



PERFORMANCE AUDIT

OF

PROCUREMENT MANAGEMENT

IN

UNDP

Report No. 1480
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Report on the Performance Audit of UNDP Procurement Management Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted a performance audit of UNDP procurement management from 10 June to 6 July 2015. Performance auditing is an independent examination of a programme, function, operation, project, or the management systems and procedures of an entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources.

The objective of this audit was to assess whether the current policies, procedures, and tools in place were conducive to the efficient management of procurement. In order to assess the audit objective, the audit focused on two main audit questions:

- (a) How does the procurement governance contribute to an efficient procurement function in UNDP?
- (b) How can procurement be executed more efficiently in UNDP?

The audit covered the period from 1 January 2014 to 31 March 2015.

Overall audit rating

OAI assessed UNDP procurement management 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 to the way UNDP identifies and selects suitable vendors and other suppliers (vendor sourcing practices) requiring improvement, and insufficient IT tools to support procurement processes.

Key recommendations: Total = 8, high priority = 2

The eight recommendations aim to ensure effectiveness and efficiency of operations.

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 recommendation is presented below.

With regard to the question “How can procurement be executed more efficiently in UNDP?” the following issues were noted:

The way UNDP identifies and selects suitable vendors and other suppliers required improvement in order to be more efficient.

Recommendation: The Bureau for Management Services should Improve UNDP’s vendor sourcing practices by:
(a) finalizing relevant project(s) as part of the plan to implement the UNDP Procurement Strategy 2015-2017; and
(b) amending the ‘UNDP Programme and Operations Policies and Procedures’ to provide for alternatives to purchasing such as leasing and transferring of assets to other UNDP units/offices, and amending the policies to require all UNDP offices to notify the PSO prior to any procurement activity that will result in new LTAs.

IT tools used in procurement required improvement in order to support procurement processes more efficiently.

Recommendation: The Bureau for Management Services, in consultation with the Office of Information Management and Technology where applicable, should improve IT tools used in procurement by: (a) mandating the use of the E-Tendering module for all UNDP offices; (b) developing a timeframe for further integrating relevant procurement tools with each other and with Atlas; and (c) implementing a centrally managed online vendor management system.

Good practices

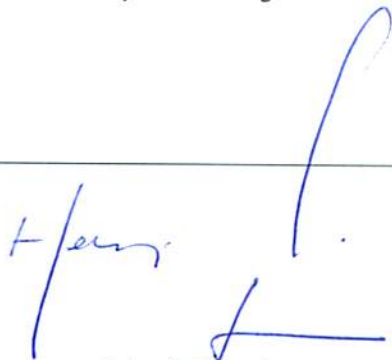
The following good practices were noted to support more efficient procurement management:

- The Procurement Support Office (PSO) of the Bureau for Management Services (formerly the Bureau of Management) developed an ambitious procurement strategy which was endorsed by the Organizational Performance Group in May 2015. The strategy signals a new approach to procurement that is expected to be innovative, fit for purpose, efficient, cost effective and promotes sustainable procurement in substance.
- The Advisory Committee on Procurement (ACP) developed a corporate tool to review online procurement actions subject to oversight by Procurement Review Committees (PRCs).

Management comments and action plan

The Bureau for Management Services 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.

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



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