

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

EQUATORIAL GUINEA

Report No. 1240
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Report on the audit of UNDP Equatorial Guinea Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Equatorial Guinea (the Office) from 14 to 25 October 2013. 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, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator office, Harmonized Approach to Cash Transfers [HACT]);
- (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 2012 to 31 August 2013. The Office recorded programme and management expenditures totalling \$6.54 million. The last audit of the Office was conducted by OAI in 2008.

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**, which means that “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 HACT not implemented, weaknesses in management of service contracts, and the incorrect use and monitoring of project cash advances.

Key recommendations: Total = 12, high priority = 3

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. All high (critical) priority recommendations are presented below:

HACT not implemented (Issue 2)	The Office had not made any progress towards full implementation of HACT. At the time of the audit, future implementation of HACT was not agreed with the Government, as it was not mentioned in any documents signed by the Government, such as UNDAF. As a result, neither macro-assessment nor micro-assessment had been conducted.
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Recommendation: Pursue the implementation of HACT and comply with all relevant requirements.

Non-compliance with rules regarding service contracts (Issue 5)

In 2013, the Office signed 22 service contracts without having been involved in the selection process, which was done solely by the implementing partner. Further, the information of these service contracts was not included in the Atlas Human Resource Module and, therefore, the service contracts were not part of the payroll process. Pension funds and medical insurance certifications were never requested for verification purposes or were not included in the payment calculation.

Recommendation: Comply with UNDP policies and procedures with regard to the management of service contracts by: (a) signing contracts only if recruitment was carried out by the Office; (b) using the service contract standard template and recording all the required information; (c) meeting pension funds and medical insurance requirements; and (d) uploading service contract information in the Atlas Human Resource Module.

Incorrect use and monitoring of project cash advances (Issue 6)

OAI identified during the audit period, two instances of payments to individuals (other than staff and contractors) who were paid at the request of the project amounting to approximately \$200,000 and \$96,000. Also, the Office did not keep track of the outstanding payments or the amounts that had been reimbursed. Furthermore, OAI identified cash in the Office amounting to approximately \$2,000 still pending to be deposited and recorded in the system, some since 2011.

Recommendation: Implement a system for the appropriate use of cash advances by: (a) refraining from issuing payments to individuals other than staff and contractors with the purpose of paying for project activities; instead issuing cash advances; (b) closing the remaining payments granted to individuals; and (c) avoiding receiving cash in the Office and depositing any advance returned to the bank account in a timely manner.

Management comments and action plan

The Resident Representative accepted all the recommendations in this report and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

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



Helge S. Osttveiten
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