UNUNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

MALAYSIA

Report No. 2225
Issue Date: 16 October 2020
Report on the Audit of UNDP Malaysia
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Malaysia (the Office) from 15 July to 5 August 2020. 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
(b) Development activities
(c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

The audit covered the activities of the Office from 1 January 2019 to 30 April 2020. The Office recorded programme and management expenses of approximately $10 million. The last audit of the Office was conducted by OAI in 2015.

The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

(a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
(b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team’s understanding of the Office’s working environment.
(c) Project visits and meetings with counterparts were not conducted.
(d) Safe and petty cash contents were not verified.

Overall audit rating

OAI assessed the Office as partially satisfactory/major improvement needed, which means “The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.” This rating was mainly due to weaknesses in the effectiveness of programme planning, in the monitoring and control of procurement processes, and in the effectiveness of recruitment processes.

Key recommendations: Total = 3, high priority = 3

The three recommendations aim to ensure the following:

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<tr>
<th>Objectives</th>
<th>Recommendation No.</th>
<th>Priority Rating</th>
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<tbody>
<tr>
<td>Achievement of the organization’s strategic objectives</td>
<td>1</td>
<td>High</td>
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<tr>
<td>Effective compliance with legislative mandates, regulations and rules, policies and procedures</td>
<td>2, 3</td>
<td>High</td>
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</tbody>
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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 recommendations are presented below:
Weaknesses in effective programme planning (Issue 1)

The audit team noted that the available Country Programme resources had not been adequately planned for programme delivery. In 2019 and as of April 2020, the Office budgeted 62 percent and 48 percent of available resources for 2019 and 2020, respectively. Project annual work plans and budgets were approved late, resulting in the late start of project implementation, which impacted delivery.

**Recommendation:** The Office should strengthen the effectiveness of programme planning by (a): ensuring optimal allocation of available resources when preparing programme budgets, and adjusting budgets and delivery targets when additional resources are mobilized during the year; and (b) finalizing and signing annual work plans within the last quarter of the year prior to implementation, which will allow implementation of annual work plans to commence immediately.

Weaknesses in the monitoring and control of procurement processes (Issue 2)

Weak monitoring and controls were noted in procurement process of individual contracts and in the procurement of goods and services. From seven selected cases of individual contracts: (a) in five cases with a contract value of $278,200, the contracted individuals did not meet the minimum criteria; (b) in two cases with a contract value of $59,400, the competitive process was waived without the Office demonstrating reasons for the waivers; (c) in one case valued at $75,000, an individual contractor was selected with different terms of reference from what was advertised. In addition, in 62 procurement transactions totaling $1.05 million, the purchase orders were processed after the receipt of good/services and invoice from the supplier.

**Recommendation:** The Office should improve the monitoring and control of procurement processes by: (a) ensuring the competitive and transparent procurement of individual contractors, and only resorting to direct contracting when there is a justifiable reason and when value for money is ensured; (b) developing a standard operating procedure to give staff guidance to staff on the use a purchase orders.

Weaknesses in effectiveness of recruitment processes (Issue 3)

The recruitment process resulted in the hiring of four staff that did not meet the required qualifications. For two cases, the Office could not demonstrate that the recruitment processes resulted in the hiring of the most qualified individuals.

**Recommendation:** The Office should improve the effectiveness of the recruitment processes for both staff and service contract holders by strengthening oversight, and specifically by: (a) ensuring that shortlisted candidates have the required qualifications and relevant work experience; and (b) waiving competitive recruitment of service contract holders only when it is authorized by the Bureau Director.
Management comments and action plan

The Resident Representative accepted all of the recommendations and is in the process of implementing them.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge Osttveiten
2020.10.16
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Office of Audit and Investigations