



AUDIT

OF

UNDP MULTI-COUNTRY OFFICE

IN

SAMOA

Report No. 2415
Issue Date: 13 January 2022

Report on the Audit of UNDP Multi-Country Office in Samoa Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Multi-Country Office in Samoa (the Office) from 12 October to 8 November 2021. 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 2020 to 30 September 2021. The Office recorded programme and management expenses of approximately \$21.5 million. The last audit of the Office was conducted by OAI in 2018.

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 contents and petty cash were not verified.
- (f) The information communication and technology area was not reviewed on-site.

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 delivery challenges, project implementation delays and weaknesses in procurement processes.

Good practice

Building staff knowledge

As a result of the 2020 Global Staff Survey results, the Office instituted an action plan that incorporated a learning component related to the 'UNDP Programme and Operations Policies and Procedures' (POPP). In September 2021, the Office rolled out the 'POPP Master Competition', whereby sections of the POPP were assigned to staff to determine their understanding. These were then tested through a game-based learning platform ('Kahoot').

Weekly scores were reflected on a leaderboard, with the highest scoring staff member receiving a management-sponsored prize. Feedback from both staff and management was very positive. In addition to joint learning, the process also served to build rapport between staff and management, thereby enhancing communication and relationship-building.

Key recommendations: Total = **6**, high priority = **3**

The six recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1	High
	2	Medium
Reliability and integrity of financial and operational information	4	Medium
Effectiveness and efficiency of operations	5	High
	6	Medium
Compliance with legislative mandates, regulations and rules, policies, and procedures	3	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. The high (critical) priority recommendations are presented below:

Office delivery challenges
(Issue 1)

The audit team reviewed the programme resources, delivery and budgets and observed the following:

- (a) In 2020, the Office recorded programme delivery of \$14.3 million (79 percent of the original delivery target of \$18 million). The target was revised down to \$12.6 million.
- (b) In 2021 (as of 10 December), the Office recorded programme delivery of \$8.4 million (48 percent of the 2021 delivery target of \$17.4 million).
- (c) The three largest projects accounting for 58 percent of total delivery in 2021 had a delivery rate ranging from 34 to 66 percent.

The Office explained that the low delivery was due to:

- Impact of COVID-19 pandemic, resulting in the continued closure of borders since March 2020. During this period personnel and consultants were unable to travel and there were delays in the transport of goods.
- The political crisis in the Country in early 2021, which remained ongoing until September.
- Lack of programmatic and financial management capacity at the implementing partner level.

Recommendation: The Office should address the delivery and sustainability challenges by: (a) reviewing its implementation modalities, and strengthening the project and financial management capacity of the implementing partners; and (b) aligning operational costs with available resources or increase its revenue through higher delivery.

Green Climate Fund (GCF) project implementation delays (Issue 3)

In 2017, the Office initiated the implementation of a project with a budget of \$65.7 million, out of which \$57.7 million was funded by the GCF. The expected completion date was July 2023.

In December 2020, during implementation of output 2 for this project, the UNDP Social and Environment Standard on displacement and resettlement became applicable following an environmental assessment undertaken for the construction of a bridge and river wall. These assessments indicated the likelihood of a voluntary physical displacement of people and voluntary land acquisition within the project area. This issue had not been foreseen in the project document approved by the GCF board.

In addition, there was a \$12.9 million shortfall in the original budget for output 2 of the project, due to the original budget estimates being outdated.

To address the issues relating to the environment standard and funding shortfall the Office is working on a restructuring paper, for submission to the GCF Secretariat by February 2022. While the review was ongoing the construction component of the project was delayed.

Recommendation: The Office in coordination with the Regional Bureau for Asia and the Pacific should strengthen the oversight of the GCF project by ensuring the project restructuring process incorporates a revised budget and addresses the risks identified through the safeguards assessments.

Weaknesses in procurement processes (Issue 5)

A review of 10 RACP cases, 20 individual contract procurement transactions and 2 Long Term Agreements included the following issues:

Non-Compliance:

- (a) Out of 10 RACP submissions, 3 were post-facto submissions.
- (b) Five out of 10 direct contracting cases reviewed did not include adequate justifications.

Performance:

- (c) There were delays in submitting procurement cases to the RACP, including responding to clarification requests. Six out of 10 RACP submissions took longer than three months to conclude, while one case required seven months for the Office to address RACP's inquiry.
- (d) Price quotations were not thoroughly reviewed; in two cases (valued at \$164,800 and \$99,800) prices were re-negotiated with the vendor after the contract was awarded.

The timing for all the observations (noncompliance and performance) occurred after 1 July 2021, following the imposition of additional controls by the Regional Bureau, except for one of the price quotations renegotiated in highlighted in (d).

Recommendation: The Office should further enhance its procurement operations by ensuring: (a) RACP comments and inquiries are addressed in a timely manner and including complete supporting documentation with all submissions; (b) use of direct contracting in accordance with the policy and cost amendment cases are adequately supported by a Note-to-File; (c) the training needs of procurement, programme and project staff involved in the procurement process are identified and addressed.

Implementation status of previous OAI audit recommendations: Report No. 1913, 26 April 2018.

Total recommendations: 5


Implemented: 4

Withdrawn: 1

Management comments and action plan

The Resident Representative accepted all of the 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.


+/-
Helge
Ostveiten
2022.01.13
16:05:23
-05'00'

Helge S. Ostveiten
Director
Office of Audit and Investigations