

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**LIBERIA**

**Report No. 1751**  
**Issue Date: 10 February 2017**

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## Report on the Audit of UNDP Liberia Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Liberia (the Office) 21 November to 2 December 2016. 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 and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, business continuity, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, Harmonized Approach to Cash Transfers);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security).

The audit covered the activities of the Office from 1 January 2015 to 30 September 2016. The Office recorded programme and management expenditures of approximately \$41.7 million. The last audit of the Office was conducted by OAI in 2010.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

### Overall audit rating

OAI assessed the Office as **partially satisfactory / some improvement needed**, which means, “The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity.” This rating was mainly due to inadequate vendor verification procedures, and to a funding gap that resulted from the lack of realignment between programmatic results and resources framework.

### Key recommendation: Total = 1, high priority = 1

The recommendation aims to ensure the reliability and integrity of financial and operational information.

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 recommendation is presented below:

Inadequate vendor verification procedures (Issue 2)	The audit review found weaknesses in vendor data management, notably in the procedures for creating or updating vendor accounts, including the failure to systematically ensure that the vendor information provided was adequate, properly supported and vetted. This was mainly due to the fact that the Office relied solely on the vendor’s signature to process a vendor approval request, without blocking inconsistent vendor information as required by the Office’s standard operational procedures for vendor data management.
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Recommendation 1: The Office should strengthen the procedures for the verification of vendor information when creating a vendor account or when updating vendor information in Atlas by ensuring that vendor forms are adequately completed and vendor information is rigorously verified and matched with the proper supporting documents.

#### **Management comments and action plan**

The Resident Representative accepted the recommendation and is in the process of implementing it. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and action has been initiated to address them.



Helge S. Osttveiten  
Director  
Office of Audit and Investigations

## I. About the Office

The Office, located in Monrovia, Liberia (the Country) at the time of the audit had a total of 59 staff members and a programme portfolio comprising 34 development projects, of which 16 were directly implemented by the Office. The Country Programme Document 2013-2017 focused on three major programme areas, namely, Inclusive Growth and Public Institutions, Justice Security and Reconciliation, and Sustainable Economic Development. During the audit period, the Office processed 1,084 purchase orders of approximately \$16.4 million and 25,068 payment vouchers of approximately \$38.8 million. The Country was severely affected by the Ebola crisis in 2014 and 2015, which led to the Government taking substantial measures including restriction of movement and reduction in the Government's operations, which in turn significantly hampered UNDP's programme implementation in the Country.

## II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance and strategic planning. Governance and strategic planning processes were found to be adequate.
- (b) Information and communication technology. Information and communication technology control procedures were found to be adequate.
- (c) Asset management. Asset management procedures were found to be adequate.

OAI made one recommendation ranked high (critical) priority.

Low priority issues/recommendations identified in the areas of project management, human resources management, financial management, general administration and support to the Resident Coordinator's Office were discussed directly and agreed with the Office and are not included in this report.

### High priority recommendation:

- Strengthen the procedures for the verification of vendor information (Recommendation 1).

The detailed assessment is presented below:

### A. Programme management

#### 1. Programme activities

##### Issue 1 Country Programme Document results not timely realigned with resources framework

UNDP's organizational programming policies mandate periodic and timely programme reviews and realignment, based on realistic resources frameworks.

Towards the end of 2016, the Office had a significant resource gap of approximately \$121.2 million regarding the implementation of its programme results for the Country Programme Document 2013-2017. Even though the Office had a resource target of \$220 million, up to November 2016 it had only managed to mobilize \$38.9 million of non-core resources and had a pipeline of \$59.9 million. This situation was mostly due to the disruptions of the Ebola crisis, which had lasted almost two years. The mid-term review that took place at the end of 2015 failed to

clearly identify the resource gap and to recommend the need to re-evaluate the initial Country Programme Document targets, as well as to reframe the programme interventions in line with the prevailing resource conditions and funding outlook. This situation resulted in unrealistic programme targets up to the end of 2016.

The Office's management agreed with the audit recommendation to reassess its initial programme results in line with the readjusted resource framework, to realign more realistically its outcome targets for the current programme, and had taken steps to rectify the situation. Subsequent to the audit, an annual review of the Country Programme Document was undertaken, which led to realigning the programme results with the re-adjusted resource targets in a revised Country Programme Document, prior to submitting a request for the extension of the Country Programme Document to the Regional Bureau for Africa. The United Nations Development Assistance Framework was extended up to December 2018 along with the Country Programme Document – subject to the Executive Board's approval – so as to be aligned with the Government's socio-economic programme of the Agenda for Transformation.

**Comment:**

OAI acknowledged the actions taken by management, and therefore did not make a recommendation. The Office was cautioned to diligently and timely reassess its programme result targets in line with revised resource targets, when faced with similar unforeseen situations.

**B. Operations**

**1. Procurement**

**Issue 2**      Inadequate vendor verification procedures

The 'UNDP Programme and Operations Policies and Procedures' require the review and verification of supporting documents when creating a vendor or when updating vendor information in Atlas (enterprise resource planning system of UNDP).

The Office had 1,126 approved vendors. The audit reviewed a sample of 16 vendors for the verification of vendor information through the related vendor forms. For nine (or 56 per cent of the total sample) of the forms, the 'For Office Use' section used to validate the supporting documentation submitted was not completed, and three approved forms had wrong identity documents attached.

Based on discussions with the vendor approver, it appeared that the situation described above was due to the fact that the Office relied solely on the vendor's signature to process a vendor approval request, without blocking inconsistent vendor information in line with the Office's existing standard operational procedures for vendor data management.

Subsequent to the audit, management issued an internal memo to re-emphasize the urgent need to strictly adhere to the standard operational procedures for vendor data management, notably when creating new accounts.

The lack of thoroughly verifying vendor information could lead to possible fraud incidents with fictitious vendors not being detected in a timely manner.

<b>Priority</b>	High (Critical)
<b>Recommendation 1:</b>	
The Office should strengthen the procedures for the verification of vendor information when creating a vendor or updating vendor information in Atlas by ensuring that vendor forms are adequately completed and vendor information is rigorously verified and matched with the proper supporting documents.	
<b>Management Comments:</b>	
In addition to the internal memo that management issued to all staff on 5 December 2016 reinforcing compliance with the Office's standard operational procedures for vendor data management, management will, on a quarterly basis, conduct a review of supporting documents for approved vendors to ensure compliance with the procedures.	
<b>Completion date:</b> March 2017	

## Definitions of audit terms - ratings and priorities

### A. AUDIT RATINGS

- **Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** 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.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

### B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **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.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to 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 not included in this report.