UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE UNITED REPUBLIC OF TANZANIA

Report No. 1599

Issue Date: 1 April 2016

Report on the Audit of UNDP United Republic of Tanzania
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP in the United Republic of Tanzania (the Office) from 8 to 19 February 2016. 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, business continuity, monitoring and reporting, financial sustainability);

(b) United Nations system coordination (Resident Coordinator Office, 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 to 31 December 2015. In view of a low risk rating during the pre-audit assessment, the audit did not cover the area of development services and the role of UNDP as part of One UN. The Office recorded programme and management expenditures of approximately $50 million. The last audit of the Office was conducted by OAI in 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 weaknesses in programme management, project management, and finance.

Key recommendations: Total = **4**, high priority = **3**

The four recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1	High
	2	Medium
Reliability and integrity of financial and operational information	3	High
Effectiveness and efficiency of operations	4	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:

Lack of outcome evaluations during current programme cycle (Issue 1)	There were no outcome evaluations included in the Office's evaluation plan and no evaluations were undertaken during the current programme cycle, covering the period from 2011 to 2016. Instead, the Office had relied on the United Nations Development Assistance Framework (UNDAF) evaluation undertaken in 2015, which took into account the contributions of all United Nations development agencies. As also highlighted by the Evaluation Office's Assessment of Development Results, it was not clear what the contributions of UNDP to development in the Country were, since any contributions that may have been made over the years were clustered with those of other United Nations Agencies. Recommendation: The Office should ensure that outcome evaluations are conducted for each outcome at least once during the new programming cycle for the period 2016-2021.
Weak financial and legal controls over project implementation (Issue 3)	The audit identified inconsistencies within project implementation, such as: weak financial controls for project advances and inadequate legal safeguards. More specifically, for 9 out of 10 advances reviewed (with a total value of $926,000), cash advances were made to implementing partners without the Funding Authorization and Certification of Expenditure (FACE) forms being signed by a representative of the implementing partner. Furthermore, out of seven projects sampled, two projects did not have Letters of Agreement in place. Since Letters of Agreement define the support services that Offices are to provide to governments for implementing projects, it was not precisely clear what kind of support was to be provided by the Office for the two projects, or when and according to which organizations' policies and procedures. Recommendation: The Office should strengthen financial and legal safeguards over project implementation by: (a) granting advances to implementing partners only after the receipt of signed FACE forms; and (b) signing Letters of Agreement for all projects, so as to detail the type of services to be provided under the project and the duration.
Inadequate management of cash advances granted to staff (Issue 4)	Controls over the recovery of advances granted to staff were not adequate. Staff entrusted with organizational funds to facilitate workshops and sundry repairs and maintenance within the Office were not regularly accounting for these funds in a timely manner, and there was no effective follow-up carried out by the Office. The review of a random sample of 11 out of 64 vouchers paid out as project advances during 2015 with a value of $59,506 demonstrated the following: out of the total amount reviewed, $57,125 was only cleared between January and February 2016; and there were outstanding balances totalling $1,963 that had not been recovered from four staff members. The analysis of the dedicated account for project advances for 2015 showed a total of $10,285 in outstanding advances dating as far back as January 2015 that still had to be reconciled and accounted for. Recommendation: The Office should strengthen the reconciliation and accounting for advances by: (a) establishing the maximum allowable time for staff to report back on funds advanced, within the recommended time frame of seven days after the completion of the event; (b) ensuring that staff who are granted advances are held responsible and personally liable for any funds that

cannot be accounted for; (c) considering to engage with the local bank and request assistance with the disbursement of funds directly from the branches countrywide; and (d) considering to engage with the local network providers to explore the use of mobile money transfer providers and to request approval from Treasury to pilot this initiative.

Management comments and action plan

The 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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