

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

GABON

Report No. 1418
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Report on the audit of Gabon Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Gabon (the Office) from 27 October to 11 November 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 (leadership/ethics and values, risk management, planning, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, 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 30 June 2014. The Office recorded programme and management expenditures totalling \$5.6 million. The last audit of the Office was conducted by OAI in 2009.

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, "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 inadequate financial sustainability, as well as weaknesses in financial management and procurement.

Key recommendations: Total = 10, high priority = 5

The 10 recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 1); (b) reliability and integrity of financial and operational information (Recommendations 5, 6 and 7); ; and (c) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 2, 3, 4, 8, 9 and 10).

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:

Financial sustainability of Office at risk (Issue 1)	The Office had 6 months of extrabudgetary reserve as of October 2014, which was below the corporate requirement of having 12 months of reserve. This was due in part to: the Office's inability to secure income from sources other than the host Government; delays by the Government in paying the balance of the Government Contributions to Local Office Costs; staff being paid from the extrabudgetary reserve at the time of the audit; and the untimely recovery of
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Value Added Taxes.

Recommendation: Improve financial sustainability by: (a) timely following up with the Government on all outstanding pledges, contributions, and Value Added Tax; (b) limiting the use of extrabudgetary funds for payment of staff salaries by identifying other funding mechanisms; and (c) mobilizing resources to increase the Office's extrabudgetary reserve.

Inadequate supporting documents for substantiating payments (Issue 6)

The Office made payments without adequate justification. These included payments for goods or services without delivery receipts. There were also UNDP payment vouchers drawn on names that were different from those on the cheques.

Recommendation: Reinforce oversight and quality control over payments by: (a) substantiating payments with valid supporting documents; and (b) having cheques written in the name of the vendor.

Lack of built-in segregation of duties in electronic bank transfer platform (Issue 7)

The electronic bank transfer platform used by the Office did not guarantee the proper segregation of duties. One staff member could submit, validate and export a payment to the bank. There were no controls that would mitigate the risk of errors or irregularities from the unauthorized transfer of funds.

Recommendation: Improve control over electronic banking by: (a) segregating the three functions required for processing a payment, including designating a third person to export data to the bank; and (b) performing more reviews on the bank accounts by validating transactions on a daily basis.

Inappropriate use and lack of monitoring of "miscellaneous revenue" account (Issue 8)

The Office did not record transactions properly and incorrectly used the "miscellaneous revenue" account as a suspense account to record contributions, payments, unused funds, and remaining balances of closed projects. Moreover, this account was not analysed regularly. At the time of the audit, the remaining balance against fund 1 amounted to \$367,000, representing long-outstanding transactions.

Recommendation: Strengthen financial accountability by: (a) finalizing the analysis of "miscellaneous revenue" account and making adjustments in Atlas as soon as possible; (b) liaising with the Bureau for Policy and Programme Support (for the Global Fund balances) and Office of Financial Resources Management for guidance on the recording of any unspent balances; (c) using the "unapplied deposit" account to record government transfers, pending clarifications on their destination; and (d) timely monitoring and clearing amounts recorded in the "miscellaneous revenue" account.

UNDP procurement principles not adhered to (Issue 9)

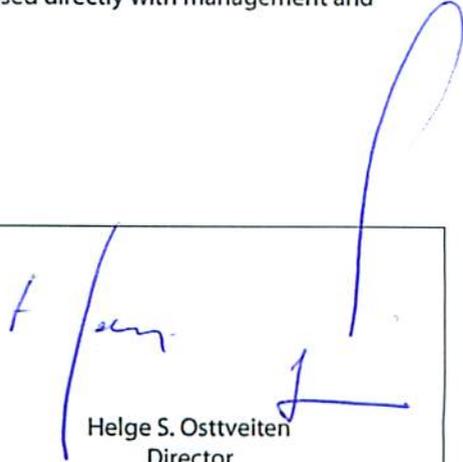
Procurement processes worth \$71,000 were undertaken using the direct procurement modality without appropriate justification. No supporting documents were available for eight procurement cases worth \$70,000. Monitoring of cumulative procurement was not done resulting in non-submission of those procurements that reached the threshold requiring committee review. There was also inappropriate use of Atlas purchase orders. Vendor verification had not been adequately performed.

Recommendation: Comply with policies and procedures on management of procurement by: (a) justifying and documenting the reasoning for direct procurement; (b) not raising purchase orders for procurement activities undertaken by implementing partners; (c) monitoring vendors' thresholds so that vendors are reviewed by the responsible procurement committees; and (d) obtaining and reviewing supporting documents prior to creation of vendor profiles.

Management comments and action plan

The UNDP Resident Representative and Resident Coordinator 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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