

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE KINGDOM OF BAHRAIN

Report No. 2036
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Report on the Audit of UNDP Bahrain Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Bahrain (the Office) from 10 to 21 February 2019. 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation, knowledge management);
- (c) operations (financial resources management, ICT and general administrative management, procurement and human resources management).

The audit covered the activities of the Office from 1 January to 31 December 2018. Due to unforeseen circumstances that resulted in one member of the audit team having to leave early, the audit did not cover the areas of staff and premises security or United Nations leadership and coordination. Also, the areas of financial resources management, ICT and general administrative management and procurement were reviewed remotely. The Office recorded programme and management expenses of approximately \$3.9 million. The last audit of the Office was conducted by OAI in 2014.

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, "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." This rating was mainly due to weaknesses in governance and in the management of both programme and operations activities.

Key recommendations: Total = 11, high priority = 9

The 11 recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 2, 3, 4	High
Reliability and integrity of financial and operational information	5	High
Effectiveness and efficiency of operations	6, 9	High
Safeguarding of assets	11	High
Compliance with legislative mandates, regulations and rules, policies and procedures	8	High
	7, 10	Medium

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:

Weak control
environment
(Issue 1)

The audit team noted the following shortcomings that were negatively impacting the Office: (a) inefficient organizational structure and distribution of staff roles and responsibilities; (b) unclear roles among UNDP, the Resident Coordinator Office and nationally implemented projects; and (c) low Global Staff Survey results.

Recommendation: The Office should improve the control environment by: (a) revising the organizational structure, job descriptions and reporting lines; and (b) developing, with the support of the Regional Bureau, an action plan to address the issues reported to the Bureau as well as the issues resulting from the Global Staff Survey.

Reduction in
Government
contributions to the
Office (Issue 2)

By the end of January 2019, due to austerity measures, the Government communicated a reduction of its total contribution to \$1 million, to be allocated to the Office costs and Direct Project Costing altogether. In addition, it requested the downsizing of the Office to be in place by June 2019.

Recommendation: The Office should balance income and expenditures to ensure financial sustainability. The Office could, with participation of the Regional Bureau, strengthen its financial sustainability by communicating the Office's costs to the Government with the aim of receiving contributions that fully cover the Office's costs, securing its physical presence in the Country, and providing the assistance requested by the Government in the signed Standard Basic Assistance Agreement. The Office could also align its expenditures with the contributions received by ensuring a structure that is fit for purpose with the available financial envelope.

Low quality of Country
Programme
implementation
(Issue 3)

The Country Programme Document covered the programme cycle 2017–2020, with a total budget of \$12 million. By the end of 2018, the mid-term cycle of the Country Programme Document, only 29 percent of its budget was implemented.

Recommendation: The Office should expedite implementation of the Country Programme Document and strengthen monitoring by the Country Programme Board.

Weaknesses in project
management
(Issue 4)

The audit team reviewed a sample of six projects, comprising of six outputs in Atlas (enterprise resource planning system of UNDP). Three of the projects were nationally implemented and the other three were directly implemented. Deficiencies were in: (i) the design of projects; and (ii) project implementation and monitoring.

Recommendation: The Office should strengthen project management in the design of projects, and project implementation and monitoring.

Inadequate use of project funds (Issue 5)	<p>The audit team noted that: (a) dormant project funds were used to fund other projects without authorization from the donor; and (b) project expenditures were charged to the Office and the Resident Coordinator Office budget.</p> <p><u>Recommendation:</u> The Office should improve the management of project funds by: (a) expediting the closure of dormant projects; and (b) reversing transactions where expenditures have been charged to incorrect projects and implementing the correct budget override policy.</p>
Deficiencies in procurement management (Issue 6)	<p>The audit team noted the following: (a) there was no comprehensive procurement plan in place; (b) weaknesses in the use of the procurement module in Atlas; and (c) non-adherence to procurement principles.</p> <p><u>Recommendation:</u> The Office should adhere to the UNDP procurement principles and all relevant policies and improve oversight and controls by: (a) preparing a comprehensive procurement plan; (b) ensuring that procurement activities are well documented, starting with raising e-requisitions in Atlas and issuing purchase orders in Atlas prior signing contracts; and (c) adhering to the requirements to conduct competitive and transparent recruitments and using the direct contracting modality when engaging consultants only when valid justification exists and value for money is ensured.</p>
Contracting and assigning UNDP staff members to a nationally implemented project (Issue 8)	<p>In February 2017, a one-year detail assignment to a government ministry was approved for a staff member to act as Executive Director of a specific project. Also, another staff member was recruited using a fixed-term appointment in May 2018 to serve as Project Associate with the same project.</p> <p><u>Recommendation:</u> The Office should discontinue the practice of engaging and contracting UNDP staff members for nationally implemented projects.</p>
Weaknesses in recruitment and human resources management (Issue 9)	<p>During the review of a sample of recruitment processes for three fixed-term appointment staff members and five service contract personnel, the following was noted (a) international recruitment was used for General Service staff members and service contract holders; (b) recruitment processes deviated from UNDP principles; and (c) the service contract modality was not properly used.</p> <p><u>Recommendation:</u> The Office should strengthen its control over human resources activities by: (a) conducting local recruitment of staff members and service contract holders, ensuring that personnel engaged under the service contract modality possess the proper authorization to work in the Country; (b) conducting a competitive and transparent process for filling new positions documenting all the steps of the recruitment processes and explaining the rationale for not considering some candidates; and (c) avoiding the use of the service contract modality for core functions.</p>
Weaknesses in vehicle management (Issue 11)	<p>The audit team noted weaknesses in: (a) the management of the vehicles; (b) recording of use of vehicles; and (c) monitoring of fuel consumption and maintenance.</p>

Recommendation: The Office should improve vehicle management by: (a) effectively implementing cost recovery for services provided to the Resident Coordinator Office; (b) improving the recording of the vehicle log books including information on purposes of the trips, which is needed for adequate cost recovery, including recovery for personal use; and (c) implementing effective monitoring of vehicle use and fuel consumption.

Management comments and action plan

The Resident Representative accepted all 11 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.



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