



PERFORMANCE AUDIT

OF

UNDP VENDOR MANAGEMENT

Report No. 2335
Issue Date: 6 January 2022

Report on the Performance Audit of UNDP Vendor Management Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted a performance audit of UNDP vendor management from 11 to 22 October 2021. Performance auditing is an independent examination of an entity to assess whether the entity is achieving economy, efficiency, and effectiveness in the employment of available resources.

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.

The audit aimed to assess the effectiveness of vendor management governance arrangements, managing risks relating to vendors and ICT tools and controls used in vendor management. The audit focused on corporate governance, risk management and ICT tools and did not perform a detailed review of vendor management at the Country Office level, as this is covered within the Country Office audits performed by OAI.

The audit addressed the following performance audit questions:

1. **Has UNDP established an effective governance framework (including roles and responsibilities, policies and procedures and staff capacity) to manage its vendors?**
2. **Are risks related to vendors effectively managed by UNDP?**
3. **Are ICT tools and controls sufficiently developed to manage vendors effectively?**

Overall audit rating

OAI assessed vendor management within UNDP as **satisfactory/some improvement needed**, which means, “The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.” This rating was mainly due to weaknesses in the monitoring of vendor performance and sanctioned vendors.

Key recommendations: Total = 4, high priority = 1

The four recommendations aim to ensure the following: (a) achievement of the organization’s strategic objectives (Recommendation 4); and (b) the effectiveness and efficiency of operations (Recommendations 1, 2, and 3).

For the high (critical) priority recommendation, 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) recommendation is presented below:

Weaknesses in the monitoring of vendor performance and sanctioned vendors (Issue 3)

While a functionality to record feedback on vendor performance was available for buyers in the Atlas Contract Module, such information was not available for project managers and approving managers. There were also no automated controls to identify and prevent a vendor on the vendor sanctions list from being contracted and paid.

Recommendation 3: The Bureau for Management Services should strengthen the monitoring of vendor performance and sanctioned vendors by: (a) ensuring that vendor performance evaluations are accessible to

project managers and approving managers (in addition to buyers) across business units; and (b) introducing appropriate automations and system controls in UNDP's ERP system to address risks relating to use of sanctioned vendors and/or poorly performing vendors.

Management comments and action plan

The Assistant Administrator and Director, Bureau for Management Services, accepted all four 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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