



AUDIT

OF

UNDP COUNTRY OFFICE

IN

SOUTH AFRICA

Report No. 2270
Issue Date: 29 October 2020

Report on the Audit of UNDP South Africa Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP South Africa (the Office) from 17 August 2020 to 4 September 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 31 July 2020. The Office recorded programme and management expenses of approximately \$15 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*. 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 (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
- (d) A physical verification of assets was not performed.
- (e) Safe and petty cash contents were not verified.

Overall audit rating

OAI assessed the Office’s performance 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 the Office’s low programme funding and high operational costs, along with deficiencies in project management/oversight, and weaknesses within procurement.

Key recommendations: Total = 5, high priority = 3

The five recommendations aim to ensure the following:

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

High operational costs and low programme delivery (Issue 1)

Compared to the Regional Bureau for Africa's average, the Office operated at a high management/programme ratio. Contributing factors included high operating costs, small programme size, limited donors, and the lack of a diversified pipeline, as well as challenges accessing government co-financing.

Recommendation: The Office should address the operational cost and funding challenges by: (a) enhancing its business and advisory service capacity to expand and diversify the donor base; (b) finalizing the resource mobilization strategy and instituting a partnership management platform; and (c) consulting with the Regional Bureau for Africa to revisit its business model and organizational structure with a view to rationalizing its cost base.

Project design, management and oversight weaknesses (Issue 2)

A review of the Office's programmes and projects indicated significant gaps in applying UNDP's policies and procedures as it related to project design, implementation, oversight and closure. For example, project documents were not developed, Local Project Appraisal Committee meetings were not held, detailed annual work plans were not developed, and there were limited monitoring and assurance activities.

Recommendation: The Office should enhance its project management practices by: (a) providing training to staff on UNDP rules and regulations relating to programme and project management; (b) establishing a quality assurance function to provide oversight relating to programme and project management processes; and (c) developing detailed programme/project management business workflows to clarify responsibilities.

Weaknesses in procurement management (Issue 4)

The Office's procurement planning was delayed and incomplete. Further, procurement sourcing strategies were ineffective, resulting in a limited number of qualified bids. The e-tendering system was not utilized, and eligible procurement cases were not shared with the regional review committee. Furthermore, there was a lack of control in recording the receipt and opening of bids received. Weaknesses were observed within technical evaluations, and there was insufficient due diligence regarding COVID-19 health-related procurement.

Recommendation: The Office should enhance controls over its procurement processes by: (a) utilizing the PROMPT platform for timely submission and updates of procurement plans; (b) implementing the e-tendering system and adhering to the required controls over the receipt and opening of bids; and (c) ensuring that procurement cases are evaluated and background checks and due diligence completed, and that these are submitted to the appropriate review committee.

Management comments and action plan

The Resident Representative accepted all five 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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