Similar re-opening was noted for nine other projects, that had been financially re-closed in 2019 and 2020.

The above occurred as all full COA lines had not been offset during project closure causing mismatched COAs that became visible during the closure of trust funds. The Office was also not aware of 9 adjustments by Headquarters, out of the 26 re-opened instances, to enable follow-up and learning.

Inadequate financial closure impacts accuracy of reporting and re-opening closed projects increases financial risks as these are included in the census of on-going or inactive projects that have the possibility for financial transactions.

<b>Priority</b>	Medium (Important)
<b>Recommendation 3:</b>	
The Office should carry out adequate closure of projects by:	
(a) conducting project quality closure assessment and project closure board reviews to provide assurance that all project deliverables have been produced;	
(b) offsetting all full Chart of Accounts (COA) lines during project closure and running relevant reports, including trust fund, to check for COA mismatch; and	

- (c) monitoring status of closed projects and following-up with multiple actors at Headquarters on re-opened projects that remain open for long durations; and draw lessons for effective financial project closure.

**Management action plan:**

The Office conducted an intensive training for all programme staff on quality assurance and project closure in the last quarter of 2021. A refresher training will also be organized for onboarding of all new relevant staff and project managers. The Office will ensure that one focal point per project/ programme will be assigned to oversee the closure process and to ensure adherence to procedures.

Before the financial closure of any project the Office will ensure proper submission of the project closure check list. The issue of opening and closing projects is being done by Headquarters without the knowledge of the Office, so the Office will closely monitor this to avoid the same cases to recur and will also raise this with the Quantum Team as recommended by the auditors.

**Estimated completion date:** June 2023

## C. Operations

### 1. Procurement

#### Issue 4 Weaknesses in procurement practices

The POPP guides effective procurement practices and contract management that ensure procurement is competitive and results in best value for money. Procurement processes need to be adequately planned and monitored to avoid unnecessary direct contracting. Also, purchase orders represent a legally binding commitment and should be recorded in Atlas when agreements are signed with suppliers.

The Procurement Oversight and Procurement Review Committees Policy requires the Contracts, Assets and Procurement Committee (CAP) to review procurement actions with a value above \$50,000 up to the standard delegated procurement authority of the Head of Office, such as confirming that sufficient funding exists through the automated Advisory Committee on Procurement (ACP) Online application. The upper threshold is lowered to 50 percent in direct contracting cases.

A review of 23 of the 192 purchase orders totalling \$2.9 million of \$9.2 million, representing 32 percent of the total value, revealed that in 13 sampled cases (56 percent) totalling \$1.3 million (or 6 percent of the total purchase orders) had the following shortcomings:

- (i) Inadequate justification of direct contracting modality and value for money
  - The Office used the direct contracting modalities in two procurement cases valued at \$0.15 million on the basis of a genuine exigency exception of the UNDP Financial Regulations and Rule FRR122.01, which did not fully satisfy the exigency requirement.
  - In one procurement case valued at \$54,000, the Office improperly used the absence of a competitive marketplace to justify direct contracting, and yet the services delivered were not of a specialized nature.
  - In another case valued at \$57,854, an ongoing procurement process for one project was amended at the time of contracting to include the procurement needs of another project. The Office explained this occurred due to the urgent need to start project activities by project teams.



- The Office did not document any value for money analysis or variance explanation in two procurements valued at \$0.19 million, with a variance of \$21,350 and \$62,994 between internal cost and recommended bidder offer.
  - In another case valued at \$49,683, the Office procured through direct contracting justified by standardizing, but no comparison was made with an internal cost estimate or previous unit price as part of value for money analysis.
- (ii) Inadequate procurement committee review
- The Office did not submit three procurement actions totalling \$220,984 to the CAP for evaluation while each case was within the CAP review threshold of \$50,000 and above. Another case of direct contracting amounting to \$190,000 was reviewed by the CAP instead of the Regional Advisory Committee on Procurement (RACP) since the value was above the CAP delegation.
- (iii) Commitments recorded after the goods/services received
- The Office issued 13 purchase orders totalling \$155,161 out of 192 for \$2.9 million after the completion of the training activities. While contracts had been awarded to the suppliers, these were not reflected in Atlas through creation of corresponding purchase orders, thereby understating the commitments in Atlas.
- (iv) Inadequately defined and validated technical requirements
- In three procurement cases valued at \$0.4 million, the Government, as end-users, requested the Office to add additional activities after selection of supplier, which resulted in new unit prices that the audit team could not verify if they were competitive.
  - In another case valued at \$62,176, safety and security measures were omitted during the designs and bill of quantity development stage that resulted in 17.7 percent cost increments of \$13,176.

The above weaknesses in procurement practices occurred because of ineffective oversight over procurement activities. This was further exacerbated by the limited procurement unit staffing, which did not allow for the provision of strategic procurement to the Office and the projects.

Ineffective procurement practices may prevent the Office from obtaining best value for money due to rushing procurements and expose the organization to financial risks due to non-competitive procurement decisions and to risks of inefficiencies in procurement processes.

<b>Priority</b>	High (Critical)
<b>Recommendation 4:</b>	
The Office should:	
<ul style="list-style-type: none"> <li>(a) strengthen controls over the use of the direct contracting modality;</li> <li>(b) submit procurement actions valued at \$50,000 and above for review to the appropriate committees through the automated Advisory Committee on Procurement (ACP) Online application;</li> <li>(c) record commitments by raising purchase orders in Atlas at the time of signing agreements with the suppliers; and</li> <li>(d) validate the appropriateness of bills of quantity for comprehensive technical requirements with end-users during the planning phase to contract amendments at later stages.</li> </ul>	
<b>Management action plan:</b>	
The Office would implement the recommendation immediately.	
<b>Estimated completion date:</b> December 2022	

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## 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.