

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**LEBANON**

**Report No. 1606**  
**Issue Date: 22 July 2016**

## Report on the Audit of UNDP Lebanon Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Lebanon (the Office) from 11 to 26 April 2016. 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, risk management, planning, business continuity, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – “One UN”, Harmonized Approach to Cash Transfers [HACT]);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security).

The audit covered the activities of the Office from 1 January 2015 to 29 February 2016. The Office recorded programme and management expenditures of approximately \$73.6 million. The last audit of the Office was conducted by OAI in 2013.

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 to weaknesses in oversight over procurement practices, and weaknesses in the procurement of individual consultants.

**Key recommendations:** Total = 9, high priority = 2

The nine recommendations aim to ensure the following objectives:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	2, 3, 5, 6	Medium
Effectiveness and efficiency of operations	4, 9	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	1	Medium
	7, 8	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:

Weaknesses in  
procurement oversight  
(Issue 7)

Procurement processes were managed by the Programme Unit without any delegation. The role of the Procurement Unit was reduced to administrative functions such as receiving documentation from the Programme Unit and uploading them to the Advisory Committee on Procurement Online tool, and scheduling Contracts, Assets and Procurement Committee (CAP) meetings. Additionally, there was no evidence of substantive reviews by the CAP Committee in 24 procurement cases received from the Evaluation Committee. Finally, out of 32 submissions, 13 (40 percent) were rated by the Regional Advisory Committee on Procurement (RACP) as below the quality standard expected from the Office.

Recommendation: The Office should strengthen oversight over procurement practices by: (a) clearly defining roles and responsibilities in the procurement workflow; (b) providing evidence of substantive reviews from the CAP Committee to support the review of cases and the endorsement of the evaluation results; and (c) improving the quality of documentation submitted to the RACP.

Weaknesses in  
procurement of  
individual consultants  
(Issue 8)

The review of the four programme portfolios in the Office between 2014 and April 2016 disclosed that 50 percent in 2014, 52 percent in 2015, and 40 percent in 2016 of all consultants were recruited based on the direct contracting modality. Justifications for direct contracting were weak and unsubstantiated, and the reasons for selecting this modality did not adhere to the prescriptions of UNDP Financial Rule 121.05.

Recommendation: The Office should strengthen adherence to UNDP's Financial Rule 121.05 regarding the procurement of individual consultants by: (a) adequately and timely defining the needs for consultants, and undertaking a competitive process in order to recruit candidates based on best value for money; (b) properly justifying reasons for direct contracting and for not undertaking a competitive bidding process; and (c) demonstrating the achievement of best value for money through analysis and comparison.

**Implementation status of previous OAI audit recommendations:** Report No. 1157, 28 October 2013.



Total recommendations: 6

Implemented: 6

### Management comments and action plan

The Resident Representative accepted all 9 recommendations 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. Ostveiten  
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