

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



*Empowered lives.  
Resilient nations.*

**AUDIT**  
  
**OF**  
  
**UNDP COUNTRY OFFICE**  
  
**IN**  
  
**GHANA**

**Report No. 2049**  
**Issue Date: 19 July 2019**

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## Report on the Audit of UNDP Ghana Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Ghana (the Office) from 13 to 24 May 2019. 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2018 to 31 March 2019. The Office recorded programme and management expenses of approximately \$8.9 million. The last audit of the Office was conducted by OAI in 2013.

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/area.” The rating is due to the financial sustainability of the Office being at risk.

### Key recommendations: Total = 2, high priority = 1

The two recommendations aim to ensure the following: (a) achievement of the organization’s strategic objectives (Recommendation 1, high priority); and (b) reliability and integrity of financial and operational information (Recommendation 2, medium priority).

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:

Financial sustainability  
at risk  
(Issue 1)

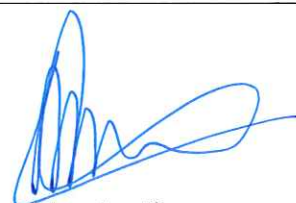
The Office was operating under a new Country Programme Document 2018–2020 and was in the midst of mobilizing resources for the implementation of its programme. It acknowledged the challenges in mobilizing non-core resources due to the Country's transition to a middle-income economic status. The extra-budgetary allocation received from the Regional Bureau was not sufficient to cover the related operating costs. Total staff costs paid from programme core resources through Direct Project Costing were approximately \$626,000 in 2018, representing a significant 59.6 percent of programme resources.

Recommendation: The Office should: (a) intensify its resource mobilization efforts; and (b) reduce its operating costs and align them with available resources.

### Management comments and action plan

The Resident Representative a.i. accepted both recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them. Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

A blue ink signature of Antoine Khoury, written in a cursive style.

Antoine Khoury  
Officer-in-Charge  
Office of Audit and Investigations

## I. About the Office

The Office, located in Accra, Ghana (the Country) had a total of 27 staff members at the time of the audit. The Office's programme comprised environmental and climate change projects. It was one of the first UNDP offices worldwide to apply and get awarded the Administrator's "Investment Facility" for the period 2018–2019. The Country recently attained middle income country status and was generally considered to be peaceful and stable. The Global Peace Index ranked it the fifth most peaceful in Sub-Saharan Africa in 2018. The Human Development Index 2018 ranked it in the 140<sup>th</sup> position out of 180 countries.

## II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Programme and project management. Internal controls and procedures for programme and project management were found to be adequate. Issues identified were discussed with management and appropriate action was taken immediately.
- (b) Corporate oversight. Internal controls and procedures in this area were found to be adequate. Issues identified were considered low risk.
- (c) Financial management/Human resources management/Procurement. Internal controls and procedures in these areas were found to be adequate. Issues identified were considered low risk and management took immediate action to rectify them.
- (d) Resident Coordinator's Office. Internal controls and procedures in this area were found to be in place and adequate.

OAI made one recommendation ranked high (critical) and one recommendation ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

### High priority recommendation:

- Reduce its additional operational costs and align them with available funds. (Recommendation 1).

### Medium priority recommendation:

- Strengthen supervision and guidance during the asset verification process (Recommendation 2).

The detailed assessment is presented below, per audit area:

## A. Governance

### 1. Corporate external relations and partnerships

#### Issue 1 Office's financial sustainability at risk

Strategic planning requires offices to align available funding with expected expenditures to support an effective and efficient delivery of development objectives and to ensure financial sustainability and operational continuity.

The Office was operating under a new Country Programme Document 2018–2020 and was in the midst of mobilizing resources for the implementation of its programme. It acknowledged the challenges in mobilizing non-core resources due to the Country's transition to a middle-income economic status. The extra-budgetary allocation received from the Regional Bureau was not sufficient to cover the related operating costs.

The Office experienced a reduction in available funding where core programme resources declined from \$2.42 million in 2017 to \$1.05 million in 2018, approximately 56 percent. However, operating costs were reduced by only 3.5 percent, from \$1.42 million in 2017 to \$1.37 million in 2018.

The average staff costs in 2017 and 2018 were constant at \$1.8 million. Of this amount, \$1.2 million was covered from operational resources while the balance was covered by programme core sources through Direct Project Costing (DPC).

Total staff costs paid from programme core resources through DPC in 2017 and 2018 were approximately at \$615,000 and \$626,000, respectively. This represented a significant share of programme resources, 59.6 percent, being used to cover staff costs through DPC, compared to 25.6 in the previous year thus reflecting a decrease in the efficiency of the Office in 2018.

The Office's review of its financial sustainability had not considered the reduction in available resources, the management/programme ratio, and the impact of the Country's transition to middle income economic status on resource mobilization.

Not aligning available resources with expected expenditures will decrease the efficiency and reduce financial sustainability and operational continuity, it may prevent the Office from achieving its development objectives.

<b>Priority</b>	High (Critical)
<b>Recommendation 1:</b>	
The Office should:	
<ul style="list-style-type: none"> <li>(a) Intensify its non-core resource mobilization efforts; and</li> <li>(b) Reduce its operating costs and align them with available resources.</li> </ul>	
<b>Management action plan:</b>	
<ul style="list-style-type: none"> <li>(a) The Office will explore opportunities to accelerate resource mobilization efforts, such as expanding its partnership base. More focus will be on mobilizing non-core resources that will generate</li> </ul>	

additional income, thereby reducing transaction costs and aligning institutional costs with available resources.

- (b) A revised sustainability plan to reduce staff costs, in consideration of the decline in resources available and taking realistic pipelines into account, will be put in place.

**Estimated completion date:** May 2020

## B. Operations

### 1. ICT and general administration

#### Issue 2      Weaknesses in asset verification

The 'UNDP Programme and Operations Policies and Procedures' require that the process of verifying assets be properly documented and that it includes, among others, signing off on documents where the asset tag numbers allocated in Atlas (enterprise resource planning system of UNDP) match those physically attached to the assets outside of Atlas for ease of tracking. A good practice is to document and share the asset verification instructions with the nominated team as part of the debriefing, prior to physical verification.

The audit team noted the following weaknesses:

- a) The team that conducted 2018 year-end assets physical verification did not sign off on the verification documents. Consequently, the OAI audit team could not validate that the physical verification had been properly implemented.
- b) The tagging system that was used outside of Atlas was not linked to the Atlas In-service Report. As a result, tag numbers on the physical assets did not match the ones allocated to each one in Atlas.
- c) Out of a sample of 26 assets with a total cost of approximately \$709,000, the audit team noted discrepancies in 12 cases (for a total cost of \$180,681) including incorrect serial numbers and locations, and inventory items that were incorrectly capitalized.

After the fieldwork, the Office re-conducted the asset physical verification exercise; however, the process could not be verified by the audit team.

Inadequate guidance and supervision during the verification processes might have led to the errors. The staff members delegated with the responsibility of coordinating the asset verification were not familiar with the process.

Weaknesses in asset verification processes might lead to the loss of assets.

<b>Priority</b>	Medium (Important)
<b>Recommendation 2:</b>  The Office should strengthen supervision and guidance during the asset verification processes by: <ul style="list-style-type: none"> <li>(a) Ensuring that responsibility staff have sufficient skills required for the asset verification process;</li> <li>(b) Linking the asset tagging system used outside of Atlas to the Atlas In-Service Report; and</li> <li>(c) Documenting and sharing verification instructions with the nominated team as part of the debriefing, prior to the exercise.</li> </ul>	
<b>Management action plan:</b>  <ul style="list-style-type: none"> <li>(a) Training has been organized for the designated asset verification team to improve their skills for future asset verification exercises.</li> <li>(b) A tagging system has been linked to the In-Service Report and will be monitored.</li> <li>(c) A new fixed asset verification template to be used in a future asset verification process has been designed, which includes instructions and recommended processes. This will be shared prior to asset verification to ensure that any issues identified during the process are reported and addressed. The report will be reviewed by the asset manager and an implementation plan put in place and tracked until all pending actions are closed.</li> </ul>	
<b>Estimated completion date:</b> December 2019	

## 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.