UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

Empowered lives.
Resilient nations.

AUDIT

OF

UNDP COUNTRY OFFICE

IN

MALI

Report No. 1143

Issue Date: 11 December 2013

(REDACTED)

Table of Contents

United Nations Development Programme
Office of Audit and Investigations

Report on the audit of UNDP Mali
Executive Summary

From 27 May to 7 June 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Mali (the Office). The audit covered the activities of the Office during the period from 1 January 2012 to 31 March 2013. During the period reviewed, the Office recorded programme and management expenditures totalling $25 million. The last audit of the Office was conducted by OAI in 2011.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

OAI assessed the Office as **partially satisfactory**, which means "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." This rating was mainly due to weaknesses in the project management, finance area general administration, and safety and security. Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				
1.1 Organizational structure and delegations of authority	Satisfactory			
1.2 Leadership, ethics and values	Satisfactory			
1.3 Risk management, planning, monitoring and reporting	Satisfactory			
1.4 Financial sustainability	Satisfactory			
2. United Nations system coordination				
2.1 Development activities	Satisfactory			
2.2 Resident Coordinator Office	Satisfactory			
2.3 Role of UNDP – "One UN"	Satisfactory			
2.4 Harmonized Approach to Cash Transfers	Partially Satisfactory			
3. Programme activities				
3.1 Programme management	Satisfactory			
3.2 Partnerships and resource mobilization	Partially Satisfactory			
3.3 Project management	Unsatisfactory			
4. Operations				
4.1 Human resources	Partially Satisfactory			
4.2 Finance	Unsatisfactory			
4.3 Procurement	Partially Satisfactory			
4.4 Information and communication technology	Partially Satisfactory			
4.5 General administration	Unsatisfactory			
4.6 Safety and security				
4.7 Asset management*	Partially Satisfactory			
4.8 Leave management*	Partially Satisfactory			
4.9 Global Environment Facility*	Not Applicable			

* Cross-cutting themes

Key issues and recommendations

The audit raised 16 issues and resulted in 15 recommendations, of which 6 (40 percent) were ranked high (critical) priority, meaning "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 and may affect the organization at the global level."

The high priority recommendations are as follows:

Partnerships and resource mobilization (Issue 2)	Inadequate management of donor agreements and reporting. The Office did not obtain clearance from the appropriate headquarters entities for non-standard terms and conditions in donor agreements that were signed locally. In addition, the Office was not monitoring fund balances regularly. An unspent balance of $100,000 was noted on a closed project that had been inactive since 2012 and for which the funds had not been refunded to the donor. Furthermore, in one project, the Office charged salaries for $90,000, contrary to the provisions of the Project Document. OAI recommends that the Office strengthen the management of donor agreements and reporting by: (a) seeking clearance from the Bureau for External Relations and Advocacy and/or Legal Support Office for any non-standard agreements before they are signed; (b) ensuring that tools are in place to adequately monitor donor reporting and contribution balances; (c) agreeing with the donor on action to be taken in respect of the unspent balance; and (d) either refund to the donor the salaries that were incorrectly charged or obtain a post-facto approval from the donor.
Project management (Issue 4)	Inadequate project implementation and monitoring. Weaknesses were noted project records in Atlas, in the use of regular resources, in procurement, and in the combined delivery reports. OAI recommends that the Office strengthen its project implementation and monitoring by: (a) completing and/or correcting project data in Atlas and ensuring that such information is updated regularly; (b) ensuring that status of projects is reviewed regularly and that appropriate actions are taken to update, operationally close or financially close them as necessary; (c) refrain from advancing core resources and conclusively following up with the Government to obtain the reimbursement of the funds totalling $1.9 million previously advanced from core resources; (d) ensuring that the procurement of equipment is within the provisions of the signed annual work plans; and (e) ensuring that the Combined Delivery Reports are issued quarterly, certified by the Implementing Partners communicated to relevant projects stakeholders.
(Issue 5)	Delays in auditing nationally implemented projects. The 2011 and 2012 annual expenditures of nationally implemented projects totalling about $21.7 million had not been audited. The Office explained that the audit firm it engaged to conduct the audits could not obtain clearance due to the security situation in the Country. OAI recommends that the Office strengthen its management of audits of nationally implemented projects by ensuring that: (a) the audits of 2011 and 2012 expenditures are carried out as soon as possible; and (b) annual audits are completed according to the deadlines set the by United Nations Board of Auditors.
Finance (Issue 9)	Weaknesses in account reconciliations. OAI noted the inadequate management of salary advances, inadequate bank reconciliation process for the main bank account, and absence of regular reconciliation of the United Nations Federal Credit Union accounts. OAI recommends that the Office strengthen its accounts reconciliation and monitoring

processes by: (a) completing the reconciliation of the 2012 salary advances totalling $480,000, ensuring that supporting documents are duly reviewed and validated by management, and taking appropriate action in respect of any unsupported expenditures; (b) ensuring that any future salary advances are recorded in Atlas under the ID of the respective staff member receiving the advance and that the staff member signs the payment statement to attest that they have received their salary advance; (c) ensuring that bank reconciliations are regularly reviewed, that all supporting documentation is provided to the reviewer and that any cheques outstanding for two months or more are properly investigated and followed up with the payee; and (d) conducting monthly reconciliations of the United Nations Federal Credit Union's accounts to ensure outstanding items are promptly followed up and resolved.

General administration (Issue 12)	Weaknesses in travel management. The following issues were noted: (a) missing and unsupported travel claims, (b) travel entitlements not verified and documented, and (c) absence of travel authorizations. OAI recommends that the Office comply with travel policies and procedures by: (a) ensuring that all outstanding travel advances are settled as soon as possible, by requesting that the concerned staff submit any missing travel claims and the corresponding support documentation; (b) ensuring that all future travel claims are systematically settled within two weeks after an official trip is completed; (c) documenting the most direct and economical route and formalizing travel cost comparisons to ensure best value for money; and (d) ensuring that travel authorizations are approved (prior to travel) and filed to ensure they are available for review.
[redacted]	[redacted]

The implementation status of previous OAI audit recommendations (Report No. 799, 25 July 2011) was also validated. Of the nine recommendations, four were fully implemented and five were in progress.

Cross-cutting themes

As part of the 2013 OAI Annual Work Plan, all Country Office audits will include specific areas to be reviewed in more depth. Results from all audits will be compiled and analysed at the corporate level, and thereafter, a consolidated report will be issued separately. For this particular audit, the following were noted:

- **Asset management**. Partially Satisfactory. Weaknesses were noted in asset management and include assets of projects implemented under the Direct Implementation Modality not being managed in Atlas, inadequate tagging, and delays in disposing of obsolete assets (refer to Issue 14).

- **Leave management**. Partially Satisfactory. Improvements in leave management were required in terms of maintaining attendance records and ensuring that leave requests are approved before the actual leave date (refer to Issue 15).

- **Global Environment Facility**. Weaknesses were noted in the management of Global Environment Facility project *Diversité Biologique Expansion et renforcement AP* (ID 76446). These weaknesses included a national counterpart chairing the Local Project Appraisal Committee meeting, procurement actions not identified in the agreed upon work plan, and project data not regularly updated in Atlas (refer to Issue 16).

Management comments and action plan

The Resident Representative accepted all 15 recommendations and is in the process of implementing them.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. Introduction

From 27 May to 7 June 2013, OAI conducted an audit of UNDP Mali. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit scope and objectives

OAI audits assess the adequacy and effectiveness of the governance, risk management and control processes in order to provide reasonable assurance to the Administrator regarding the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with legislative mandates, regulations and rules, policies and procedures. They also aim to assist the management of the Office and other relevant business units in continuously improving governance, risk management and control processes.

Specifically, this audit reviewed the following areas of the Office: governance and strategic management, United Nations system coordination, programme activities, and operations. The audit covered relevant activities during the period from 1 January 2012 to 31 March 2013. During the period reviewed, the Office recorded programme and management expenditures totalling $25 million. The last audit of the Office was conducted by OAI in 2011.

The implementation status of previous OAI audit recommendations (Report No. 799, 25 July 2011) was also validated. Of the nine recommendations, four were fully implemented and five were in progress.

II. About the Office

The Office is located in Bamako, Mali (the Country) and at the time of the audit it employed 40 staff members, 59 service contract holders and 6 United Nations Volunteers. A SURGE team of five people was also deployed by the Bureau for Crisis Prevention and Recovery to temporarily assist the Office in the aftermath of the crisis in 2012. Following the coup of 22 March 2012, the Country had been in a political and military crisis, which resulted in complex security, economic and social situations. The crisis had a dramatic impact on the populations as a large number of northern Malians fled the violence to southern Mali and neighbouring countries, exacerbating regional food insecurity in host communities. A transition government was put in place in April 2012 and democratic elections were scheduled for July 2013. In 2012, for at least six months (from April to September 2012), the Office worked on a light footprint, meaning only essential staff were required to be present in the Office, while the remaining staff worked from home.

In 2012, the United Nations Country Team developed a common response to support the transition situation in the Country and drafted a new programmatic framework called *Cadre Conjoint d'Appui à la Transition au Mali* (CCAT). This reference document, signed with the Government in March 2013, aimed to address the new government priorities, needs and efforts for a period of 12 to 24 months.

III. Detailed assessment

1. Governance and strategic management	Satisfactory

OAI reviewed strategic and management documents, including the 2012 and 2013 Integrated Work Plans, the Balanced Scorecard, the Executive Snapshot, the delegations of authority, the Office's organigramme and structure, and the finance dashboard.

1.1 Organizational structure and delegations of authority	Satisfactory

According to the Internal Control Framework, the Head of Office has overall responsibility for establishing and maintaining adequate internal controls in the Office, and for ensuring that the Office internal control procedures are documented. According to the Framework, there must be adequate segregation of duties in order to implement an appropriate level of checks and balances over the activities performed in order to minimize the risk of errors or fraud occurring or going undetected.

OAI noted that four staff members had more than one human resource profile in Atlas, resulting in combined and conflicting functions, access and/or authorization and approval rights. In addition, one staff member had both the treasury/finance user and vendor approver profiles, allowing this individual to perform bank reconciliations and also to create payment vouchers. When OAI brought these conflicts to management's attention, the Office took immediate corrective action and therefore no audit recommendation was made.

No other reportable issues were identified.

1.2 Leadership, ethics and values	Satisfactory

Several staff had not completed the mandatory UNDP training courses. However, this shortcoming had to be weighed against the exceptional and difficult conditions prevailing in the Country, which required the Office to work on a light footprint and with additional challenges, such as the change in the Office's priorities and focus, and the inability to access relevant websites at times. OAI discussed this issue with management, which committed to ensuring that the courses would be completed by the end of 2013.

No other reportable issues were identified.

1.3 Risk management, planning, monitoring and reporting	Satisfactory

During the audit period, frequent management and staff meetings were held to discuss risks and how they were being addressed. The Office identified five major risks and was monitoring them on a regular basis. The Office determined that none of the risks required escalation to Headquarters.

No reportable issues were identified.

1.4 Financial sustainability	Satisfactory

The Office had extrabudgetary reserves of 30 months at the end of 2012, well above the 12-month target.

No reportable issues were identified.

2. United Nations system coordination — Satisfactory

The United Nations Country Team includes the following agencies: FAO, HCR, ILO, OCHA, UNAIDS, UNDP, UNESCO, UNFPA, UNICEF, UN WOMEN, WFP, and WHO.

2.1 Development activities — Satisfactory

During the 2012 political and military unrest, the United Nations Country Team adapted its programmes to the humanitarian situation and quick-started eight clusters or thematic groups to support the humanitarian response.

In 2012, the United Nations Country Team had made progress in preparing the United Nations Development Assistance Framework covering the period 2013-2017. However, all plans were disrupted when the security crisis started. Consequently, the United Nations Country Team, in collaboration with the Government, developed a common response for supporting the Transition in Mali, the *Cadre Conjoint d'Appui à la Transition au Mali* (CCAT), which provided the UN programmatic framework and was signed by the Government. The CCAT established the priorities, needs and planned activities for a 12 to 24-month period. The CCAT had two priorities, namely: (a) democratic governance, restoration of peace and security; and (b) access and availability of basic social services. A third area of priority was humanitarian response. As a result, the United Nations Development Assistance Framework for the period of 2008-2012 became in essence, obsolete. The Office had requested a two-year extension with regard to the Country Programme Document of 2008-2012.

In addition to reviewing the CCAT, OAI met with representatives of two United Nations agencies as well as the Government to obtain their feedback. Both agencies indicated they were satisfied with the CCAT and the United Nations work in the Country. The main government counterpart indicated its satisfaction with the work of the United Nations system and its achievements.

No reportable issues were identified.

2.2 Resident Coordinator Office — Satisfactory

OAI reviewed the Resident Coordinator Office's staffing and Annual Work Plan, the Office's allocation and management of funds, the minutes of the UN Country Team and joint programme meetings, and the annual reports submitted to the United Nations Development Group.

Representatives of UNICEF and UNFPA expressed satisfaction with the work performed by the Resident Coordinator's Office as well as the support provided for the United Nations agenda in the Country.

No reportable issues were identified.

2.3 Role of UNDP - "One UN" — Satisfactory

In 2007, the Government asked to be a self-starter for Delivering as One. This request was followed by a series of actions by the United Nations Country Team and the Resident Coordinator, including setting-up a Harmonized Approach to Cash Transfers (HACT) working group composed of staff from the different United Nations agencies.

The Government showed great interest in the Delivering as One initiative and attended several meetings on the issue both within the Country and abroad. The Government was also invited to the Delivering as One annual meetings organized by United Nations Development Group.

The United Nations Country Team had planned to operationalize Delivering as One with the new United Nations Development Assistance Framework in 2013 and to use 2012 as a transitional period for developing common programming and establishing a joint budgetary framework. However, because of the crisis, the initiative was put on hold.

No reportable issues were identified.

2.4 Harmonized Approach to Cash Transfers — Partially Satisfactory

Issue 1 Harmonized Approach to Cash Transfers (HACT) was not fully implemented

The implementation of HACT is intended to, inter alia, reduce transaction costs and lessen the burden that the multiplicity of UN procedures and rules create for its partners. Some of the key conditions that must be met in order to be compliant with the Framework are: (a) conducting a macro-assessment of the public financial management system in the Country once per programme cycle; (b) conducting micro-assessments of partners (including government or non-governmental organizations) that receive or are expected to receive cash transfers; and (c) establishing an assurance plan and implementing assurance activities in the form of periodic on-site reviews of the Implementing Partner's financial records.

The UN Executive Committee Agencies (Excom agencies) in the Country adopted HACT in 2007 and completed all preparatory requirements for HACT compliance in 2009. However, the Excom agencies had not developed a plan for joint audit and assurance activities. There were no periodic on-site reviews and no scheduled audits of Implementing Partners' financial management systems.

This situation was exacerbated by the security crisis of March 2012, which led to the United Nations Development Assistance Framework being replaced by the new CCAT covering the period 2013-2014.

Further, because a HACT working group had not been established, there was no forum for discussing common HACT issues, and there was no communication among United Nations agencies on HACT. As a result, some agencies decided to move ahead while others shifted their efforts to other priorities. For example, UNICEF completed a new round of micro-assessments of all of its Implementing Partners, developed its assurance plan, and adopted the Funding Authorization and Certificate of Expenditures (FACE) form used to report expenditures and request advances. UNFPA reported that it was conducting some assessments of its Implementing Partners. However, UNDP was unclear on how to move forward with HACT, and it had not completed micro-assessments of its Implementing Partners, or developed an assurance plan for them.

Priority	Medium (Important)

Recommendation 1:

The Office should pursue its efforts to implement HACT by:
(a) coordinating with the ExCom agencies to establish a HACT working group and ensuring that it is operational;
(b) completing the micro-assessments of its Implementing Partners; and
(c) developing an assurance plan during the transition period.

Management comments and action plan: __√__ Agreed ____ Disagreed

(a) The UNCT discussed this issue on 28 October 2013. Preparatory work is underway for HACT effective implementation.
(b) Regarding the context, partners will be assessed regularly.
(c) An assurance plan would be developed.

3. Programme activities — Partially Satisfactory

For the audit period, the Office was implementing the Country Programme Document/Country Programme Action Plan covering the period of 2008-2012. The programme was aligned with the United Nations Development Assistance Framework as well as with the Government's national development priorities in the *Cadre Stratégique pour la Croissance et la Réduction de la Pauvreté*. The main outcomes as derived from national priorities and from the United Nations Development Assistance Framework Action Plan were as follows: (a) democratic governance; (b) poverty reduction and achievement of the Millennium Development Goals; (c) energy and environment; and (d) combating HIV/AIDS. The total budget for achieving these goals was estimated at $102 million, with $29 million from core resources and $73 million from non-core resources. The Country Programme Document for 2008-2012 had been extended for an additional year, and at the time of the audit, another one-year extension was being requested.

3.1 Programme management — Satisfactory

In March 2013, the Office developed three thematic reference documents in order to align its programmatic activities to national priorities. They are as follows: (a) Democratic governance; (b) Support programme for resilience and economic governance for poverty reduction; and (c) Environment, climate changes and inclusive sustainable development.

OAI noted that with regard to the 2008-2012 programming period, the Office had completed a mid-term review of the United Nations Development Assistance Framework and 14 project evaluations.

No reportable issues were identified.

3.2 Partnerships and resource mobilization — Partially Satisfactory

Between 2008 and 2013, the Office managed to mobilize about $150 million. The top five donors were, as follows: the Global Fund ($75 million); the Netherlands ($21 million); European Union ($19 million); Sweden ($7.6 million); and Norway ($5.3 million). The largest projects were HIV/AIDS prevention and treatment ($75 million), Elections ($33 million), and the National Funds for Economic and Social Stabilization ($19.5 million). OAI met with the national counterpart, who acknowledged the Office's effort and success in mobilizing resources.

Issue 2 Inadequate management of donor agreements and reporting

According to the Programme and Operations Policies and Procedures, any non-standard donor agreement requires prior clearance from the Bureau for External Relations and Advocacy and/or the Legal Support Office, as appropriate. Additionally, a reliable monitoring tool is required to ensure that reports are prepared and submitted to donors by the established deadlines.

Once a project is financially closed, Country Offices are authorized to issue refunds to donors for cost-sharing balances if the US dollar equivalent of the unspent balance is greater than $5,000, or if a return of funds has been stipulated in the signed donor agreement.

OAI reviewed the Office's cost-sharing portfolio in relation to six projects and noted in three instances the use of non-standard agreements, lapses in donor agreements as well as in monitoring and reporting.

(a) Non-standard agreements were not cleared

Agreements signed locally with the donors had not used the standard template and OAI was not provided with documentation verifying that these agreements had been cleared by the Bureau for External Relations and Advocacy and/or the Legal Support Office. OAI noted the following:

The Project Document for Project ID 00077304 *(Projet Appui à la restauration du Système lac Faguibine)*, a nationally implemented project, was an integral part of the cost-sharing agreement signed with the donor. The document included a provision which called for UNDP to provide a no-objection clearance at each stage of the procurement of goods and services to be undertaken by the Implementing Partner. This arrangement made the Office responsible, at least in part, for procurement decisions. According to the National Implementation Modality Manual, the national Implementing Partner is solely responsible for procurement done under national procedures.

Furthermore, the standard UNDP third-party cost-sharing agreement stipulates that "ownership of equipment shall vest in UNDP and transfer of ownership is done in accordance with UNDP policies." However, Article VI of the cost-sharing agreement signed with one donor was changed to read as follows (translated from French): "Ownership of equipment, supplies and other properties financed from the Contribution shall vest in the project. Matters relating to the transfer of ownership by UNDP shall be determined in accordance with the relevant policies and procedures of the national Implementing Partner."

If non-standard agreements are not cleared by the Bureau for External Relations and Advocacy and/or the Legal Support Office as required, UNDP may be exposed to undue financial and legal liabilities.

(b) Need to improve monitoring of donor reporting and contribution balances

The Office used an Excel spreadsheet to monitor donor contributions and donor reporting. However, OAI could not obtain assurance that the reports were submitted in a timely manner, as the spreadsheet lacked information such as the deadlines for submission of the reports, the dates when the reports were actually submitted as well as the necessary explanations of why some reports had not been submitted. However, it should be noted that the Office had submitted the required annual progress reports for 2012 to the donors, for all of the sampled projects.

The Office was not able to provide OAI with the unspent donor balances for operationally closed projects. Following the audit fieldwork, the Office, with the assistance of the Regional Bureau for Africa, provided OAI with the project fund balances on a per donor basis. One of the donors to a project which was operationally closed and had been inactive since 2012 (Project ID 52909) had an unspent balance of $100,000, which had not been refunded to the donor yet.

Although the Office stated that no donor had complained about delays or non-reimbursement of fund balances, UNDP's reputation and credibility are at risk if the Office does not either promptly return the balance or obtain the donors permission to keep the balance.

(c) Unallowable expenditures

A donor had provided funds to implement the project *Expansion of Successful Poverty Reduction and Women's Empowerment Model* in four West African countries, including Mali (Project ID 00062484). The Project Document stated "Implementation of the project will be coordinated using existing program teams at the local and national levels, which are already staffed by and housed in the lead ministries and their local administrative offices." Salaries for project personnel were not foreseen in the approved budget. A message from the UNDP Regional Centre in Dakar confirmed that the project funds were not to be used to pay salaries. However, OAI noted that in 2012, the Office had paid service contract salaries amounting to $90,000 from the donor funds.

Charging ineligible expenditures to donor funds may result in the Office having to refund money to the donor and cover the expenditures with other funds, reducing the funds available for other purposes. Further, this may have a negative impact on the reputation of the Office and UNDP.

Priority	High (Critical)
Recommendation 2: The Office should strengthen the management of donor agreements and reporting by: (a) seeking clearance from the Bureau for External Relations and Advocacy and/or Legal Support Office for any non-standard agreements before they are signed; (b) ensuring that tools are in place to adequately monitor donor reporting and contribution balances; (c) agreeing with the donor on action to be taken in respect of the unspent balance of $100,000 on Project ID 52909; and (d) either refund to the donor the salaries that were incorrectly charged to Project 62484, or obtain a post-facto approval from the donor.	
Management comments and action plan: __√__ Agreed ____ Disagreed (a) Clearance from the Legal Support Office will be strictly sought before signing an accord. (b) Monitoring and reporting tools will be improved. The Office will also ensure unspent balances are repaid	

to donors, in accordance with initial agreements.
(c) Follow-up has been done with the donor (government) and repayment will be finalized by the end of November 2013.
(d) Given the context and in order to avoid having the project staff work without pay, a total amount of $90,000 was charged to the co-financing partner of this project. Reimbursement from target for resource assignment from the core (TRAC) funds is underway and should be completed by end November 2013.

3.3 Project management — Unsatisfactory

OAI reviewed six projects, representing 36 percent of the programme budget for the period under review (January 2012-March 2013) and 24 percent of programme delivery.

OAI noted that the project implementation rate was relatively low at 31 percent for 2012, as a result of the prevailing crisis in the Country. OAI reviewed project initiation, implementation, monitoring, and closure.

Issue 3 Weaknesses in project initiation

A project document is a binding agreement between the project partners. According to the Programme and Operations Policies and Procedures, a project document shall be signed by, at a minimum, the UNDP Resident Representative or delegated authority and the Implementing Partner. Further, all projects must be appraised by a Local Project Appraisal Committee. During the appraisal, appropriate UNDP representatives and stakeholders should ensure that the project has been designed with a clear focus on agreed results. The Local Project Appraisal Committee membership should be comprised of UNDP staff members, a representative of the Government Coordinating Agency and a representative of the Implementing Partner. A senior UNDP official should chair the meeting.

OAI noted the following exceptions:

(a) Project Document not signed

For Project ID 00077304 *Projet Appui à la restauration du Système lac Faguibine*, UNDP and the national counterpart did not sign the Project Document, although it was an integral part of a cost-sharing agreement the Office had signed with the donor. Subsequent to the audit, the Office provided OAI with a signed copy of the Project Document.

(b) Weaknesses relating to the Local Project Appraisal Committee

The original Project Document for Project ID 00081302, Elections Project, was signed in January 2012. The total budget for the project was $2.9 million. The Local Project Appraisal Committee meeting took place in December 2011, but the minutes of the meeting did not specify who chaired the meeting. Another Project Document with a total budget of $78 million was signed in March 2013. However, a Local Project Appraisal Committee was not convened. OAI did note, however, that regular meetings with key stakeholders had taken place throughout the project planning phase.

For three Global Environment Facility projects (IDs 00062484, 00075365 and 00076446), the Local Project Appraisal Committee meeting was chaired by a national counterpart.

The requirements established in the Programme and Operations Policies and Procedures relating to project initiation are intended to reduce risks and support the effective and efficient implementation of projects. This is accomplished by ensuring that key issues such as accountability, relevance, feasibility, cost effectiveness, commitment, and monitoring and evaluation have been adequately addressed and have been formally agreed to by all stakeholders. Therefore, non-compliance with the requirements may result in the failure to address key issues and risks.

Priority	Medium (Important)
Recommendation 3: The Office should strengthen project initiation and appraisal by ensuring that a Local Project Appraisal Committee is convened for new projects, and that the Committee is chaired by UNDP senior management.	
Management comments and action plan: __√__ Agreed ____ Disagreed Program managers will ensure Local Project Appraisal Committees are all chaired by the Country Director or the Deputy Country Director (Programme).	

Issue 4 Inadequate project implementation and monitoring

According to the Programme and Operations Policies and Procedures, UNDP's role during the project implementation process should be to ensure that the project is making progress toward intended outputs and that resources entrusted to UNDP are utilized appropriately.

OAI noted the following weaknesses:

(a) Shortcomings in project records in Atlas

OAI did not find enough evidence to support that the status of projects in Atlas was reviewed regularly and that the actions required to ensure proper project closure were conducted in a timely manner. OAI noted the following:

- A total of 104 projects had an end date prior to 31 December 2012, but were listed as ongoing in Atlas.
- A total of 28 projects, which had been operationally closed for more than one year, had not been financially closed, even though the Programme and Operations Policies and Procedures state that projects should be financially closed not more than 12 months after being operationally completed.
- A total of 21 projects showed exceptions in Atlas. For example, there was no associated award, institution, project department, project manager, project manager ID, or the project type was invalid.
- Implementing agents were not assigned unique identifiers in Atlas to allow the related expenditures to be tracked properly. For example, each of the Implementing Partners for the nationally implemented projects were not given an individual Atlas identification code. Instead, they were all coded under the generic name of MLI-National Execution (code 1414).
- A total 104 projects were not linked to the Office 'programme tree', and thus did not reflect the corporate distribution of UNDP resources by thematic area.
- At least 50 ongoing projects were shown as being directly implemented by UNDP, even though officially only four projects were being directly implemented.

- For a sample of five projects, OAI noted that the award information in Atlas was not always updated - risk logs, issue logs, key activity results, and monitoring schedules contained no information or were not updated regularly.

Incomplete or inaccurate project data in Atlas may negatively impact project management and decision-making. Also, if project status is not reviewed regularly, appropriate actions to close projects may not be taken in a timely manner, which could result in the loss of assets, failure to recognize available funds, and continued liability. Furthermore, with a large number of projects to manage, the Office may not be able to effectively monitor their implementation to achieve the desired programmatic results.

(b) Inadequate use of regular resources

Only Country Offices with a demonstrated performance record of good financial management, as measured by the Atlas Dashboard, are eligible to make commitments prior to receipt of payments or contributions. Country Offices that appear on the Comptroller's watch list are not eligible to make commitments prior to the receipt of funds. OAI noted that even though the Office was on the Comptroller's watch list, funds had been advanced from core resources to implement project activities while awaiting the receipt of the government cost-sharing contribution. For Project ID 00060073 *Appui Commercial*, UNDP advanced from its regular (core) resources $1.9 million, while waiting for the Government to transfer its cost-sharing contribution. However, as of May 2013 (i.e. four years later), the cash had not been received, and the Office was still following up with the Government.

(c) Procurement issues

For Project ID 00076446 *Expansion et renforcement AP* (Global Environment Facility), some procurement actions conducted in 2012, including the purchase of two vehicles for $78,000, were not specifically identified in the approved Annual Work Plan.

(e) Combined Delivery Report

The Combined Delivery Report, which constitutes the official report of expenditures and obligations of the project for a given period is prepared by UNDP using Atlas. The Combined Delivery Report is to be issued quarterly and should be sent to the Project Board for review and to the Implementing Partners for certification.

However, in reviewing a sample of six projects, OAI did not find documentation to confirm that the Combined Delivery Reports were issued quarterly, reviewed by the project manager, or approved by the Implementing Partners for nationally implemented projects or the UNDP senior management for directly implemented projects.

Lack of adherence to project implementation and monitoring requirements may result in the loss of resources for the organization and may negatively impact the achievement of the project objectives. It may also result in ineligible expenditures and subsequently a need for UNDP to refund money to donors.

Priority	High (Critical)

Recommendation 4:

The Office should strengthen its project implementation and monitoring by:

(a) completing and/or correcting project data in Atlas and ensuring that such information is updated regularly;
(b) ensuring that status of projects is reviewed regularly and that appropriate actions are taken to update, operationally close or financially close them as necessary;
(c) refrain from advancing core resources and conclusively following up with the Government to obtain the reimbursement of the funds totalling $1.9 million previously advanced from core resources;
(d) ensuring that the procurement of equipment is within the provisions of the signed annual work plans; and
(e) ensuring that the Combined Delivery Reports are issued quarterly, certified by the Implementing Partners communicated to relevant projects stakeholders.

Management comments and action plan: __√__ Agreed _____ Disagreed

(a) In Atlas, project updates are underway. Each program unit will systematize the updates.
(b) Program managers are updating the project statuses in Atlas. Control of budgets and funds is ongoing. To reduce the number of projects, the Office is emphasizing the programme approach. Creating clusters will give more visibility to the program goals. As of today, 26 inactive projects have been identified and the CO is taking appropriate action to clear them from the system.
(c) A new MOU has been signed with the Government in July 2013, aiming to reimburse the $1.5 million remaining.
(d) Beginning in 2014, the types of equipment will be specified and reported in the procurement plan. Purchases of vehicles and other equipment will be based on budget and the Annual Work Plan provisions.
(e) The recommendation will be implemented.

Issue 5 Delays in auditing nationally implemented projects

According to UNDP Programme and Operations Policies and Procedures, the premise of the national implementation of projects by governments, (or non-governmental organizations) is that UNDP is entrusting such organizations with the management of UNDP resources. The overarching objective of the audit exercise is to provide UNDP with assurance that its resources are being used properly. The audits also serve as an element of UNDP project monitoring.

The Office had not completed the audits of nationally implemented projects for fiscal years 2011 and 2012, representing total expenditures of $13.9 million (33 projects) and $7.8 million (11 projects), respectively.

The deadline set by the United Nations Board of Auditors for completing the audits of 2012 expenditures and submitting the corresponding reports was 30 April 2013. Although OAI had approved the audit plan on 30 January 2013, the Office had not taken action toward meeting the deadline. The Office stated that because of the security restriction in the Country, the selected audit firm (an international company) could not obtain the appropriate clearance. However, OAI noted that at least one other United Nations agency was able to complete the audits for both years using the same audit firm as the one selected by the Office.

The unsatisfactory audit opinions expressed by the auditors for the audits of nationally implemented projects in fiscal years 2009 and 2010, and the Office's inability to ensure that 2011 and 2012 expenditures were audited in a timely manner, exposed the Office to an increased risk of inappropriate use of development resources.

In expressing its opinion on UNDP financial statements, the Board of Auditors takes into consideration the outcome of the audits of nationally implemented projects. Consequently, delays in completing the project audits and audit reports expressing a qualified opinion have a direct impact on the opinion expressed by the Board of Auditors on UNDP financial statements.

Following the audit, the Office consulted with OAI on the possibility of performing the audits of nationally implemented projects for fiscal years 2011 to 2013 during the first quarter of 2014. OAI does not have reservations on the proposal.

Priority	High (Critical)
Recommendation 5: The Office should strengthen its management of audits of nationally implemented projects by ensuring that: (a) the audits of 2011 and 2012 expenditures are carried out as soon as possible; and (b) annual audits are completed according to the deadlines set the by United Nations Board of Auditors.	
Management comments and action plan: __√__ Agreed _____ Disagreed (a) The list of projects 2011/2012 to be audited was already available. (b) A memo was sent to the Deputy Director of OAI on 29 October 2013 for the audits (2011 to 2013) to be conducted during the 1st quarter of 2014.	

4. Operations — Unsatisfactory

4.1 Human resources — Partially Satisfactory

At the time of the audit, the Office had 40 staff members, consisting of 7 international staff, 11 national officers and 22 General Service staff. In addition, there were 59 service contract holders and 6 United Nations Volunteers, of which 4 were international.

OAI reviewed the overall management of the human resources functions, specifically 10 of 17 recruitments, and all 9 staff separations which occurred during the audit period. In addition, OAI reviewed staff benefits and entitlements, such as annual leave and home leave travel to assess compliance with relevant policies and procedures. OAI noted that the personnel files were well maintained and that the documentation supporting the recruitment process was adequate.

As a result of OAI's review of the selected sample of staff recruitment and separation and "walk-through" testing of the human resources management process, two issues of medium priority were identified.

Issue 6 Significant delays in completing the Results and Competency Assessments

The UNDP Programme and Operations Policies and Procedures require that staff complete their Results and Competency Assessments (RCAs) for a given year by 30 April of the following year. The annual RCA cycle is aimed at assessing and improving a staff member's performance. Conducted in a climate of openness and trust, the managers are expected to fully engage in performance management, employing a suitable array of informal and formal approaches to ensure that a staff member's performance and learning plans are on track.

At the time of the audit, only 46 percent (18 out of 39) of the staff had completed their 2011 RCAs and 18 percent (7 out of 40) had completed their 2012 RCAs. In addition, due to delays in completing the RCA, step increments were overdue for 16 staff members as of March 2013. OAI recognizes that the reasons for the delays included supervisors not completing their reviews in a timely manner. During 2011, 13 out of 21 (62 percent) incomplete RCAs were pending completion of the "Supervisor's Assessment of Results".

Delays in completing RCAs may affect the identification of expected results and areas requiring improvement, which could negatively affect the Office's overall performance. Furthermore, contracts may be renewed even though staff members consistently under-performed.

Priority	Medium (Important)
Recommendation 6: The Office should improve its Results and Competency Assessment (RCA) process by: (a) completing the 2011 and 2012 RCAs; (b) requiring supervisors to complete the review of their supervisee's RCAs in a timely manner; and (c) establishing the timely completion of RCAs as a key performance indicator for supervisors.	
Management comments and action plan: __√__ Agreed ____ Disagreed The Office sent reminders to supervisors and supervisees to complete the process. A memo was being sent to the former Deputy Resident Representative, Programme for finalization of 2011 and 2012 Results and Competency Assessments.	

Issue 7 Improvements needed in managing service contracts

(a) Service contracts not migrated into Atlas

The Programme and Operations Policies and Procedures require that the administration and payment of individuals holding service contracts should be performed in the human resources module of Atlas. The deadline for migration to Atlas was 31 December 2011.

OAI noted that service contracts data had not yet been migrated to the Atlas human resources module. The Office explained that the process would be completed by the end of 2013. According to the Office, the delay was due to the security situation which kept the Office from organizing the salary survey recommended by the Office of Human Resources/Compensation and Policies before the migration to Atlas.

(b) Lack of verification of enrolment in a social security plan

According to the UNDP Programme and Operations Policies and Procedures, social security coverage is mandatory and must be guided by local conditions. Such coverage should be in place from the signature of the service contract by UNDP and the contract holder. The Office needs to ensure that service contract holders provide substantive proof of their enrolment in a social security scheme prior to paying the dedicated social security lump sum.

Until September 2012, the Office paid the social security portion of salaries directly to the third party plan provider (National Institute for Social Protection). With the implementation of the new contract format, the social security lump sum was integrated into the service contractor's salary. Thus, the individual was responsible for enrolling in a social security/pension scheme, ensuring that there was sufficient social security/pension coverage and ensuring timely remittance to the third party plan provider.

OAI reviewed eight service contract files and noted that the Office had paid the entire salary to service contract holders, including the social security contribution, without ensuring that the contractor was enrolled in a social security scheme.

Priority	Medium (Important)

Recommendation 7:

The Office should strengthen its management of service contracts by:
(a) completing the required salary survey and updating the salary scale for service contract holders as soon as possible;
(b) uploading all service contract information into Atlas human resources module in order to manage the payroll and other entitlements directly; and
(c) requesting proof of enrolment in a social security plan prior to paying the lump sum compensation.

Management comments and action plan: __√__ Agreed _____ Disagreed

(a) & (b) The new Service Contract Salaries Scale Report was sent to Headquarters for validation and integration in the Atlas system effective January 2014. Discussions with Headquarters in support of obtaining validation are under way.
(c) Service contract holders have started to provide the Office with supporting documentation. Global Fund staff have all submitted their documentation. A meeting with the National Institute for Social Protection Director was scheduled for mid-November. A report would be sent to OAI in due course.

4.2 Finance — Unsatisfactory

OAI reviewed financial management processes, including the use of the Chart of Accounts, the management of cash advances, and the quality of supporting documentation. OAI also tested 53 accounts payable vouchers amounting to $2 million, representing 11 percent of all vouchers paid during the audit period.

The review of vendor management showed 10 duplicate vendors, 6 vendors sharing the same bank account number, 6 missing vendor forms, and 17 incorrect vendor classifications. The Office agreed to take appropriate corrective actions to ensure the vendor database is free of duplication and incorrect information.

Issue 8 Weaknesses in accounting for and processing of payments

According to UNDP Programme and Operations Policies and Procedures, the Office is required to ensure financial transactions are properly processed in Atlas to avoid duplicate payments or payments to the wrong vendor. Any outstanding cheques, or awaiting clearance for two months or more must be followed up with the payee. If an investigation shows that the cheque cannot be located, lost cheque procedures must be implemented. Furthermore, the correct use of the Chart of Accounts is critical for accurate financial management and donor reporting and to facilitate effective analysis and accurate information to support decision making.

- The Office had not implemented an efficient mechanism for ensuring that cancelled payments were properly processed in Atlas. Two payments amounting to $54,000 were incorrectly processed because the Office had not properly cancelled the corresponding vouchers in Atlas after the cheque was cancelled. Since the vouchers remained valid in Atlas after improper cancellation, they were picked up again in subsequent paycycles and a payment was reissued without the Office detecting it. Due to the lack of a monitoring mechanism, the Office could not confirm if there were other improper cancellations of vouchers. OAI ascertained that the two vendors were not paid twice for the same service. Failure to properly cancel vouchers could lead to inappropriate payments.

- There was also no mechanism to track cheques from the time of printing to final delivery to the vendor. As a result, it took the Office several days to confirm that the above mistakenly reissued two cheques were still in the Office and have not been delivered to the vendors.

The Office clarified that some companies keep cheques for a long period before depositing in their respective banks. The Office has experienced situations where cheques have remained outstanding, or uncashed for periods of 6 months to 1 year.

OAI also noted that incorrect account codes were used in many instances, particularly with regard to three account groups, “Rest & Recuperation”, “Daily Subsistence Allowances” and “Special Operating Living Assistance” where 33 vouchers amounting to $36,000 were inconsistently and incorrectly recorded. In addition, one advance payment to cover miscellaneous expenditures during the crisis (voucher 42846 for $10,000) was recorded as an expense instead of an advance receivable. Such incorrect coding can result in misleading expenditure figures for the project. As a result, expenditure reports could provide inaccurate financial information for decision-making and undermine effective monitoring and control. Also, recording of advances as expenses makes proper monitoring difficult and may result in the lack of liquidation.

Priority	Medium (Important)
Recommendation 8: The Office should improve its payment and accounting processes by: (a) ensuring that payment cancellations are properly and fully processed in Atlas; (b) tracking all printed cheques until paid and reconciled in the bank reconciliation; and (c) ensuring consistent and proper use of the Chart of Accounts to record financial transactions.	

Management comments and action plan: __√__ Agreed ____ Disagreed
The Office will advise those companies about the issue of keeping the cheques outstanding for months. On the Chart of Accounts, the Office has already made corrections for the related vouchers and the Accounts Payable Journal Voucher for 2013 has been issued.

Issue 9 Weaknesses in account reconciliations

Regular reconciliation of accounts enables the Office to ensure that adequate controls are in place, to ensure that monitoring is effective, and to identify items requiring further follow-up. The Programme and Operations Policies and Procedures stipulate that salary advances should be adequately monitored and reconciled annually for the financial certification exercise.

(a) Inadequate management of salary advances

In March and April 2012, at the beginning of the crisis in the Country and in anticipation of potential cash shortages, the Office processed two advance payments in the amount of three months of salaries. The combined total of the two advances was $480,000 (recorded in account 14020 'Salary Advance'). The Office also processed one advance of $10,000 for miscellaneous expenditures. The payments were handled by one Finance Unit staff member. OAI found no evidence that the documents supporting the expenditures had been properly reviewed or that the outstanding balances had been monitored. Specifically, the following issues were noted:

- The salary advances totalling $480,000 were incorrectly recorded under one staff member's ID, which made reconciliation very difficult. At the time of the audit (i.e. more than one year after the advance was made), the Office had not completed the reconciliation.

- The Office was not able to provide OAI with a proper reconciliation of the two advances totalling $480,000 during the audit. However, after completion of the audit, the Office provided a preliminary reconciliation which included several inconsistencies, such as discrepancies between the figures included in the payment sheet and the ones recorded in Atlas.

- Supporting documentation for the advances was inconsistent. In some instances, the payees had not signed to verify receipt of payment. In other instances, staff had signed on behalf of others without any authorization from the staff members who were to have received the payment. The total amount for which inadequate support documentation was provided was $26,000. The Office stated that for some UN agencies, the total salary advance amount was remitted to their finance manager who signed for them and was responsible for the proper distribution, and in other cases, the staff entitled to the salary advance were in remote areas and their colleagues volunteered to sign for them and then transfer the advance to them.

- Deposits of outstanding balances were not made in a timely manner. Two deposits totalling $1,500 were made after the audit in June 2013 (i.e. more than one year after the initial advance).

(b) Inadequate bank reconciliation process

OAI did not find documentation to verify that adequate reviews of bank reconciliations (for the main bank account) had been conducted or that outstanding cheques were adequately monitored. The Office did not detect, investigate and follow up on two cheques (discussed under Issue 8 above) totalling $54,000 which had been outstanding for more than five months. This occurred because the list of outstanding cheques was not attached to the bank reconciliation, thus the reviewer could not identify and question the long outstanding cheques.

(c) Absence of regular reconciliation of United Nations Federal Credit Union accounts

OAI noted that the Office did not perform regular reconciliations of its United Nations Federal Credit Union accounts. Transfers from the United Nations Federal Credit Union and payments to staff did not net to a zero balance on a monthly basis, and outstanding items were not promptly followed up by the Office as required by the Programme and Operations Policies and Procedures. The Office only reconciled the accounts annually, which it then submitted to Headquarters for adjustment of any errors. However, due to the lack of regular reconciliations, the Office could not validate that the prior year (2012) adjustments amounting to $18,000 had been completed by the Office of Financial Resources Management. There was an unreconciled balance of $43,000 during the first quarter of 2013.

Lack of regular reconciliation of accounts and inadequate monitoring of outstanding cheques may result in errors and fraud, and in the inability to detect them in a timely manner.

Priority High (Critical)
Recommendation 9: The Office should strengthen its accounts reconciliation and monitoring processes by: (a) completing the reconciliation of the 2012 salary advances totalling $480,000, ensuring that supporting documents are duly reviewed and validated by management, and taking appropriate action in respect of any unsupported expenditures; (b) ensuring that any future salary advances are recorded in Atlas under the ID of the respective staff member receiving the advance and that the staff member signs the payment statement to attest that they have received their salary advance; (c) ensuring that bank reconciliations are regularly reviewed, that all supporting documentation is provided to the reviewer and that any cheques outstanding for two months or more are properly investigated and followed up with the payee; and (d) conducting monthly reconciliations of the United Nations Federal Credit Union's accounts to ensure outstanding items are promptly followed up and resolved.
Management comments and action plan: __√__ Agreed ____ Disagreed (a) and (b) Salary advances have been paid through the Global Payroll, General Ledger Journal Entry or deposits. It remains for the Office to finalize the pending open items. (b) Recommendation well noted for future salary advances in crisis situations. (c) Recommendation well noted on the reconciliation of cheques and will be done on a regular basis (d) The Office will ensure that reconciliation is done on a monthly basis.

4.3 Procurement — Partially Satisfactory

The Office, which had a standard delegation of authority for procuring goods and services up to $100,000, recorded 1,162 purchase orders with a value of $14 million during the audit period. OAI reviewed the procurement process by interviewing the procurement staff and testing a sample of 42 purchase orders valued at $1.3 million, or about 9 percent of the total value of items procured using purchase orders during the audit period. The low percentage was due to the exclusion of Global Fund purchase orders, which will be included in the audit of the Global Fund conducted in 2013.

OAI noted that the Office had not used the new online tool for the Advisory Committee on Procurement which was created in 2012 to facilitate review and processing of procurement cases. The Office explained that because of technical difficulties, it was not able to use the tool, but agreed to seek the necessary help and training in order to make the review and processing of procurement cases more efficient.

Issue 10 Non-adherence to the UNDP procurement policies and procedures

(a) Procurement cases not reviewed by procurement committees

Procurement review committees are established in accordance with UNDP Financial Rules and Regulations to provide written advice to the Procurement Authority on procurement actions leading to the award or amendment of procurement contracts. When the thresholds of $30,000 for a single transaction and $100,000 for cumulative procurements over a 12-month period are exceeded, procurement actions shall be submitted to the appropriate procurement committee for review.

OAI noted that in 2012, the Office's procurement of travel services from two vendors exceeded the $100,000 threshold. However, these procurement actions were not submitted to the Regional Chief Procurement Officer as required by the procurement policies and procedures. The Office agreed to submit the files post facto to the Regional Chief Procurement Officer for review.

(b) Inadequate use of purchase orders

The Programme and Operations Policies and Procedures provide guidance on the use of purchase orders when a commitment is made through a contract or other agreement on behalf of the organization and on the proper use of non-purchase order vouchers, including small value purchases under $2,500, advances to Implementing Partners or payment services on behalf of other United Nations agencies.

Purchase orders were created for non-procurement activities such as the execution of agency service requests. For example, purchase order IDs 4997, 3062, 2430, 4606, 5297 totalling $78,000 were raised for this purpose. A purchase order was not necessary since the action did not constitute a procurement, but rather the execution of a third party request to pay.

Furthermore, OAI noted two instances (purchase order IDs 7075, 7052) where the Office procured goods and services totalling $56,000, but had not raised the corresponding purchase order until the final invoice was received from the vendors for products already delivered or services already rendered. By not creating a purchase order when the commitment was made with the vendor, the Office exposed itself to the risk that funds might not be available at the time of payment.

Incorrect use of purchase orders provides an inaccurate picture of the procurement volume, and could lead to inappropriate managerial decisions.

(c) Retroactive signing of contracts

The engagement of individual contractors on a retroactive basis increases the risk of a legal dispute. No work should commence until the contract has been duly approved and signed by both parties. OAI's review of a sample of 16 individual contracts identified 6 cases (38 percent) which were signed after the contract start date. The Office identified the crisis situation and/or last minute requests from projects as the main reason for the retroactive signing of these contracts.

The retroactive signing of contracts puts UNDP and the contractor in an ambiguous legal position as to their respective liability and the risks borne, particularly in the case of an injury or accident involving the contractor. Non-adherence to procurement policies and procedures may cast doubt on the Office's attainment of best value for money and the ability to ensure good stewardship of donor funds.

Priority Medium (Important)
Recommendation 10: The Office should strengthen its procurement practices by: (a) complying with the Programme and Operations Policies and Procedures regarding the submission of procurement cases to the appropriate procurement committee when the individual threshold of $30,000 and the cumulative threshold of $100,000 are exceeded; (b) creating purchase orders when a legal commitment is made on behalf of the organization through a binding contract or other agreement, rather than at the time of payment; (c) ensuring purchase orders are not raised for non-procurement activities; and (d) ensuring contracts are signed by the contractor and UNDP before work begins.
Management comments and action plan: __√__ Agreed ____ Disagreed (a) Verifications now systematically done. The Level 1 Procurement Authority (default) of the business unit was increased from $100,000 to $150,000 as of May 2013. (b), (c) and (d) Required actions will be taken by the team.

4.4 Information and communication technology — Partially Satisfactory

OAI reviewed the Office's management of information and communication technology, which included hardware, website management, staffing of the ICT Unit, disaster recovery, data backup and recovery, access control, network security, data confidentiality, systems security and software licenses.

Issue 11 Non-adherence to the UNDP disaster recovery standards

UNDP disaster recovery standards for Country Offices require Disaster Recovery Plan to be tested periodically. Time between two repetitive tests involving the same critical ICT system or a specific disaster recovery arrangement shall not exceed 365 calendar days.

The Office had developed a Disaster Recovery Plan in 2012 but the plan had yet to be tested.

Delay in testing the Disaster Recovery Plan may result in inability to ensure that ICT problems are properly addressed in a timely manner.

Priority	Medium (Important)
Recommendation 11: The Office should test the Disaster Recovery Plan as soon as possible and maintain the results of the test.	
Management comments and action plan: __√__ Agreed ____ Disagreed	

4.5 General administration — Unsatisfactory

OAI reviewed the management of travel, vehicles and fuel.

The review of vehicle and fuel management focused on the systematic completion of log sheets and reconciliation between vehicle usage and fuel consumption. After OAI pointed out that vehicle logbooks were not being signed by passengers, the Office instructed all drivers and passengers to ensure that vehicle logs are signed after each trip. As this issue was addressed, no recommendation has been made.

As discussed below, OAI noted several weaknesses in the management of travel.

Issue 12 <u>Weaknesses in travel management</u>

According to UNDP Programme and Operations Policies and Procedures, travel should be managed efficiently through proper planning, administration and follow-up, and by adhering to travel policies and guidelines to ensure that travel is authorized and best value for money is obtained. The importance of ensuring cost savings was re-emphasized by the Bureau of Management in its memorandum dated 21 January 2009, which stipulated that all units were to closely monitor travel costs and strive for increased cost efficiencies. Furthermore, travel advances given to the travellers represent the estimated Daily Subsistence Allowance and terminal expenses for each instance of approved official business travel. The advance is subject to review against the travel claim, and any necessary adjustments are made at the time the travel claim is settled. In addition, preparation of the travel claim form after all duty travel is mandatory, whether or not the traveller has a claim for additional funds.

(a) Missing and unsupported travel claims

OAI reviewed 28 travel cases comprised of 17 international duty trips and 11 rest and recuperation trips. Travel claims were missing in 14 of the 17 cases (82 percent) involving international duty travel. In addition, supporting documents were missing in 3 out of 11 cases (27 percent) related to rest and recuperation travel. The Office stated that staff members were asked to ensure that they submitted their travel claims and all corresponding support documents as required, but most of them did not comply.

(b) Travel entitlements not verified and not documented

The selection of the most direct and economical route was not systematically documented, and cost comparisons were not formalized by the staff in charge of travel. Furthermore, there was no evidence that Daily Subsistence Allowance calculations had been reviewed. OAI's review of 17 instances of international duty travel showed that in 2 cases, staff members identified the itinerary they wanted, and the Travel Assistant did not prepare the most direct and economical itinerary. In one instance, the difference between the most direct and economical itinerary and the one chosen by the staff was about $3,000. This trip included two additional days of Daily Subsistence Allowance payments for a personal stopover. During the audit mission, OAI discussed the issue with the concerned staff member who subsequently refunded the difference.

Best value for money may not be obtained if the necessary price comparisons of travel options are not systematically performed. Also, errors in advance payments may not be detected if Daily Subsistence Allowance calculations are not cross-checked and supporting documents for travel claims are not submitted or are incomplete.

(c) Absence of travel authorizations

OAI's review of 14 international trips showed that travel authorizations were missing in 13 cases (93 percent). The Office stated that travel authorizations were systematically approved prior to all travel. However, the Office was not able to provide OAI with the authorizations selected for review, and noted that these documents may have been incorrectly filed.

Priority High (Critical)

Recommendation 12:

The Office should comply with travel policies and procedures by:

(a) ensuring that all outstanding travel advances are settled as soon as possible, by requesting that the concerned staff submit any missing travel claims and the corresponding support documentation;
(b) ensuring that all future travel claims are systematically settled within two weeks after an official trip is completed;
(c) documenting the most direct and economical route and formalizing travel cost comparisons to ensure best value for money; and
(d) ensuring that travel authorizations are approved (prior to travel) and filed to ensure they are available for review.

Management comments and action plan: __√__ Agreed ____ Disagreed

(a) Put in place a mechanism for follow-up and assign this responsibility to one staff member in charge of travel.
(b) Staff will be required to submit the travel claims with supporting documentation 15 days after the travel;
(c) Comparisons will be made and put in the case file for each travel;
(d) No more bank cheques will be issued without an approved travel authorization, as is done for the security clearance.

4.6 Safety and security

[**NOTE**: This section has been redacted as it is deemed to contain sensitive information.]

[redacted]

[redacted]

[redacted]

[redacted] [redacted]

[redacted]

[redacted]

[redacted] [redacted]
[redacted] [redacted]
[redacted] [redacted] [redacted] [redacted]

[redacted]

4.7 Asset management **Partially Satisfactory**

As of 31 March 2013, the Office recorded 239 assets in Atlas with a book value of about $0.9 million.

Issue 14 Inadequate asset management

The UNDP Programme and Operations Policies and Procedures require offices to maintain complete and accurate records of all assets. For this purpose, all assets have to be recorded in the Atlas asset management module and subsequently disposed of in case of sale, obsolescence, damage or theft. Disposals must be initiated by the Asset Focal Point and approved by the Asset Manager in the Document Management System, after which staff of the Global Shared Service Centre record the transactions in the asset module.

OAI noted the following:

(a) Weaknesses in managing directly implemented project assets

International Public Sector Accounting Standards (IPSAS) policies stipulate that assets related to directly implemented projects “used and controlled by UNDP” should be recorded in Atlas, which has been configured to ensure that the correct account is automatically chosen, provided that the asset purchase was based on a requisition and a purchase order.

During 2012, the Office bought assets for the directly implemented Elections Project totalling about $95,000 without creating requisitions and purchase orders. These purchases were then incorrectly recorded as expenses and were not recorded as assets in the asset management module. The Office explained that this occurred because in error it had not used the “UNDP Catalogue” to purchase assets during 2012.

(b) Asset lists not available

In four out of five projects reviewed (IDs 00061547 , 00062484 , 00075365 , 00081302), the asset list as of 31 December 2012 either was not available, did not include the value of the assets, or was not certified by the Implementing Partner, as required.

(c) Asset tagging system needing improvement

The Office developed a tagging system based on the asset location code without referring to the asset ID generated by Atlas. OAI randomly selected 28 assets (representing 45 percent of the total asset value estimated to be approximately $0.9 million) for physical verification and noted the following:

- nine assets (32 percent) were not tagged;
- assets were relocated, but their locations were not updated in Atlas;

- all asset tags reviewed did not match the tag number in Atlas; and
- one asset had an incorrect serial number.

(d) Obsolete and disposed assets still in the In-Service Report

During the asset verification OAI noted:

- Assets physically disposed of and sold in 2011 were still in the In-Service Report (estimated value $129,000).
- Four assets valued at $15,000 out of twenty-eight reviewed were damaged or obsolete. The Office had not started the disposal process for these assets even though the Office was dealing with space issues.
- Obsolete assets, which the Contracts, Assets and Procurement Committee had recommended for disposal in 2011 were still in the physical custody of the Office and included in the In-Service Report. Moreover, these assets were discarded in the yard within the UNDP compound.

Inadequate asset management could lead to the misappropriation of assets.

Priority	Medium (Important)
Recommendation 14: The Office should improve asset management by ensuring that: (a) assets procured for directly implemented projects and which are "used and controlled by UNDP" are recorded as assets and not expenses in Atlas; (b) acquisition of assets is done using the "UNDP Catalogue" and by raising requisitions and POs; (c) the list of project assets, includes the value of assets, is prepared at year-end and is certified by the Implementing Partner; (d) the assets are tagged correctly, the asset tag identification corresponds to the one in Atlas, and Atlas records are systematically updated when an asset is relocated in order to facilitate tracking; and (e) obsolete assets and assets not in use are identified, disposed of quickly and properly and are removed from the Atlas In-Service report.	
Management comments and action plan: __√__ Agreed _____ Disagreed The Office made the following clarifications: (a) and (b) Assets were not recorded in the UNDP catalogue as they are not physically under its direct management (for Electoral Project). Corrections will be made; the Global Shared Services Centre has already given the Office instruction as to the steps necessary for adjustments. (c) Recommendation noted for the list of project assets certified by the Implementing Partner. (d) The tagging of assets: The Office has its own classification; no prescribed one from Headquarters. (e) Obsolete and disposed assets. The assets have been retired and the Global Shared Services Centre has approved the disposal and removal. New guidelines for assets life timespan has changed in the meantime.	

4.8 Leave management — Partially Satisfactory

Issue 15 Inadequate leave management

(a) Weaknesses in management of attendance records

OAI reviewed the attendance records of eight staff members and compared them to Atlas records. In the majority of cases (five out of eight), the yearly attendance records differed with the information in Atlas. Examples of issues detected in the consolidation of yearly attendance records and Atlas records included:

- Discrepancies in the number of days on official mission (for all eight staff), annual leave (four out of eight) and home leave (all eight).
- The attendance records of one staff member, inaccurately reported him as being on sick-leave from February to October 2012 while he had actually been working.

Without proper management of the yearly attendance records, it is difficult for the Office to have a proper overview of the attendance and absence situation. Also, there is a risk that staff members may take excessive leave if the leave is not properly recorded.

(b) Annual leave approved post facto in the Atlas e-service system

Leave should be requested and approved before the actual leave date. However, OAI noted that in three of seven cases reviewed, leave was approved in the Atlas e-services system after the staff had actually taken leave, although the hard copy leave request was approved before the leave was taken.

Priority	Medium (Important)
Recommendation 15: The Office should improve leave management by ensuring that: (a) the attendance records are systematically updated and signed on a monthly basis, and reconciled with Atlas; (b) annual leave is approved and validated via Atlas e-services prior to the actual leave date; and (c) the Atlas e-services system is used by staff members to request their leave.	
Management comments and action plan: __√__ Agreed ____ Disagreed The Senior Management Meeting encouraged supervisors to approve leave on time.	

4.9 Global Environment Facility — Not Applicable

The Office was implementing four projects funded partially or fully from the Global Environment Facility with a total contribution of $5.2 million and a total budget of $7.1 million. OAI reviewed the initiation and implementation of project *Diversité Biologique Expansion et renforcement AP* (ID 76446) with a total project budget of $3.2 million and Global Environment Facility contribution amounting to $1.8 million. The project duration was four years, from May 2011 to May 2015, and expenditures recorded for the period under review amounted to $660,000.

Issue 16 Weaknesses in the management of Global Environment Facility project

The project management section of the Programme and Operations Policies and Procedures requires offices to ensure appropriate UNDP policies are followed, key stakeholders are kept informed, outputs and activity deliverables are monitored, and the project is well managed.

OAI noted the following issues in the management of the project:

- The Local Project Appraisal Committee meeting was chaired by a national counterpart and not by a UNDP Senior Official as required;
- Some procurement actions conducted in 2012, including the purchase of two vehicles for $78,000, were not specifically identified in the approved Annual Work Plan; and
- The issue, risks and monitoring logs were not completed in Atlas.

Inadequate management of a Global Environment Facility project may result in the inability to achieve the programme objectives and an obligation to refund the donor's money.

As the above issues have been discussed in section 3.3 Project Management and the corresponding recommendations have been made in that section, no recommendation is made in this section.

ANNEX Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

In providing the auditors' assessment, the Internal Audit Services of UNDP, UNFPA, UNICEF and WFP use the following harmonized audit rating definitions. UNDP/OAI assesses the Country Office or audited HQ unit as a whole as well as the specific audit areas within the Country Office/HQ unit.

- **Satisfactory** — Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity. *(While all UNDP offices strive at continuously enhancing their controls, governance and risk management, it is expected that this top rating will only be achieved by a limited number of business units.)*

- **Partially Satisfactory** — Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity. *(A partially satisfactory rating describes an overall acceptable situation with a need for improvement in specific areas. It is expected that the majority of business units will fall into this rating category.)*

- **Unsatisfactory** — Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised. *(Given the environment UNDP operates in, it is unavoidable that a small number of business units with serious challenges will fall into this category.)*

B. PRIORITIES OF AUDIT RECOMMENDATIONS

The audit recommendations are categorized according to priority, as a further guide to UNDP management in addressing the issues. The following categories are used:

- **High (Critical)** — 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 and may affect the organization at the global level.

- **Medium (Important)** — Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.

- **Low** — Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are <u>not included in this report</u>.