

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
Resilient nations.*

AUDIT

OF

UNDP COUNTRY OFFICE

IN

KUWAIT

Report No. 1265
Issue Date: 20 May 2014

Report on the audit of UNDP Kuwait Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Kuwait (the Office) from 12 to 23 January 2014. 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 and strategic management (organizational structure and delegations of authority, leadership, ethics and values, and financial sustainability);
- (b) United Nations system coordination;
- (c) programme activities (programme and project management, partnerships and resource mobilization); and
- (d) operations (human resources management, procurement, finance, information and communication technology, and safety and security).

The audit covered the activities of the Office from 1 January 2012 to 31 October 2013. The Office recorded programme and management expenditures totalling \$16.2 million. The last audit of the Office was conducted by OAI in 2008.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **unsatisfactory**, which means "Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised." This rating was mainly due to weaknesses in organizational structure and delegation of authority, programme management, human resources, and procurement.

Key recommendations: Total = 13, high priority = 7

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:

Outdated documentation of internal controls and operating procedures (Issue 1)	The Office had not updated its Internal Control Framework since 2006 in order to tailor it to the generic corporate Internal Control Framework. In addition, the Office had not established standard operating procedures to provide guidance to staff. Also, the delegation of authority from the Head of Office to the various managerial levels was not formally accepted (signed) by staff to ensure they were aware of the delegated tasks.
--	--

Recommendation: Strengthen existing internal controls and operating procedures by: (a) documenting the Internal Control Framework based on the operational guide in the UNDP 'Programme and Operations Policies and Procedures'; (b) providing guidance to staff by establishing standard operating

procedures for the Office's main processes; and (c) requesting staff to acknowledge (by signing) the delegated authority from the Head of Office.

Country Programme Document and Country Programme Action Plan not aligned
(Issue 2)

The Office is expected to develop the Country Programme Action Plan (CPAP) based on the Country Programme Document (CPD). However, OAI noted that the two documents were not aligned. For example, outcomes in the revised CPAP were not included in the CPD, and vice versa.

Recommendation: Align the current CPAP with the approved CPD for 2015-2018 by ensuring that: (a) they contain the same outcomes and related evaluation plans; and (b) both documents contain outputs for each outcome and that the outcomes/outputs reported by the Office in the Results Oriented Annual Report align with those contained in the CPAP.

Improper use of service contract modality
(Issue 5)

The Office used the service contract modality to engage the Travel and Registry Assistant, which is considered a core function. Further, at the time of the audit, three out of eight vacant positions were advertised as service contract positions, although they were also considered core office functions.

Recommendation: Avoid using the service contract modality for engaging personnel who will perform core functions.

Weaknesses in managing service contracts
(Issue 7)

OAI identified weaknesses in the review of the recruitment of service contract holders. For example, the Office was not involved in the short-listing, interviewing, and selection of candidates. Instead, the Office issued contracts based on requests from the Government, which evaluated and selected some candidates who were not nationals of the Country and did not hold local work authorization. In addition, terms of reference were not signed by service contract holders, attendance sheets were not maintained and declarations of impartiality were not signed by the former government employees hired by the Office.

Recommendation: Improve the management of service contracts by: (a) ensuring that the Office participates in the entire recruitment process, including short-listing, interviewing and selecting suitable candidates as required by UNDP policies and procedures; (b) performing a competitive and transparent recruitment process for every new position to be filled by service contractors including contract extensions and maintaining proper documentation of the entire process; (c) requiring selected candidates to sign the contract terms of reference to acknowledge awareness of their duties; (d) ensuring personnel hired under service contracts possess local work authorization; (e) maintaining attendance sheets for all service contract holders; and (f) requiring former government employees to sign declarations of impartiality.

Procurement on behalf of nationally implemented projects not in compliance with UNDP regulations and rules
(Issue 9)

OAI's review of the Office's procurement on behalf of nationally implemented projects identified the following issues: procurement of goods and contracted project personnel without the required Letter of Agreement; signing contracts with vendors before receiving the funds to cover contractual obligations; signing contracts with vendors without raising the corresponding purchase order in Atlas; inconsistency in procurement processes among the Office's

programme units ; the lack of adequate and complete supporting documentation of the procurement and selection processes; and limited capacity of the Procurement Unit.

Recommendation: Improve procurement processes for nationally implemented projects by: (a) signing a Letter of Agreement between the Office and the Government for provision of support services, defining specific services to be provided for each project; (b) agreeing to a level of procurement support to nationally implemented projects as the Office's procurement capacity allows; (c) signing contracts with vendors only when sufficient funds have been received; (d) raising a purchase order for the entire contracted amount in Atlas; (e) maintaining adequate documentation concerning procurement and selection processes; and (f) ensuring that adequate staff resources are allocated to the Office's procurement function.

Weak procurement
management
(Issue 10)

The Office did not prepare a Consolidated Procurement Plan. In addition, it used direct contracting extensively without providing justification; inadequately used purchase orders; did not maintain the documents supporting vendor selection and performance; did not submit all relevant procurement cases to the Regional Advisory Committee on Procurement; and signed contracts after the contract start date.

Recommendation: Strengthen procurement management practices by: (a) preparing and implementing a Consolidated Procurement Plan; (b) using direct contracting modality in accordance with UNDP Financial Rule No. 121.05; (c) creating a purchase order when a commitment is made, rather than at the time of payment; (d) adhering to procurement procedures, including improved instructions to offerors, maintaining relevant supporting documentation and conducting periodic vendor performance evaluations; (e) submitting all required supporting documentation to the applicable procurement review committee in a UNDP working language; and (f) signing contracts with the contractor before work begins and monitoring the period of duration.

Inadequate management of
individual contract modality
(Issue 11)

OAI identified the following deficiencies in the use of the individual contract modality: (a) insufficient evidence that technical evaluations of proposals complied with UNDP regulations and rules and that transparent and competitive processes were followed; (b) no evidence that the references of the selected offeror were checked; (c) no submissions were made to the respective review committee; (d) unclear criteria for determining payments to consultants; and (e) contracts were extended or subsequent contracts were awarded to complete work agreed to in the original contract.

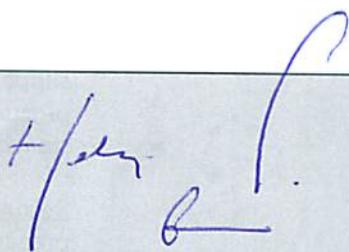
Recommendation: Comply with the policies and procedures governing the individual contractor modality by: (a) informing applicants of necessary information to be provided and ensuring that this information, including financial proposals is received during the solicitation process; (b) selecting individual contractors on a competitive basis by performing full technical and financial evaluations and reference checks before selecting contractors under the Office's full control; (c) submitting the cases exceeding the delegated authority for review by the relevant committees; and (d) defining clear and quantifiable outputs in the contract and linking them directly to payment

schedules; (e) attaching the agreed terms of reference and relevant annexes to the respective contracts; and (f) conducting proper planning of services needed from individual contractors and monitoring the accumulated amount awarded to them during the 12 month-period.

Management comments and action plan

The Resident Representative accepted all of the recommendations in the areas of organizational structure and delegations of authority, programme management, project management, human resources, finance, procurement, information and communication technology, and asset management and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Osttveiten
Director
Office of Audit and Investigations