

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
Resilient nations.*

AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE DEMOCRATIC REPUBLIC OF THE CONGO

Report No. 1495
Issue Date: 13 November 2015

(REDACTED)

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

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP in the Democratic Republic of the Congo (the Office) from 22 June to 7 July 2015. 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).

The audit covered the activities of the Office from 1 January 2014 to 31 May 2015. The Office recorded programme and management expenditures of approximately \$91 million. The last audit of the Office was conducted by OAI in September 2012.

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 the absence of a budget override policy and inappropriate handling of temporary cash deficits and other funding gaps in projects, weaknesses in the reimbursement of costs for security guard services and the business continuity plan not being updated and tested, and weaknesses in asset management.

Good Practices

The Office was the top Monitoring & Evaluation Office in the Regional Bureau for Africa with a perfect score on the Results Oriented Annual Report and the only office within the region to attain this. The Office also received the Silver Gender Award, which denoted good practices in promoting gender equality and the empowerment of women. Furthermore, the Office received innovation awards for the last two years at the corporate level in recognition of its innovative efforts.

Key recommendations: Total = 13 high priority = 3

The 13 recommendations aim to ensure the following objectives:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1	Medium
	2	High
Reliability and integrity of financial and operational information	3, 8	Medium
Effectiveness and efficiency of operations	9, 10, 11	Medium
Safeguarding of assets	13	High
Compliance with legislative mandates, regulations and rules, policies and procedures	4, 5, 6, 7	Medium
	12	High

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:

No budget override policy and inappropriate handling of temporary cash deficits and other funding gaps in projects (Issue 2)

The Office did not have a duly approved budget override policy. Managers whose projects had short-term budget deficits were allowed to use the Chart of Accounts by managers projects with available funds to finance their activities based only on informal agreements between the concerned managers. This practice was like inter-project loans but not accounted for as such and there was no effective oversight on how these were handled, monitored and reimbursed. Entries amounting to \$587,000 were made to refund projects during the audited period but there was no basis to ascertain their accuracy. Moreover, the Office did not properly monitor project budgets to timely identify and manage deficits to minimize the need for un-programmed use of core funds to cover such gaps.

Recommendation: Improve the management, control and accounting for budget overrides and the handling of temporary project deficits and funding gaps by: (a) developing a budget override policy and having it approved; (b) discontinuing the practice of using inter-project loans to cover temporary budget deficits and ensuring that commitments made during these periods are appropriately charged against their respective budgets; and (c) developing alternatives for addressing funding gaps.

[REDACTED]

[REDACTED]

[REDACTED]

Weaknesses in asset
management
(Issue 13)

The management, safeguarding, and accountability for assets were weak due to the Atlas (enterprise resource planning system of UNDP) Asset Module not being regularly updated. There were missing assets without an explanation, some assets were not capitalized, some assets in a sub-office's inventory lists were not recorded in Atlas, and assets lost or stolen were not always investigated. Many IT assets were left unused although still in good working condition. There were also significant discrepancies between the assets listed in the physical verification and those recorded in Atlas, hence leading to a high volume of adjustments in Atlas during closure of accounts and making uncertain whether year-end certification was reliable.

Recommendation: Strengthen the management, recording and safeguarding of assets by: (a) enforcing the accountability of project managers for the adequate management of assets of their respective projects; (b) reinforcing the coordination and oversight role of the asset manager of the Office; (c) designating asset focal points for each project who will work with the asset manager and will ensure that assets are correctly received, recorded and tracked; and (d) disposing or transferring in a timely manner equipment no longer needed by the Office.

Implementation status of previous OAI audit recommendations: Report No. 1065, 26 June 2013

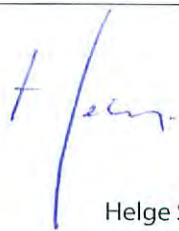
Total recommendations: 15

Implemented: 15

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.



Helge S. Ostveiten
Director
Office of Audit and Investigations