



AUDIT

OF

UNDP COUNTRY OFFICE

IN

EQUATORIAL GUINEA

Report No. 1924

Issue Date: 4 October 2018

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 16 to 31 July 2018. 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation, knowledge management);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2017 to 31 March 2018. The Office recorded programme and management expenses of approximately \$7.4 million. The last OAI audit of the Office took place in 2013.

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 **unsatisfactory**, which means “the assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.” This rating was mainly due to significant weaknesses in governance, corporate external relationships and partnerships, and in the management of both programme and operations activities.

Key recommendations: Total = **16**, high priority = **10**

The 16 recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1, 2	High
	3	Medium
Reliability and integrity of financial and operational information	7, 8	High
Effectiveness and efficiency of operations	10, 11	High
	12, 15	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	4, 5, 13,14	High
	6, 9,16	Medium

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to act could result in major negative consequences for UNDP. All high (critical) priority recommendations are presented below:

Weaknesses in organizational structure and control environment (Issue 1)	<p>Under the existing organizational structure and control environment, the audit team identified weaknesses and unclear roles and responsibilities among programme and operations areas. These included flaws in organizational structure, inadequate delegation of authority, weak Internal Control Framework, and inadequate work environment. In addition, Global Staff Survey action plans were not implemented.</p> <p><u>Recommendation:</u> The Office should improve its organizational structure and control environment by: (a) clarifying roles, responsibilities and accountabilities of staff and individual contractors and matching the Internal Control Framework and delegations of authority with the revised organizational structure; and (b) timely addressing the recommendations from the Global Staff Survey.</p>
Inadequate resource mobilization and partnership management (Issue 2)	<p>The audit team noted weaknesses in resource mobilization, uncollected Government Contribution to Local Office Costs, weaknesses in cost recoveries for services rendered to other agencies and to the Government, and weaknesses in communication and partnership management.</p> <p><u>Recommendation:</u> The Office should improve partnership and resource mobilization management by: (a) developing a resource mobilization action plan to address the funding gap from the current programme cycle; (b) continuing its efforts in collecting the Government Contribution to Local Office Costs and implementing a mechanism to recover costs associated with services provided to other United Nations agencies and Country Office support to nationally implemented projects; and (c) establishing a communication strategy to strengthen partnership management.</p>
Project designs approved and implemented without required quality standards (Issue 4)	<p>The audit team reviewed a sample of six development projects and found the following:</p> <ul style="list-style-type: none"> ▪ All six projects were signed with government counterparts without being appraised by the Local Project Appraisal Committee. ▪ The results and resources framework of four projects showed weaknesses in the contribution of project results to higher level results because project results were not SMART (specific, measurable, attainable, relevant and trackable). ▪ The monitoring framework of five projects was not adjusted to project needs, as required. ▪ The Office did not conduct the mandatory Social and Environmental Screening Procedure for the six projects. This Procedure aimed to assist the organization with the identification of potential social and environmental risks and opportunities. ▪ Projects were created in Atlas using generic implementing partner codes making it impossible to determine which implementing partner incurred in the expenses reported in the Combined Delivery Reports.

Recommendation: The Office should improve project approval and implementation by: (a) ensuring that all development projects are appraised by the Local Project Appraisal Committee; (b) ensuring that project formulation includes results that are SMART, and the monitoring framework is adjusted according to the complexity and needs of each project; and (c) conducting the Social and Environmental Screening Procedure before projects are appraised and ensuring that projects are created in Atlas using specific implementing partner codes.

Weaknesses in project monitoring and risk management
(Issue 5)

The audit found weaknesses in project monitoring and risk management which may impede the Office from determining whether intended programme and projects results are being achieved and reported to main stakeholders, and whether corrective actions are necessary to ensure the delivery of intended results.

Recommendation: The Office should strengthen project monitoring and risk management by: (a) ensuring that quality assessments for new and closing projects are timely conducted, and recommendations are implemented; (b) establishing a monitoring framework and conducting monitoring activities such as risk assessments and results-based field visits as required; and (c) preparing annual work plans and project progress reports, to include results-based information, monitor performance.

Weak financial oversight and controls
(Issue 7)

The audit team reviewed the Office's financial oversight and controls and selected a sample of 46 vouchers amounting to \$3.3 million, and noted the following: (a) weaknesses in the financial control environment, such as the use of incorrect chart of accounts and insufficient documentation and incorrect payment of \$8,300 to a vendor for the repair of a vehicle not belonging to UNDP; (b) recurring issues in the comptroller performance index (CPI) not addressed such as cleaning up of long outstanding unreconciled payments and deposits; and (c) non-compliance with the mandatory Financial Disclosure Policy.

Recommendation: The Office should strengthen its financial oversight and controls by: (a) processing payments only when all required documentation is available, applying the correct chart of accounts, and ensuring that manual payments are properly recorded in Atlas within five days; (b) developing action plans to address timely the exceptions in CPI and recovering incorrect payment to a vendor; and (c) ensuring that all staff members comply with the mandatory Financial Disclosure Policy.

Weaknesses in banking arrangements
(Issue 8)

A review of banking arrangements and management of the bank accounts disclosed the following weaknesses:

- The Office did not have an agreement with the bank and had not negotiated with the bank on preferred bank rates. Further, it had not explored automated electronic funds transfers.
- The audit team's analysis of monthly bank reconciliations found no evidence of review of outstanding unreconciled items, which included unreconciled cheques and deposits.

- Out of 72 deposit lines created, 58 were for the adjustment of previous deposits incorrectly created.

Recommendation: The Office should strengthen the management of banking arrangements by: (a) establishing an agreement with the bank including establishing negotiated preferred rates; (b) reviewing outstanding unreconciled items; and (c) reviewing and clearing unapplied and unreconciled deposits.

Weak procurement oversight and controls (Issue10)

A review of procurement oversight and controls highlighted weaknesses, such as: (a) procurement processes not documented; (b) no oversight exercised by the Contracts, Assets and Procurement Committee (CAP); and (c) inappropriate bids receiving and safekeeping.

Recommendation: The Office should strengthen procurement oversight and controls by: (a) establishing a proper recording and archiving system for procurement activities; (b) submitting procurement cases above the Office's procurement authority to the CAP; and (c) establishing adequate controls over the receipt and safekeeping of bid documents.

Weaknesses in procurement practices (Issue 11)

The audit team noted weaknesses in managing individual contracts such as missing supporting documentation, incorrect representation of commitments such as raising purchase orders for payment requests on behalf of the Government, and inadequate vendor management such as not maintaining completed vendor forms and vendor identifications.

Recommendation: The Office should strengthen procurement practices by: (a) maintaining adequate documentation when hiring consultants; (b) correctly using purchase orders to record commitments in Atlas following a procurement process; and (c) maintaining up-to-date and accurate vendor records in Atlas.

Inadequate management of travel (Issue 13)

The audit team reviewed 20 cases of international travels processed and noted weaknesses, such as:

- In 19 cases, only one quotation was found in the file.
- In two cases, staff going on home leave carried out their own travel analysis to determine lump sums to be paid by the Office. In two cases, staff travelled on itineraries that were not the most direct and economical, which led to additional \$10,000 in costs.
- In 14 cases, travel claim (F10) forms were incomplete.

Recommendation: The Office should improve travel management by: (a) providing adequate training to staff involved in travel management including ensuring trip analyses with alternate routes are undertaken and properly documented; (b) adequately completing travel forms with supporting documents within the required timeframe; and (c) recovering, as appropriate, from the staff any overpayments of Daily Subsistence Allowances and other ineligible travel-related payments received.

Low completion rate of
UNDP mandatory training
courses
(Issue 14)

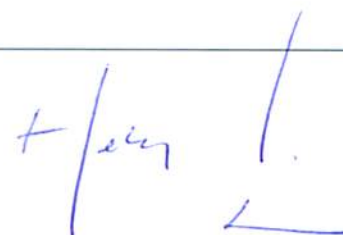
Office staff had not completed all of the mandatory training courses. For example: 63 percent had not completed the Legal Framework course; 59 percent had not completed the Prevention of Sexual Exploitation and Abuse of the Local Population; 59 percent had not completed the Advanced Security in the Field course; and 59 percent had not completed the Prevention of Harassment, Sexual Harassment and Abuse of Authority course.

Recommendation: The Office should strengthen the management of human resources by improving the level of completion of mandatory training.

Management comments and action plan

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

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Osttveiten
Director
Office of Audit and Investigations