



AUDIT

OF

UNDP COUNTRY OFFICE

IN

REPUBLIC OF THE CONGO

Report No. 1140
Issue Date: 15 November 2013

Report on the audit of UNDP Republic of the Congo Executive Summary

From 18 February to 1 March 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in the Republic of the Congo (the Office). The audit covered the activities of the Office during the period from 1 January to 31 December 2012. During the period reviewed, the Office recorded programme and management expenditures totalling \$18.4 million. The last audit of the Office was conducted by OAI in 2007.

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 and finance areas.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				
1.1 Organizational structure and delegations of authority	Partially Satisfactory			
1.2 Leadership, ethics and values	Satisfactory			
1.3 Risk management, planning, monitoring and reporting	Satisfactory			
1.4 Financial sustainability	Partially Satisfactory			
2. United Nations system coordination				
2.1 Development activities	Satisfactory			
2.2 Resident Coordinator Office	Satisfactory			
2.3 Role of UNDP – “One UN”	Not Assessed			
2.4 Harmonized Approach to Cash Transfers	Not Applicable			
3. Programme activities				
3.1 Programme management	Partially Satisfactory			
3.2 Partnerships and resource mobilization	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	Satisfactory			
4.5 General administration	Partially Satisfactory			
4.6 Safety and security	Satisfactory			
4.7 Asset management*	Partially Satisfactory			
4.8 Leave management*	Partially Satisfactory			

* Cross-cutting themes

Key issues and recommendations

The audit raised 14 issues and resulted in 16 recommendations, of which 6 (38 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:

Financial sustainability (Issue 2)	<u>Declining extrabudgetary reserves.</u> The Office’s extrabudgetary reserves declined from 27 months at the end of 2011 to a reported 12 months at the end of 2012. Furthermore, the extrabudgetary income was overstated by \$211,000. As a result, the extrabudgetary reserves at the end of 2012 were actually only 10 months. OAI recommends that the Office maintain a minimum of 12 months of extrabudgetary reserves by: (a) exploring opportunities for generating additional extrabudgetary income; and/or (b) implementing stricter cost control measures and adjusting its cost structure.
Project management (Issue 4)	<u>Weak project design and planning.</u> OAI noted the following: the absence of a Local Project Appraisal Committee; the unauthorized use of non-standard donor agreements for projects; an infrastructure project launched without the prior approval of the Regional Bureau for Africa; and the absence of a project document. OAI recommends that the Office improve project planning and design by ensuring that: (a) a Local Project Appraisal Committee is duly appointed and meetings are held for all projects and that all stakeholders are involved; (b) the standard UNDP donor agreement template is used for projects and that any deviations from the standard template are reviewed and authorized by the Bureau for External Relations and Advocacy and/or the Legal Support Office prior to signature by the relevant parties; (c) authorization is sought from the Regional Bureau for Africa prior to initiating infrastructure projects; and (d) a project document is developed and approved prior to committing and spending resources.
Human resources (Issue 5)	<u>Weak management of service contracts.</u> As of 31 December 2012, the Office had 64 individuals hired on service contracts. OAI noted the following weaknesses in regard to the management of service contracts: (a) payment to service contract holders was not made through the payroll module in Atlas; (b) service contract holders were not enrolled in a social security/pension scheme; (c) service contract holder attendance records and performance certificates were signed in advance; and (d) inconsistency in the pay rates used for service contract holders. OAI recommends that the Office strengthen its management of remuneration for service contracts by ensuring that: (a) payment of salaries for service contract holders are made through the payroll module of Atlas; (b) the social security/pension coverage for service contract holders is managed by researching the existence of local social security/pension schemes of adequate quality and reliability in which service contract holders can enroll, and by verifying that the service contract holder is enrolled and participating in a plan; (c) remunerations to service contract holders are based on attendance and performance records that are signed once the work period is completed; and (d) service contract holder pay rates are aligned and applied consistently for personnel working at the same level.
Finance (Issue 6)	<u>Lack of monitoring and control of cash advances.</u> OAI noted: (a) the use of large cash advances when lower risk alternatives existed; (b) cash advances that were not liquidated in a timely manner; (c) the absence of regular monitoring and incorrect use of accounts; (d) the improper payment of overtime; and (e) the questionable and inadequate

supporting documentation. OAI recommends that the Office adhere to the newly introduced policies for the management of project cash advances and strengthen its monitoring and oversight of these types of transactions.

- (Issue 7) Lapses in the management of bank accounts. OAI noted several weaknesses in the management of bank accounts. They included: (a) signatory panel not being updated; (b) weak bank reconciliations; and (c) unauthorized write-off of a book balance of \$1,500. OAI recommends that the Office strengthen its management of bank accounts by: (a) updating the signatory panel for the Zero Balance Account and communicating it to the corresponding bank; (b) ensuring that the bank reconciliations are performed and reviewed on a regular basis and include proper analysis, follow-up and review of any unreconciled items; and (c) formally reporting to the Office of Financial Resources Management the write-off of \$1,500 and seeking guidance on appropriate actions to be taken in this respect.
- (Issue 8) Weak payment processes. OAI noted the following: (a) weaknesses in controls over cheque processing; (b) a high number of cancelled payments; and (c) a high number of payments on hold. OAI recommends the Office strengthen controls over the payment process by: (a) ensuring that bank transfer is used over cheque payment whenever possible; (b) improving overall control and management of cheques by using software such as 'cheque printer', analysing the cancelled payments and ensuring that funds are properly credited back to the corresponding projects, and ensuring adequate controls over physical cheques; and (c) reviewing the list of payment vouchers that are on hold and cancelling those that are no longer necessary.

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. Assets for directly implemented projects were not yet recorded and managed in Atlas. As of 1 January 2012, assets for directly implemented projects that comply with the principle of "used and controlled by UNDP" must be managed in Atlas. Refer to Issue 13.
- **Leave management.** Partially satisfactory. As a result of weaknesses in leave monitoring and lack of monthly attendance records, yearly attendance records were not accurate and were not consistent with Atlas records. There were also weaknesses in the management of home leave travel, as some staff members failed to take home leave during the approved period and kept the lump sum payment. The staff members subsequently took their home leave at a later date without having submitted a revised request for approval of the change of travel dates. Refer to Issue 14.

Management comments and action plan

The Acting Resident Representative of UNDP Republic of the Congo accepted all recommendations and the Office is in the process of implementing them.



Helge S. Osttveiten
Director
Office of Audit and Investigations