

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

MALAWI

Report No. 1295
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Report on the audit of UNDP Malawi Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Malawi (the Office) from 18 February to 6 March 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, leadership, ethics and values, risk management, planning, monitoring and reporting, financial sustainability);
- (b) programme activities (programme management, partnerships and resource mobilization, project management); and
- (c) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security, asset management, leave management).

The audit covered the activities of the Office from 1 January to 31 December 2013. The audit did not cover the role of UNDP in "One UN" and the Harmonized Approach to Cash Transfers (HACT) since an audit scheduled for June 2014 will cover these areas. The Office recorded programme and management expenditures totalling \$18.8 million. The last audit of the Office was conducted by OAI in March 2009.

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 **partially satisfactory**, which means "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." This rating was mainly due the Office's staff costs which were not financially sustainable, low programme delivery and the weaknesses in procurement.

Key recommendations: Total = 6, high priority = 4

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:

Office staff costs not financially sustainable (Issue 1)

The Office staffing level of 72 was not commensurate with its programme size of \$17 million and the main delivery modality through national implementation. The staff costs are not sustainable.

Recommendation: Review the Office's organizational structure to ensure that it is financially sustainable.

Declining programme delivery (Issue 2)

The Office's total programme delivery relative to budgeted resources had decreased from 82 percent in 2011 to 71 percent in 2013. In addition, the Office had not planned adequately for resources made available for programme

activities. Delivery of available resources declined from 75 percent in 2012 to 55 percent in 2013, while programming of non-core resources was only 40 percent during the year.

Recommendation: Strengthen the planning of programme activities to enable the timely finalization and approval of project support documents and annual work plans.

Inadequate screening of vendors (Issue 5)

Of 27 randomly selected vendor forms, 24 were not complete. Vendor forms of two companies showed that their managing director was an Office staff member, which was a direct conflict of interest. The Office had not verified any of the selected vendors' bank details and did not check the existence of vendors in the Atlas database before creating and approving vendors. This resulted in 24 duplicate vendors and 146 vendors that had different vendor identification numbers but shared the same banking details.

Recommendation: Improve vendor management by: confirming that all vendors complete the required forms; requiring that all vendors provide proof of identity and verify bank details; creating a checklist to help verify that new vendors do not already exist in the database; and deactivating duplicate vendors and those vendors that share banking details.

Ineffective oversight by the Contracts, Assets and Procurement Committee (Issue 6)

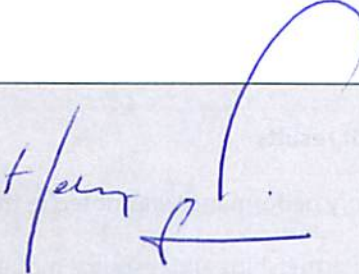
The Contracts, Assets and Procurement Committee inappropriately endorsed procurement selection processes that were flawed, and approved the disposal of project assets without adequate documentation. In addition, none of the Committee members had completed their procurement certifications.

Recommendation: Enhance the effectiveness of the Contracts, Assets and Procurement Committee by: (a) revising the Committee's composition to ensure that its members are knowledgeable about the procurement process being discussed and the applicable rules; (b) mandating that all Committee members complete procurement certification courses and be trained in their oversight roles; and (c) reviewing all procurement processes and ensuring they are provisionally approved by the Deputy Resident Representative (Operations) before submission to the relevant committee and the Resident Representative.

Management comments and action plan

The Resident Representative accepted all of the recommendations in the areas of governance and strategic management, programme activities, project management, finance, and procurement, 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 impact (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Osttveiten
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