

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

MADAGASCAR

Report No. 1311
Issue Date: 22 August 2014

Report on the audit of UNDP Madagascar Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Madagascar (the Office) from 3 to 13 June 2014. 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, role of UNDP – “One UN”, 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, asset management, leave management).

The audit covered the activities of the Office from 1 January 2013 to 31 March 2014. The Office recorded programme and management expenditures totalling \$27.5 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 **satisfactory**, which means, “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.”

Key recommendations: Total = 5, high priority = 1

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:


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| Weaknesses in financial management
(Issue 3) | <ul style="list-style-type: none">(a) Reimbursable micro-capital grant credits totalling \$335,000 were inaccurately recorded in Atlas (UNDP’s enterprise resource planning system). In addition, \$258,000 of these credits were not reimbursed due to inadequate monitoring and the application of certain clauses in the agreements.(b) The Office contracted a responsible party for \$ 1.48 million and services were provided for 2013. There was no disclosure of this activity at year end 2013, nor was the liability recorded in Atlas. Based on existing documentation, out of the total amount of \$1.48 million only \$275,000 could be validated as payments made by the responsible party. In addition, the Office provided cash advances to three vendors totalling \$1.5 million that were expensed directly rather than being treated as advances or prepayments. Only \$1.1 million paid was validated by an audit firm. As a result, a balance of \$0.4 million remained with the vendors. |
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- (a) Recommendation: Strengthen financial management by: (a) accurately recording all disbursements based on agreements signed with the vendors, and ensuring that the provisions of the agreements are monitored and applied; (b) settling the amount owed to the vendor who was contracted to train and pay electoral agents for the activities pre-financed; and (c) settling and recovering the remaining balance of advances currently held by three vendors. If not recovered, the Office should refer this case to OAI/Investigations Section.

Management comments and action plan

The Resident Representative accepted all of the recommendations 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.



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