



AUDIT

OF

UNDP COUNTRY OFFICE

IN

CENTRAL AFRICAN REPUBLIC

Report No. 1048
Issue Date: 30 October 2013

(REDACTED)

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Report on the audit of the UNDP Country Office in Central African Republic Executive Summary

From 6 to 22 November 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Central African Republic (the Office). The audit covered the activities of the Office during the period from 1 January 2011 to 30 September 2012. During the period reviewed, the Office recorded programme and management expenditures totalling \$42.3 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*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

OAI assessed the Office as **unsatisfactory**, which means that “Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.” This rating was mainly due to deficiencies in finance, procurement, asset management and general administration, and safety and security. Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				
2. United Nations system coordination				
2.1 Development activities	Satisfactory			
2.2 Resident Coordinator Office	Satisfactory			
2.3 Role of UNDP – “One UN”	Not Applicable			
2.4 Harmonized Approach to Cash Transfers	Satisfactory			
3. Programme activities				
3.1 Programme management	Partially Satisfactory			
3.2 Partnerships and resource mobilization	Partially Satisfactory			
3.3 Project management	Partially Satisfactory			
4. Operations				
4.1 Human resources	Partially Satisfactory			
4.2 Finance	Unsatisfactory			
4.3 Procurement	Unsatisfactory			
4.4 Information and communication technology	Partially Satisfactory			
4.5 Asset management & general administration	Unsatisfactory			
4.6 Safety and security				

Key issues and recommendations

Since the audit fieldwork was completed in November 2012, the Country has gone through a severe politico-military crisis with two evacuations of all United Nations international staff in December 2012 and March 2013.

As a consequence, the programme activities had to be significantly revised and since then, a United Nations Transitional Strategy has been developed. To the extent possible, these critical post audit events have been taken into consideration when finalizing the audit report.

The audit raised 19 issues and resulted in 19 recommendations, of which 12 (63 percent) were ranked high (critical) priority, meaning “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 and may affect the organization at the global level.”

Among the 19 recommendations raised, there was one corporate recommendation requiring action by the Regional Bureau for Africa (Issue 4, Recommendation 2).

The high priority recommendations are as follows:

Governance and strategic management (Issue 1)	<u>Inadequate governance and weak staff capacity.</u> The Office has been audited by OAI twice in the past seven years, and in both instances was assessed as “unsatisfactory.” The Office continued to experience weaknesses in its operations, which were attributed to an inadequate organizational structure and weak staff capacity. In order to allow for the delivery of outcomes included in the Country Programme Document, OAI recommends that the Office strengthen its governance and management by: (a) addressing the human resources and staff capacity issues; and (b) ensuring that management and staff meetings and staff retreats are conducted and appropriate information is included on the meeting agendas and shared.
Programme management (Issue 4)	<u>Corporate Issue: Lack of Office capacity assessment.</u> The Regional Bureau for Africa had not conducted a capacity assessment of the Office prior to granting authorization to directly implement projects. OAI recommends that the Regional Bureau for Africa conduct a capacity assessment to evaluate the Office’s ability to directly implement projects.
Finance (Issues 8 and 9)	<u>Weaknesses in two key finance areas.</u> OAI noted inappropriate use and control of manual cheque payments as well as weak controls over financial transactions. The Office had made six manual cheque payments amounting to \$1.6 million, which were not supported by appropriate documentation and did not comply with the specific conditions under which manual cheques may be used. Four of the payments totalling \$1.1 million were recorded in Atlas more than 48 hours after issuance; however, they were not reported to the Treasurer as required by prevailing policies. The Office issued large cash advances (up to \$400,000) to staff and project personnel but did not have an established mechanism to effectively monitor, follow up and reconcile them. In addition, the Office did not have effective controls to prevent the processing and approval of payments that do not have proper supporting documentation. OAI made three recommendations that call for a number of corrective actions, such as: (a) ensuring that manual cheques are strictly used under the conditions established for their use in the Programme and Operations Policies and Procedures; (b) limiting the use of cash advances to only cases of necessity and assigning responsibilities for their proper management and control; and (c) re-emphasizing to staff that the approval of payment transactions should be based upon the receipt and review of complete and adequate supporting documentation.
Procurement (Issues 10, 11, and 12 and 14)	<u>Weaknesses in the procurement area.</u> OAI noted the lack of a consolidated procurement plan and mechanism for monitoring of the cumulative value of contracts per supplier. As a result, contracts cumulatively valued at \$2.7 million were issued to 29 vendors. Even

though each one exceeded the threshold of \$30,000, none had been submitted to the relevant review committee. OAI further noted weaknesses in the competitive bidding processes, whereby a commitment was made to a vendor before the relevant procurement committee had made its recommendation. The Office confirmed that in at least two instances with a combined total of approximately \$569,000, staff had made commitments to vendors prior to receiving the results of the review by the Regional Advisory Committee on Procurement. Finally, OAI noted inadequate contract management in terms of monitoring performance, as well as in tracking and managing clauses, terms and conditions under the contracts. For example, one contract amounting to \$399,000 was unilaterally cancelled by the Office after the vendor had started production. The Office offered compensation to the vendor without consulting the Legal Support Office. The Office paid \$99,645 in penalties for breach of agreement. OAI recommends that the Office: (a) strengthen its procurement management by ensuring that a mechanism is implemented to monitor the cumulative value of contracts, and further that all cumulative procurement cases valued at \$30,000 or more are submitted to the relevant procurement committee for review; (b) prohibiting any commitment to award a contract prior to receiving the results of the procurement committee review and establishing and using clear evaluation criteria to complete a thorough review of vendor capacity in order to make sound decisions; and (c) improving contract management processes by consulting with the Legal Support Office for any dispute arising from contracts and prior to negotiating compensation for services not rendered or products not delivered, and for any breach of contract.

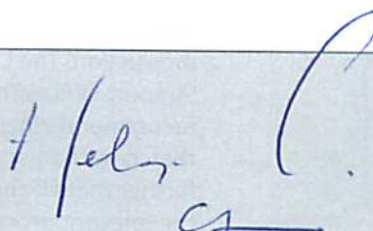
Asset
management &
general
administration
(Issues 16, 17
and 18)

Weaknesses in general administration and the management of assets and fuel. Office premises were being rented at a cost of \$240,000/month even though the Government had provided Office space free of charge. The Office did not accurately account for its assets given that: assets valued at \$331,000, which were acquired during 2011, were handed over to end users before they were tagged or recorded in Atlas; serial numbers had not been recorded for assets registered in Atlas since September 2011; and asset tag numbers were not affixed to any of the assets deployed to users over the same period, thus making it difficult to undertake a physical inventory and reconcile it with the asset register. Furthermore, OAI noted that: the fuel management procedures did not provide adequate assurance that fuel purchased was delivered for the use of the Office or the projects; a lack of reconciliation between amounts ordered and received; a lack of consistent maintenance or analysis of vehicle usage and fuel logs; there was no control procedure for bulk fuel issued from the reservoir to projects; and a lack of monitoring of generator fuel consumption. OAI made three recommendations that call for a number of corrective actions, such as: (a) developing and implementing a plan to relocate office operations to the premises provided by the Government; (b) identifying, registering and tagging all unregistered and untagged assets; (c) undertaking a comprehensive asset inventory and subsequent reconciliation with the asset register (repeat of recommendation raised in the 2007 audit); (d) implementing an automated vehicle management system to facilitate control and monitoring of vehicle fuel usage; (e) installing meters from the gas reservoir at the main office to the two generators to facilitate control of fuel distribution; and (f) implementing a monthly management review of fuel consumption for each vehicle and generator to identify variances warranting further action.

The implementation status of previous OAI audit recommendations (Report No. 778, 1 April 2011) was also validated. Of the 22 recommendations, 20 were fully implemented and the remaining 2 were in progress.

Management's comments

The Resident Representative accepted all recommendations and is in the process of implementing them.

A handwritten signature in blue ink, appearing to read 'Helge S. Osttveiten', is written over a light blue rectangular background.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. Introduction

From 6 to 22 November 2012, OAI conducted an audit of UNDP Central African Republic. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for our conclusions.

Audit scope and objectives

OAI audits assess the adequacy and effectiveness of the governance, risk management, and control processes in order to provide reasonable assurance to the Administrator regarding the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with legislative mandates, regulations and rules, policies and procedures. They also aim to assist the management of the Office and other relevant business units in continuously improving governance, risk management, and control processes.

Specifically, this audit reviewed the following areas of the Office: governance and strategic management, United Nations system coordination, programme activities, and operations. The audit covered relevant activities during the period from 1 January 2011 to 30 September 2012. During the period reviewed, the Office recorded programme and management expenditures totalling \$42.3 million. The last audit of the Office was conducted by OAI in 2010.

The implementation status of previous OAI audit recommendations (Report No. 778, 1 April 2011) was also validated. Of the 22 recommendations, 20 were fully implemented and the remaining 2 were in progress.

II. About the Office

The Office is located in Bangui, Central African Republic (the Country). At the time of the audit, the Office had 49 staff members, 41 service contract holders and 3 United Nations Volunteers. The Country Programme Document 2012-2016 was approved by the Executive Board during its session in September 2012. The main priorities were: (a) promotion of good governance and rule of law; and (b) poverty reduction and progress towards the Millennium Development Goals.

The Government continued to face challenges controlling the countryside, where pockets of lawlessness persisted. The security situation had constantly been a hindrance to Office operations in the Country. Some areas were not accessible except with military convoys. This situation resulted in additional financial costs for all project activities. Following the audit mission, the situation in the north-eastern region deteriorated following attacks carried out by armed groups. This triggered a reaction from the Security Council, which issued a statement on 19 December 2012 requesting armed groups to immediately cease hostilities, withdraw from captured cities, cease any further advance towards the city of Bangui, return to peaceful activities and respect the Libreville Comprehensive Peace Agreement.

III. Detailed assessment

1. Governance and strategic management

Unsatisfactory

Governance is the combination of processes and structures implemented by management to inform, direct, manage and monitor the activities of the organization toward achievement of its planned results. OAI reviewed the Office's management strategies, balanced scorecard, management plan, internal reporting lines, and delegation of authority, as well as the organizational structure, which had gone through several amendments to reflect the creation and/or abolishment of posts.

The Office was facing financial challenges, considering that its extrabudgetary resources had declined during the previous three years, with only eight months of reserves in 2010 and 2011. In 2012, the Office had 11 months of reserves. Also, programme resources declined sharply after the Election Programme had ended in 2011. The prospects in terms of resource mobilization were very limited. The Office indicated that it had succeeded in mobilizing \$12 million for the first year of the new Country Programme for 2012-2016, representing 35 percent of the target of \$34 million.

Issue 1 Inadequate governance and weak staff capacity

Delivering on agreed results requires adequate governance, resources and capacity.

In the past seven years, OAI has audited the Office twice and assessed its activities "unsatisfactory", as shown in the following reports:

- Report RCS 0047-07, issued on 18 December 2007 (audit period: September 2005 to October 2006)
- Report No. 778, issued on 1 April 2011 (audit period: January 2009 to August 2010)

In addition, in October 2009 OAI conducted an audit of the Office's activities that were funded by the Global Fund. The audit covered the period from January 2008 to September 2009 and also resulted in an overall assessment of "unsatisfactory" (Report No. 690, issued on 12 May 2010).

All of the above-mentioned reports, including the present one, point to serious deficiencies in programme, human resources, finance, cash management and procurement. The systems of accountability and internal controls were weak. Compliance with regulations, policies and procedures was not rigorously enforced. This situation is attributed to an inadequate organizational structure and weak staff capacity.

In its most recent audit, OAI recommended that the Office prepare a detailed business plan, which would measure its human resource gaps and identify constraints negatively impacting on the ability to fill vacant positions, and present the plan to the Regional Bureau for Africa as the basis for advocating for the re-evaluation and increase of its existing resource levels. As a follow-up, the Office commissioned a strategic human resources evaluation that proposed a significant reorganization. Subsequently, some key positions proposed in the report had been filled while some, including those covering the finance and procurement functions, had yet to be filled.

The human resources evaluation proposed several recommendations, including: (a) reinforcement of the programme section; (b) reinforcement of the operations section; (c) that better attention be paid to the issues of communication, gender imbalance, work overload, resource mobilization, and relationship with the

Government; (d) fair and transparent job fair to be conducted with an appropriate evaluation mechanism to ensure success of the process; and (e) enhanced dialogue with the Government and improved internal communication with staff. Though the Office initiated some actions to implement these recommendations, most of them had not been fully pursued or implemented, e.g. adoption of the human resources strategy and the revised organization chart, job fair and adoption of a new office structure.

To ensure effective and efficient management, an appropriate organizational structure should be in place that clearly defines roles and responsibilities and that ensures there is a timely exchange of appropriate information, and effective and efficient use of resources.

OAI noted inadequate staffing, communications and capacity, as follows:

- Based on interviews of management, staff, and Staff Association representatives, communication between senior management and staff was not adequate. Staff reported a lack of trust, lack of initiatives and lack of empowerment from senior management. Senior management pointed out that it was extremely difficult to establish trust, working relations, and communication with colleagues.
- Management meetings and staff retreats were not held. Only six staff meetings were organized in 2011 and three in 2012 (mostly in preparation for the audit). No staff retreats were held during the audited period.
- A lack of segregation of duties in managing directly implemented projects.
- Job descriptions for some key positions had not been updated to reflect current responsibilities, e.g. the National Economist at the NO-C level managing one project, and the Assistant Resident Representative/Programme at the NO-D level appointed as the Head of the Monitoring and Evaluation and Knowledge Unit.
- The Office had abolished the position of Head of Programme Unit, which resulted in additional workload for the Country Director, who became the de facto Head of the Programme Unit.
- There was weak staff capacity in the Procurement Unit, which resulted in procurement decisions lacking transparency. Staff entrusted with procurement activities did not possess the minimum UNDP certifications. In addition, some key management staff, as well as staff involved in procurement functions, had not completed the mandatory Financial Disclosure and Declaration of Interest statements.

Failing to undertake and complete a restructuring process may result in the Office not being able to deliver on its commitments.

Priority	High (Critical)
Recommendation 1:	
<p>In order to allow for the delivery of outcomes included in the Country Programme Document, the Office should strengthen its governance and management by: (a) addressing the human resources issues by analysing the number and skill level of staff required to permit the Office to deliver outcomes, while allowing for proper work-life balance; and (b) ensuring that management and staff meetings as well as staff retreats are periodically held for improved communication and information sharing.</p>	

Management Comments: Agreed Disagreed

In addition to this recommendation, the Agenda for Organizational Change of the Administrator, past audit recommendations, and the politico-military crisis that started in December 2012 and culminated with the overthrowing of the regime on 24 March 2013 (and its political and security consequences) are all providing the opportunity to restructure the Office. Therefore, the Office has already started the planning exercise for reaching financial sustainability and effectiveness during 2014-2015 (with reference to the measures by the Bureau of Management dated 21 June 2013) to be submitted to the Regional Bureau for Africa for review in August 2013 and finalization by end of September 2013. Weekly consultations are taking place within this context with the Regional Bureau for Africa and other HQ Units. Also, the Office is currently finalizing its programmatic strategy which requires a shift towards the early recovery of communities, Security Sector Reform and limited institutional support during the transition period. The transition period will last for 24 months, with the possibility of being extended for an additional six months, in line with the Constitutional Oath by the Chief of the Transition and the Constitutional Chart for the Transition (which was only promulgated on 18 July 2013). In the meantime and following due process, the Office did not renew the contracts of 19 project staff, given the fact that all programme activities have been stopped since December 2012 due to security concerns, given the subsequent shift in our programmatic priorities, and given the need to reduce further our losses on our already fragile extrabudgetary reserve. It should also be noted that the Office should have had stronger management, but was left without a Resident Representative during a period of seven months, and with the Deputy Country Director/Operations and the Resident Representative ad interim absent during the audit.

Issue 2 Failure to comply with the reporting procedures on allegations of wrongdoing

According to the UNDP Legal Framework for addressing non-compliance with United Nations standards of conduct, managers, including the Resident Representatives in Country Offices have a duty to report allegations of wrongdoing to OAI as soon as they become aware of such allegations. If requested by OAI, they are to conduct a preliminary assessment related to allegations of wrongdoing and report the results of the preliminary assessment, and if subsequently requested by OAI, to conduct an investigation and report the results of the investigation to OAI.

The Office failed to inform OAI, prior to launching preliminary assessments, of allegations of wrongdoing relating to the theft of property and assets. It also failed to report in a timely manner the conclusions of these assessments to OAI. The Office only reported these cases to OAI in October 2012, even though the Security Unit of the United Nations Integrated Peacebuilding Office in the Central African Republic (BINUCA) submitted the preliminary assessment reports to the Office's senior management in May 2012, or six months earlier. Consequently, OAI could not further investigate these incidents, which had a potential financial impact estimated to be greater than \$25,000.

The Office's management was reminded of the need to promptly report any allegations to OAI, and agreed to do so.

2. United Nations system coordination

Satisfactory

The United Nations Country Team (UNCT) was composed of the following agencies: BINUCA, FAO, ILO, OCHA, OHCHR, UNAIDS, UNDP, UNDSS, UNECA, UNESCO, UNFPA, UNHCR, UNICEF, UNIDO, WFP, WHO, and the World Bank.

2.1 Development activities

Satisfactory

The UNCT completed the new United Nations Development Assistance Framework (UNDAF) for the period 2012-2016 in a participatory manner. It was developed based on the areas identified in the Common Country Assessment. The UNDAF was endorsed by the Government and all UNCT members, with the following priority areas:

- peace consolidation and reinforcement of good governance and rule of law;
- promotion of sustainable and equitable development and regional integration; and
- investment in human capital, including the fight against HIV/AIDS.

Following the approval of the UNDAF, the UNCT members developed an UNDAF Action Plan. The audit team met with representatives of some United Nations agencies, who suggested that, in order to optimize the use of scarce resources, there was a need for more collaboration and coordination between UNCT members and BINUCA on key thematic areas, namely: (a) disarmament, demobilization, and reintegration; (b) elections; and (c) rule of law. At the time of the audit, BINUCA made the suggestion to create three integrated groups, led by the Special Representative of the Secretary-General to provide coordinated responses to the ongoing efforts in the Country.

2.2 Resident Coordinator Office

Satisfactory

OAI reviewed the Resident Coordinator's annual reports submitted to the United Nations Development Group, minutes of UNCT and thematic group meetings, the Resident Coordinator Office's work plan and joint programmes. No reportable issues were identified.

2.3 Role of UNDP - "One UN"

Not Applicable

The Country is not part of the One UN initiative and therefore this area was not applicable to the audit.

2.4 Harmonized Approach to Cash Transfers

Satisfactory

Pursuant to General Assembly Resolution 56/201, the Executive Committee agencies adopted a common operational framework for transferring cash to government and non-governmental Implementing Partners referred to as the Framework for Cash Transfers to Implementing Partners. A joint working group on the Harmonized Approach to Cash Transfers (HACT), consisting of representatives of three Executive Committee agencies (UNDP, UNFPA, and UNICEF), is responsible for HACT implementation and reports to the UNCT.

Issue 3 Delays in implementing HACT process

The Framework for Cash Transfers to Implementing Partners requires United Nations agencies to focus on strengthening national capacities for management and accountability. It requires the following: (a) a macro-assessment of the public financial system; (b) micro-assessments of all Implementing Partners receiving funding in excess of \$100,000; and (c) a combination of assurance activities consisting of periodic onsite reviews, programmatic monitoring, and scheduled audits.

OAI noted the following weaknesses in HACT implementation:

- A HACT macro-assessment was completed, however, it was not officially endorsed by the Government.
- The micro-assessment was not completed and would not be available until mid-2013.
- The Office advanced resources of over \$100,000 to at least 20 NGOs, even though no capacity assessments had been conducted.

Following the audit mission, the Office reported that the micro-assessments of 106 NGOs and state institutions were conducted by an audit firm from 27 November to 22 December 2012. A debriefing session was organized on 21 December 2012 when the main results of the micro-assessments were presented and indicated that projects can be administered: (a) through advance of funds for 19 NGOs presenting a low level of general risks; (b) through conditional advances for 27 NGOs and state institutions with a medium level of risks; and (c) through direct payments for 60 NGOs and state institutions presenting a high level of risks.

The evaluation reports were submitted by UNDP on 18 January 2013 to the representatives of the United Nations agencies concerned. The next step would have been for the HACT working group to consolidate the observations of the Implementing Partners. However, in the meantime, two major politico-military crisis and two evacuations of all UN personnel took place. This subject will therefore need to be reconsidered in due time and no formal recommendation was issued

3. Programme activities

Partially Satisfactory

3.1 Programme management

Partially Satisfactory

The Country Programme Document 2012-2016 was approved by the Executive Board during its session in September 2012. No Country Programme Action Plan was developed since the Office and UNCT members developed the UNDAF Action Plan. The main priorities included two objectives: (a) promotion of good governance and rule of law; and (b) poverty reduction and progress towards the Millennium Development Goals.

OAI noted that there were weaknesses in monitoring recommendations contained in outcome evaluations. According to the Evaluation Resource Centre website (Evaluation Office), the Office did not submit an outcome monitoring and evaluation plan even though a new Country Programme Document was approved in September 2011. During the fieldwork, the Office provided the audit team with the plan, but failed to upload it to the Evaluation Resource Centre website. In addition, there was weak monitoring of recommendations issued following the four outcome evaluations conducted between 2010 and 2011. A total of 20 recommendations showed a status of overdue or not implemented, while only 10 recommendations had been marked as implemented. The Office committed to updating the status of all recommendations and uploading the outcome

monitoring and evaluation plan onto the Evaluation Resource Centre website. Since corrective actions were taken, OAI has not raised an issue.

Issue 4 Weaknesses in directly implemented projects

(a) Corporate Issue: Lack of Office capacity assessment

According to the Programme and Operations Policies and Procedures, UNDP offices wishing to directly implement projects must submit a request to their respective Regional Bureau, with a copy to the Operations Support Group (applicable for countries not yet under the harmonized operational modalities) or submit a draft Country Programme Action Plan to the respective Regional Bureau, which indicates the expected level of direct implementation (case of harmonized operational modalities) by UNDP. The Regional Bureau would then conduct an assessment, communicating the results to the Office, including any recommendations and support for improving Country Office capacity.

OAI noted that the Office implemented a large portfolio of projects with a budget total of \$37 million without a prior assessment by the Regional Bureau of its capacity to do so. Had a capacity assessment of the Office been conducted by the Regional Bureau for Africa, a number of critical weaknesses could have been identified and addressed. For example:

- (a) poor procurement processes (refer to Issues 10 to 13);
- (b) insufficient verification over payments (refer to Issue 9); and
- (c) deficient control over project assets (refer to Issue 16).

(b) Lack of segregation of duties and accountability in managing directly implemented projects

Under direct implementation modality, an office must take on many roles in order to formulate, appraise, approve, execute, implement, monitor and evaluate and oversee its own performance. Thus, there is a need to ensure adequate segregation of duties between the staff entrusted with the quality assurance role and the project manager entrusted with the day-to-day project implementation. However, the Country Director was holding both the project manager and quality assurance roles in two major programmes: Elections and Disarmament, Demobilization, and Reintegration. The Country Director was also replacing the Governance Programme Officer/Head of the Programme Unit and Project Manager. Thus, the quality assurance role was not assured.

(c) Absence of delegation of authority to Project Managers of directly implemented projects

As per the Internal Control Framework, for each project managed or project directly implemented by UNDP, the Head of Office must formally designate a Project Manager, and ensure that the Project Manager is aware of his or her responsibilities and accountabilities. This written delegation should be securely filed. OAI noted that a written delegation of authority was not issued by the Resident Representative to Project Managers, either in the operations area or for directly implemented projects.

Priority	High (Critical)
Recommendation 2:	
OAI recommends that the Regional Bureau for Africa should conduct a capacity assessment to evaluate the Office's ability to directly implement projects.	
Management Comments: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
<p>Within the framework of a recent multi-disciplinary UN mission to the Country, UNDP undertook a strategic programming mission to review UNDP programmes and operations, while also supporting the ongoing financial sustainability exercise. In the context of these ongoing initiatives, and UNDP's programmatic needs, the Regional Bureau for Africa is undertaking a thorough review of the Country Office structure to review and assess capacity needs. In addition, the use of Fast Track Procedures for the Country will be reviewed based on the above exercise and adjusted at the Country Office level.</p>	

Priority	Medium (Important)
Recommendation 3:	
<p>The Office should ensure proper segregation of duties and accountability in managing directly implemented projects by:</p> <p>(a) ensuring that staff assigned with the monitoring and assurance role are not the same staff who are entrusted with the day-to-day project implementation;</p> <p>(b) revising its approach to project budgeting to ensure adequate funding to allow the Project Manager to be retained through project closure; and</p> <p>(c) ensuring that the Resident Representative issues written delegations of authority, which specify the roles and responsibilities of Project Managers.</p>	
Management Comments: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
<p>The Office will issue its revised Internal Control Framework adapted to its financial sustainability and effectiveness plan as soon as it is endorsed by the Regional Bureau for Africa and the Bureau of Management, including proper delegation of authority issued by the Resident Representative. In the meantime, no directly implemented projects have been approved and will no longer be approved given the fact that the contracts of all Project Managers of directly implemented projects were not extended beyond 30 June 2013 for reasons already explained.</p>	

3.2 Partnerships and resource mobilization

Partially Satisfactory

Issue 5 Weak management of donors contributions and relations

(a) Refunds to donors

According to the Programme and Operations Policies and Procedures, unexpended balances are refunded to donors where indicated in the contribution agreement. Offices are authorized to issue refunds to donors for cost-sharing balances. If the dollar equivalent of the unspent balance is less than \$5,000, offices should refer to the contribution agreement to determine whether the donor permits UNDP to retain the unspent balance. Where funds can be retained, these should be credited to miscellaneous revenue and, if not permitted, they should be refunded to the donor.

OAI noted that the Office transferred funds amounting to \$92,000 to Atlas account 11888 (programme cost-sharing) from the World Bank without the donor’s consent. In an email dated 21 November 2011, the Office of Financial Resources Management required the Office to write to the donor in order to return the funds and, pending completion of the negotiation with the World Bank, to transfer the amount to account 11888. However, while the Office transferred the funds to account 11888, it did not complete its negotiation with the World Bank on whether to return or retain the unspent balance.

(b) Receipt of contributions locally

According to the Programme and Operations Policies and Procedures, the Office’s finance staff should submit to the Global Shared Services Centre any newly signed third party cost-sharing agreement within a week from its signature. This submission should be done by uploading a scanned copy of the agreement in the Document Management System. The Global Shared Services Centre will record revenue in the General Ledger and create the accounts receivable item based on the milestones and conditions in each agreement.

OAI noted that the Office signed a cost-sharing agreement with France and received \$72,000 in its local bank account. However, it did not inform the Treasury Division and, did not submit the cost-sharing agreement to the Global Shared Services Centre for recording the revenue.

Priority	Medium (Important)
Recommendation 4:	
The Office should improve its management of donor contributions and agreements, specifically by: (a) ensuring that unexpended balances of funds from completed projects are refunded to donors, unless another arrangement has been agreed to in writing; and (b) ensuring that signed cost-sharing agreements are uploaded to the Document Management System for submission to the Global Shared Service Centre, which will record related revenue in the General Ledger account.	

Management Comments: Agreed Disagreed

The Office will take appropriate measures to refund funds for completed projects. Further, the Office will continue to ensure that signed cost-sharing agreements are uploaded in the Document Management System, although and to the best of our knowledge this has been done on a systematic basis, with one specific and single exception.

3.3 Project management

Partially Satisfactory

OAI reviewed the project initiation, monitoring and closing activities. The audit team reviewed seven projects representing 76 percent of the programme budget and 86 percent of the Office's delivery:

- 60396 – Strengthening UNCT Planning Capacity
- 61334 – “Etat de Droit basé sur la Justice”
- 70768 – Programme Disarmement, Demobilization, and Reintegration des Groupes armées
- 70854 – CAR CHF PROJECT
- 76539 – Projet d'Appui au Cycle Electoral
- 81753 – CAR CHF Programme
- 83970 – Réinsertion des démobilisés

Issue 6 Inadequate project closure process

The Programme and Operations Policies and Procedures require that projects be financially closed not more than 12 months after being operationally completed. The project manager is required to: prepare final project review reports; prepare a final lessons learned report and identify follow-up actions and submit them for consideration to the project board; manage the transfer of project assets and files to national beneficiaries; and prepare the final financial report to be certified by the Implementing Partner and submit the report to UNDP.

OAI also reviewed the list of closed projects provided by the Office and identified at least 13 projects that were operationally closed but were not financially closed within the required 12-month timeframe. Furthermore, out of five projects that were financially closed, not all supporting documents were available (e.g., final project report, final transfer of assets and checklist signed by the Resident Representative).

Under the Global Fund programme, the Office ceased project implementation and terminated all project personnel contracts in April 2011, before the approval of the closure plans by the Global Fund and completion of the remaining activities. In October 2012, the Global Fund visited the Office and could not access all supporting documents. As a result, the Global Fund considered \$4.3 million in expenditures as ineligible. At the time of the audit, the Office hired the former Finance Specialist to collect all supporting documents and prepare an updated financial situation.

Unless prescribed project closure procedures are followed, there is a risk that the results achieved and lessons learned will not be properly documented, reviewed and accepted by the project's stakeholders, as well as the risk that assets may be lost.

Priority	Medium (Important)
Recommendation 5:	
<p>The Office should ensure that project closure procedures are adhered to, as follows: (a) projects are financially closed within 12 months after being operationally completed; and (b) the project team, particularly the project manager, is not released until all required documents and reports on project closure activities are prepared and submitted to relevant parties.</p>	
Management Comments: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
<p>The Office agrees with the principles of this recommendation. However, out of the seven projects reviewed by OAI, only one was operationally completed at the time of the audit, i.e. project 76539 – Projet d’Appui au Cycle Electoral. All other projects were still ongoing, even if for project 70768 – Disarmament Demobilization and Reintegration, the Chief Technical Advisor was no longer in the Country on a full-time basis in order to save scarce resources due to the successive interruptions in programme implementation. The Chief Technical Advisor was thus coming on a consultancy basis when opportunities for resuming project implementation materialised. The Chief Technical Advisor of the DDR project was in the Country at the time of the audit to prepare the launch of the new programme under the new Contribution Convention signed with the EU on 13 November 2012. The Chief Technical Advisor of the Elections programme indeed left the Country before the final closure of the project, being called in Mali in anticipation of the elections that were taking place in July 2013, but was on stand-by in case of need. It is the Office’s opinion that it would not have been acceptable to the donors funding the electoral project, to keep a Chief Technical Advisor in place during the entire period needed to close the project after its operational completion (thus during period February 2012 - August 2013). Also, it should be noted that three of the projects reviewed by OAI (projects 61334, 70768 and 76539) were already audited twice in 2012 before being reviewed by OAI in November 2012, and that all three projects (representing the bulk of our yearly delivery) came out of these two audits with an unqualified opinion.</p>	
OAI Response:	
<p>The audit mission tests were performed using a list of projects operationally and financially closed, which was prepared and provided by the Office. The list included 55 projects, of which 39 were listed as operationally closed and 16 to be financially closed.</p> <p>In feedback received on 18 September 2013, the Office had agreed with the audit recommendation and shared with OAI its projects closure plan which listed 49 projects to be closed by December 2013.</p>	

4. Operations	Unsatisfactory
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4.1 Human resources	Partially Satisfactory
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At the time of the audit, the Office had 49 staff members, 41 service contract holders and 3 United Nations Volunteers. The human resource function in the Office was primarily responsible for recruitment, maintenance

and separation of UNDP staff. Additionally, it was responsible for managing payroll and employee benefits for UNDP and other United Nations partner agencies.

OAI identified one medium priority issue in this area, resulting in two recommendations. Accordingly, controls in this area were assessed as “partially satisfactory.”

OAI also discussed with the Office’s management two low-priority issues related to the payment of home leave travel benefits to international staff and the management of salary advances. The Office has commenced action to rectify those issues.

Issue 7 Weaknesses in the management of human resources

Well designed and effective human resource processes are critical to ensuring effective recruitment that identifies and attracts skilled personnel, in accordance with the vision and values of UNDP. These processes ensure that personnel continually update their skills and that staff performance is measured consistently and objectively.

OAI identified deficiencies within the human resource processes in the Office, as follows:

- A position creation/update form which should be approved by the Resident Representative to reserve the budget and identify the location of the position in the organization chart was not created for the recruitment of three national staff (fixed-term and temporary appointments).
- In one case, an initial offer of appointment was issued to the candidate before the Office obtained three satisfactory reference checks as required by the UNDP recruitment framework.
- There was a low completion rate by Office staff for UNDP mandatory courses, particularly the Legal Framework and Gender courses which had completion rates of only 14 and 25 percent, respectively. A similar issue was raised in the 2007 and 2010 audits by OAI. Management communicated with staff to encourage them to complete the mandatory trainings. The Office also required proof of completion of security related trainings as part of the travel authorization requests. Subsequently, the completion rate in security related courses improved significantly, while the rate for the other courses remained low.
- The Results and Competency Assessment for staff was not effectively followed through to completion. The annual Results and Competency Assessments for 2011 were not completed within the target date of 31 March 2012, and at the time of the audit, only 53 percent had been completed. Additionally, assessments for 14 personnel were not conducted in time for their contract renewal, necessitating a policy override from management to facilitate contract renewal. Furthermore, 34 percent of delayed Results and Competency Assessments were awaiting supervisor inputs.

The above deficiencies were due to weaknesses in the design and execution of controls. The recruitment procedures did not include an approved position creation/update form. In addition, there was no mechanism to periodically follow up and hold staff and supervisors accountable so as to facilitate the timely completion of mandatory trainings and annual Results and Competency Assessments. This resulted in ineffective management of staff competencies and made it difficult to identify opportunities for development so as to improve staff performance and promote career growth.

Priority	Medium (Important)
Recommendation 6:	
The Office should strengthen human resource processes by:	
<ul style="list-style-type: none"> (a) ensuring that the position creation/update form showing the budget and location of the position in the organization chart is created for each recruitment under either fixed-term or temporary appointment; (b) establishing a more effective mechanism to monitor and follow up on staff member's completion of the mandatory trainings and encouraging staff to complete such courses; and (c) ensuring that the Results and Competency Assessments for staff are conducted and completed on time. 	
Management Comments: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
<ul style="list-style-type: none"> (a) The Office has already started to ensure that position creation and updates providing budget and location on the organization chart are prepared before new recruitments are undertaken (document attached). (b) A new training plan providing a mechanism for progress tracking will be finalized by 31 August 2013 based on Results and Competency Assessments recommendations in addition to IPSAS training already organized in the past two years. (c) The management of the Results and Competency Assessments process for 2012 has been improved through a regular tracking of progress and reminder messages sent to staff and supervisors. The new tool (Performance Management and Development) that replaces the Results and Competency Assessment has been presented to all staff on 5 July 2013, to ensure that the process is completed on time and according to the corporate calendar. 	

4.2 Finance

Unsatisfactory

OAI reviewed financial management processes, including the use of the Chart of Accounts, the management of cash advances, and the quality of supporting documentation. OAI also tested 61 accounts payable vouchers amounting to \$8 million, representing 18 percent of all vouchers paid during the period reviewed.

Two high priority issues were noted, resulting in five recommendations. As such, this audit area was assessed as "unsatisfactory."

Issue 8 Inappropriate use of and inadequate controls over manual cheque payments

According to the Programme and Operations Policies and Procedures, the Office may only make manual cheque payments, i.e. issuing a cheque outside the Atlas system, when: (a) the Office is unable to complete a transaction due to poor system performance or poor connectivity to Atlas; and (b) the payment is needed on an emergency basis. Manual cheque payments must be backed by supporting documents and must be recorded in Atlas within 48 hours of issuance. If the manual cheque payment cannot be recorded in Atlas within 48 hours, the Treasurer must be apprised of the situation in writing.

OAI noted six manual cheque payments amounting to \$1.6 million for the payments of electoral agents and fuel were processed by the Office without supporting documents. Subsequently, supporting documents were prepared and signed as if the Office was making new payments. Four payments totalling \$1.1 million were recorded in Atlas more than seven days after execution. In four instances, the Treasurer was not apprised of the

situation in writing, as required. Unsupported manual cheque payments are susceptible to fraud and expose UNDP to the risk of financial losses.

Priority	High (Critical)
Recommendation 7:	
The Office should strengthen its controls over manual cheque payments by:	
<ul style="list-style-type: none"> (a) ensuring that manual cheques are only used under the conditions established for their use in the Programme and Operations Policies and Procedures; (b) ensuring that manual cheques are only processed with adequate supporting documentation; and (c) recording manual cheque payments in Atlas within 48 hours of issuance and notifying the Treasurer when this is not possible. 	
Management Comments: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
<p>On (a) and (b) the Office would like to clarify that the related transactions were made on an exceptional basis to support the immediate launch of the electoral activities that had been postponed twice. The Office no longer issues manual checks as per administrative circular ADM/08/2011 dated 16 December 2011, and ADM/20/2012 dated 26 November 2012 (copies attached), and is following Programme and Operations Policies and Procedures provisions regarding manual payments based on adequate documentation.</p> <p>Regarding (c), finance staff will be instructed to record any future manual check payment within 48 hours of issuance, and will inform the Treasurer in writing if the 48 hours deadline cannot be respected.</p>	

Issue 9 Weak controls and oversight over financial transactions

The Programme and Operations Policies and Procedures assign responsibility and accountability for the effective and efficient management of cash resources to the Office. This includes implementation of controls over receipt, deposit, advance, investment and disbursement of cash. The Programme and Operations Policies and Procedures further restrict the amount of cash advances to project staff to \$500. If a larger advance is required, prior approval must be obtained from the Office of Financial Resources Management.

(a) Weak management of cash advances

OAI noted that the Office regularly issued large cash advances to staff and project personnel (OAI noted advances issued for up to \$400,000), but did not have a mechanism to monitor and reconcile them. The Office did not obtain approval from the Office of Financial Resources Management as required for advances greater than \$500. While financial reports were submitted by recipients to account for cash advances, there was no evidence that the accounting was independently verified to determine accuracy, validity and completeness. For example, a person hired on an individual contract was paid cash advances totalling \$1.3 million from January to March 2011. There was no evidence that the Office reviewed the financial report provided by the contractor to account for how the advances had been spent.

While the Office explained that large cash advances were used for activities in remote locations, there were instances where such advances could not be justified. OAI identified one advance of \$458,500 issued to a staff

member for an activity that took place in Bangui where the Office is located. The Office could have used one of the financial institutions located in Bangui to minimize the risk exposure.

OAI also noted that some cash advances remained unliquidated for up to six months. One advance issued in August 2011 in the amount of \$29,000 had not been liquidated at the time of the audit, and therefore had been outstanding for more than 15 months. This situation could result in financial losses for the Office. A significant amount of time and effort is required to effectively account for and validate the advances, which had proven to be a challenge for the Office. In addition, the transport of large amounts of cash creates a safety risk to the staff carrying the cash. A loss had in fact already occurred approximately two years prior to the audit fieldwork, when a project staff member (under service contract) was robbed of \$20,000 while en route to the field.

(b) Payments without supporting documentation

Accountability over financial resources requires that the approval of a payment is backed by complete and relevant documentation. Such support must be received and reviewed in advance of the approval of the transaction and must be retained for future review.

OAI noted that the Office did not have effective controls to prevent the processing and approval of payments that do not have proper supporting documentation. As a result, several payments were processed by the Office without supporting documents, as illustrated below:

- Two payments amounting to \$154,000 for the purchase of fuel were processed without receipt, verification and validation of supporting documentation, as required by the contract. OAI could not validate this payment since the required documentation had not been provided to the Office by the vendor.
- Two payments amounting to \$160,000 for the purchase of fuel were processed without proper review of the documentation provided by the vendor. As a result, an overcharge of \$9,600 was not detected and resulted in an overpayment. A refund for the overpayment had yet to be requested.
- Two vouchers amounting to \$137,000 were paid prior to the receipt and review of supporting documentation.
- One payment was made to an individual's personal bank account instead of the bank account of the registered entity with which the Office had entered into contract. There was no supporting document on file from the registered entity authorizing the Office to effect the payment to the individual's personal bank account.

Payment of invoices in the absence of, or prior to receipt of supporting documentation exposes the Office to the risk of overpayment as well as the risk of misuse of funds.

(c) Inaccurate recording of transactions in Atlas

The UNDP Chart of Accounts provides the fundamental building blocks of Atlas financial systems for control, budgeting and reporting. The correct use of the Chart of Accounts is critical for accurate financial, management and donor reporting. It ensures that transactions are recorded in the appropriate account to facilitate effective analysis and information for decision making.

OAI noted many instances where the Office and project staff booked transactions to incorrect accounts in Atlas. Examples are as follows:

- Two transactions worth \$136,000 were recorded to account 73405 "Rental & Maint-Other Office Eq" instead of "Prepaid fuel."
- Inconsistent financial recording of nationally implemented project advances to accounts 71405, 72155, and 72145 instead of 16005 "Nationally implemented project advances."
- Audit fees amounting to \$38,000 were recorded in account 72105 "Svc Co-Construction & Engineer", instead of account 74110 "Audit fees."
- Advances to project staff were recorded to expense account 7-series instead of 16007 "Project advances" (the Office had agreed to implement a related recommendation on this issue which was raised during the previous OAI audit).
- Home leave travel was charged as a travel expense (accounts 71635) instead of staff entitlement (account 63335).

The result of incorrect recordings is that it misrepresents the expenditure profile of the project to which expenses are charged to. Consequently, expenditure reports provide misleading financial information that undermines effective monitoring and control.

Priority	High (Critical)
Recommendation 8:	
The Office should strengthen the management and control of cash advances by:	
<ul style="list-style-type: none"> (a) assigning responsibilities and accountabilities for monitoring of outstanding amounts; (b) using cash advances to projects only in cases of necessity; and (c) ensuring a timely and effective review of the reports received to justify the liquidation of such advances. 	
Management Comments: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
<ul style="list-style-type: none"> (a) The Office has established as of 27 September 2010 procedures regarding the management of cash advances that have been reinforced through ADM/17/12 dated 23 November 2012. (b) & (c) Another administrative note will be issued by 31 July 2013 to further specify the conditions under which cash advances to projects can be provided and the criteria for the timely and effective review of reports justifying their liquidation. 	

Priority	High (Critical)
Recommendation 9:	
The Office should ensure that: (a) the approval of payment transactions is based on the receipt and review of complete and adequate supporting documentation; and (b) financial transactions are recorded using the proper account codes.	
Management Comments: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
The Office will: (a) issue by 31 July 2013 an administrative note reiterating the procedures to be followed regarding voucher supporting documentation; and (b) organize by 30 September 2013 refresher training sessions for all administrative and finance associates regarding the proper codification of accounts.	

4.3 Procurement

Unsatisfactory

The Office issued 1,689 purchase orders amounting to approximately \$14 million during the period under review. OAI reviewed a sample of 53 (27 percent) purchase orders with an approximate value of \$3.9 million. Twenty-eight individual contractors' files were also reviewed. The Office was operating under the Fast Track Procedures for the Elections Project, which enabled it to award and sign contracts up to \$300,000 specific to that project.

Two high priority issues were noted, resulting in five recommendations. As such, this audit area was assessed as "unsatisfactory."

Issue 10 Lack of consolidated procurement plan and monitoring of cumulative value of contracts per supplier

The Programme and Operations Policies and Procedures stipulate that all business units and Country Offices shall develop consolidated procurement plans. It also requires that contracts with a cumulative value greater than \$30,000 in a calendar year be submitted to the respective procurement review committee.

A consolidated procurement plan identifies economies of scale and better use of resources, and provides an overview of the procurement activities. However, the Office did not have a consolidated procurement plan for 2011 and 2012. This was due to the fact that not all projects had submitted their requisition plans, and the ones submitted were received late in the year.

In its previous audit, OAI noted a lack of monitoring of cumulative contract value for vendors and recommended regular monitoring of the submission threshold. Even though the Office agreed to implement the recommendation (by submitting post facto cases and committing to regular oversight), it failed to set up an effective mechanism to continuously monitor the cumulative value of contracts per supplier and to submit them to the appropriate procurement review committee. Staff members in the Procurement Unit were not aware of the requirement that contracts from vendors who have reached the established thresholds must be submitted to the relevant committee for review. As a result, contracts cumulatively valued at \$2.7 million issued to 29 vendors, with each one exceeding the threshold of \$30,000, had not been submitted to the relevant review committee.

Additionally, OAI noted that at least one out of three procurement files reviewed had a “Note to file” explaining non-compliance with procurement policies and guidelines or circumstances surrounding a particular case.

Lack of compliance with procurement policies was due to a large extent to inadequate staff capacity. The Procurement Unit staff had limited knowledge of procurement guidelines. Only one of four active buyers in the Office had completed the basic procurement certification level one. Also, none of the Contracts, Assets and Procurement Committee members had completed any procurement certification.

Non-compliance with procurement practices may result in non-competitive procurement decisions that are not aligned with UNDP procurement principles.

Priority	High (Critical)
Recommendation 10:	
The Office should strengthen its procurement management by ensuring that:	
<ul style="list-style-type: none"> (a) a proper procurement plan covering all the Office’s activities is duly established; (b) a mechanism is implemented to monitor the cumulative value of contracts, and further that all cumulative procurement cases valued at \$30,000 or more are submitted to the relevant procurement committee for review; and (c) staff members with buyer profiles as well as members of the Office’s Contracts, Assets and Procurement Committee, complete the procurement certification (at the minimum, level one). 	
Management Comments: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
The Office had a complete turnover of procurement staff in early 2011, and the two current staff members are relatively new, having been recruited in 2011 and 2012, respectively.	
<ul style="list-style-type: none"> (a) The procurement planning process will be reviewed to ensure that the annual procurement plan is finalized at the latest on 31 March of each year, immediately after the project annual work plans are signed with the Government. (b) A template for monitoring vendor cumulative thresholds will be designed to analyse vendor thresholds prior to submitting the cases to the Contracts, Assets and Procurement Committee. (c) A procurement certification for all Contracts, Assets and Procurement Committee members and alternates will be organized by the end of the year in consultation with Procurement Support Office. 	

Issue 11 Weaknesses in competitive bidding processes

UNDP Financial Regulations and Rules require that procurement activity is organized and executed in a manner that demonstrates competitiveness, transparency, integrity and is in the best interest of UNDP. Key controls in this regard include ensuring that a commitment in any form is not provided to a vendor before the selection committee reaches its decision, and establishing objective selection criteria prior to commencement of the competitive selection activity.

OAI observed instances where a commitment was provided to a vendor before the relevant procurement committee had made its recommendation. The Office confirmed that in at least two instances with a combined

total of approximately \$569,000, staff had made commitments to vendors prior to the results of the review by the Regional Advisory Committee on Procurement.

The Office did not always establish clear evaluation criteria prior to the start of a competitive selection process, which led to subjective decisions. Also, it did not always pursue competitive processes where it should have. In one instance, the two most competitive bidders were disqualified from a request for quotation on the grounds that another supplier had a better reputation. The decision was not based on product requirements or specifications stipulated in the request for quotation, and the Office did not assess the other bidders' capacities prior to making a decision. Consequently, the Office paid \$40,000 more than it would have if it had proceeded with the most competitive bid. In another instance, two civil works contracts valued at \$142,000 were directly awarded to a vendor based on a Letter of Agreement without proper review by the appropriate procurement committee.

When procurements are made using unjustified non-competitive selection processes or without adherence to the key principles stated in the Financial Rules and Regulations, best value for money cannot be ensured. Additionally, the risk of fraud or inappropriate attribution of procurement contracts is increased, which could negatively affect the reputation of UNDP.

Priority	High (Critical)
Recommendation 11:	
The Office should strengthen its competitive selection process by:	
<ul style="list-style-type: none"> (a) prohibiting any commitment of awarding a contract prior to the results of the review by the appropriate procurement committee; (b) establishing clear evaluation criteria and using it to complete a thorough review of vendor capacity in order to make sound decisions; (c) awarding contracts based on proper review by the appropriate procurement committee; and (d) ensuring that direct procurements are reviewed by the appropriate procurement committee. 	
Management Comments: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
<ul style="list-style-type: none"> (a) All Contracts, Assets and Procurement Committee members will be briefed by 30 September 2013 and requested to systematically sign a declaration of confidentiality prior to the review of any procurement case. (b) A presentation on drafting clear evaluation criteria will be made to all project managers by 15 October 2013 to ensure that the evaluation criteria are determined prior to advertising procurement notices and are systematically followed. (c) & (d) By 31 August 2013, an administrative note will be issued to reiterate procedures to be followed prior to the awarding of contracts and the conditions under which direct procurement can be used. 	

Issue 12 Inadequate contract management

The contract management process allows a business unit to track and manage the clauses, terms, conditions, commitments and milestones throughout the life of its contracts to maximize business benefits and minimize associated risks. Contract management includes monitoring performance (i.e., quality standards, delivery),

effecting acceptance and payment, initiating amendments and orderly resolution of any disputes that may arise in the overall process.

OAI noted deficiencies in the Office’s contract management in terms of monitoring performance, as well as tracking and managing clauses, terms and conditions under the contracts.

One contract amounting to \$399,000 was unilaterally cancelled by the Office after the vendor had started production, based on an assessment that due to extreme weather conditions in the vendor’s geographical area, the vendor would not be able to deliver the products on time. A statement or confirmation was not obtained from the vendor to support this assessment. While cancelling the contract, the Office offered compensation to the vendor without consulting the Legal Support Office. The Office paid \$99,645 in penalties for breach of agreement.

Out of six civil works contracts signed by the Office, five contracts amounting to \$419,000 incurred significant delays of up to two years. Penalty or cancellation clauses were not applied due to a lack of regular monitoring and absence of progress reports by the Office and the civil engineering firm hired for that purpose. These contracts were initially signed for four to six months, and never extended. As a result, all six contractors worked without a valid contract for long periods of time. In another instance, an engineering firm hired by the Office to monitor civil works construction did not have a valid contract for 10 months in 2011. Its contract amounting to \$22,000 expired on 31 December 2010, and was only extended on 19 October 2011, but back-dated to cover the period from 1 January to 31 December 2011.

Inadequate contract management could lead to financial losses for the organization. Furthermore, the Office’s inability to deliver civil works construction projects in a timely manner could damage its credibility with donors and negatively impact the reputation of UNDP.

Priority	High (Critical)
Recommendation 12:	
The Office should strengthen its contract management processes by:	
<ul style="list-style-type: none"> (a) consulting with the Legal Support Office for any dispute arising from contracts and prior to negotiating compensation for services not rendered or products not delivered, and for any breach of contract or cases warranting the application of the penalty clauses; (b) ensuring that civil engineering firms are continuously monitoring the construction activities and issuing progress reports on a regular basis; and (c) ensuring that there is a valid legally binding contract with all vendors prior to commencement of work, which will remain in effect until the construction work is completed and final acceptance has occurred. 	
Management Comments: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
<ul style="list-style-type: none"> (a) The Office regularly consults the Legal Support Office for guidance and will continue to do so for any contractual dispute that arises in future. (b) By 30 September 2013, an administrative note will be issued to set up conditions to be used by civil engineering firms for monitoring and reporting on construction activities. (c) By 15 October 2013, a refresher training/presentation on contracting obligations will be organized to emphasize the need to have valid binding contracts prior the commencement of the work. 	

Issue 13 Weak vendor management (repeated issue raised in Report No. 778 issued in 2010)

The Programme and Operations Policies and Procedures require effective and efficient vendor management to avoid duplicate payments and state that the buyer should: (a) review Atlas vendor records to avoid creating duplicates; (b) assemble complete and reliable supporting documentation; (c) accurately complete Atlas vendor records; and (d) file manual records for approved vendors.

In its previous audit (Report No. 778), OAI noted that there were 15 duplicate vendors and 8 pairs of different vendors with the same bank account and recommended that the Office regularly review and update its vendor records and archive or deactivate duplicate or historic vendor records. In June 2012, OAI verified that no duplicate vendors remained in the system. The Office had also committed to reviewing its vendor database on a quarterly basis and taking appropriate actions.

However, during the current review, OAI again noted 15 duplicate vendors, 44 different vendors sharing bank accounts and 15 other missing vendor forms. This issue was partly caused by the lack of oversight when creating and approving vendors in Atlas, which led to an unreliable vendor database.

Many of the vendor files did not contain basic documents, such as copies of identification cards or business registration, tax identification information, requestor’s identification, or vendor’s signature. Some forms had been completed entirely by the requestor.

Weaknesses in vendor management and an unreliable vendor database could lead to duplicate payments or payments to fictitious vendors.

Priority	Medium (Important)
Recommendation 13:	
The Office should continuously strengthen its vendor management process by: (a) taking appropriate actions to regularly ensure its vendor database is free of duplicate vendors or vendors sharing the same bank account number; and (b) completing a due diligence review of new vendors and requiring complete documentation prior to approving the creation of a new vendor account.	
Management Comments: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
(a) To improve the management of the vendor database, a monthly review mechanism will be put in place as of 1 September 2013.	
(b) By 31 August 2013, a checklist will be prepared and systematically used for the registration of all new vendors in Atlas.	

Issue 14 Weak management of individual contracts

An individual contract is used for the procurement of services of an individual to perform non-staff related tasks in connection with clear and quantifiable deliverables which shall be listed in the contract and linked to payment. Furthermore, according to the guidelines, mandatory interview, reference checks and advertisement are required for contracts over \$100,000. Individual contracts exceeding \$100,000 per 12-month period need to

be submitted to the Regional Advisory Committee on Procurement. OAI reviewed a sample of 28 individual contractors' files and noted deficiencies, as described below.

Ten individual contracts reached the threshold of \$100,000 and were not submitted to the Regional Advisory Committee on Procurement. Five cases were submitted on a post facto basis in 2011. In addition, contract extensions did not include the cumulative value of contracts within the previous 12 months, making it difficult for senior management to monitor the threshold.

Some functions of the Office, including those of the Procurement Specialist, Information Technology Specialist, Programme Specialist, Operations Associate, Logistics Expert, Special Assistant to Country Director and Drivers were performed by individuals hired under individual contracts, even though according to the Programme and Operations Policies and Procedures they should have been issued temporary appointments or fixed-term appointments.

The procurement of services under individual contract modality was deficient in terms of interviews, reference checks, and advertisement requirements. The Office issued 3 individual contracts for 1 to 3 months, whereas the actual needs were from 9 to 18 months. As a result, these individual contracts were renewed up to 9 times and often exceeded 12 months or \$100,000, which would have required mandatory advertisement, reference and background checks, and submission to the Regional Advisory Committee on Procurement.

One contractor (international consultant) was hired at the P2 level without the post ever having been advertised. The Procurement Associate, who had completed the screening and final evaluation of the contractor without the involvement of a review panel or other staff, was unable to explain the scoring methodology used or to provide any supporting documentation for the scoring. Further review showed that the contractor was paid three times more than a comparable position (same title) held in the previous two years. Another contractor was hired at the P5 level while the post was for the equivalent of a P3 level position. There was no interview or reference check completed, the position was not advertised, and the selection process was not fully documented.

Inadequate management of individual contracts could negatively affect programme delivery, result in the misuse of funds, and/or damage the reputation of UNDP.

Priority	High (Critical)
Recommendation 14:	
The Office should strengthen its management of individual contracts by:	
(a) monitoring the cumulative value of individual contracts per contractor and submitting relevant cases to the Regional Advisory Committee on Procurement when thresholds are exceeded;	
(b) discontinuing the issuance of individual contracts for core functions; and	
(c) assessing the needs and duration of individual contracts in order to comply with the requirements on mandatory advertisement, interviews and reference checks.	

Management Comments: Agreed Disagreed

- (a) A template will be designed by 31 August 2013 to review cumulative contract amounts for each vendor on a monthly basis to ensure proper monitoring of thresholds prior to the submission of cases to the Regional Advisory Committee on Procurement.
- (b) The Office no longer uses individual contracts for core functions.
- (c) By 30 September 2013, a session will be organized for programme and project managers emphasizing the importance of assessing needs and duration upfront in order to comply with the mandatory advertisement, interview, and reference check requirements.

4.4 Information and communication technology

Partially Satisfactory

The Office has a user base of 65 staff (including UNOPS personnel) supported by an Information and Communication Technology Team of two staff members. Network connectivity was provided by a service provider under a global long-term agreement. Power shortages were a major challenge for the Office, as there were frequent power blackouts that forced the Office to rely heavily on diesel generated power. One medium priority issue had been identified and OAI assessed this area as “partially satisfactory.”

Issue 15 Weaknesses in the management of information and communication technology

Effective management of information and communication technology requires well defined processes and procedures that ensure the security of information and communication technology systems and efficient recovery in the event of a disaster.

OAI noted that a disaster recovery plan was not in place for the Office. A draft had been prepared and shared with the Information Technology Specialist at the Regional Office in Dakar, Senegal for review. However, neither a timeline nor a budget had been identified to guide the implementation of the plan.

There was no long-term plan to manage the renewal of information technology equipment. The information technology equipment acquisition plan did not outline how the equipment would be kept up-to-date going forward. The Office had a ratio of 1 printer for every 2 staff, and the proposed purchase of an additional 21 printers would bring the ratio closer to 1 printer per staff. This ratio may be unnecessarily high in light of shareable multi-function printers and leads to increased printing costs.

OAI further noted that administrator passwords for critical information technology assets such as servers and the firewalls had not been changed for more than a year. There was no specific plan or procedure to govern and guide the change of such passwords.

Priority	Medium (Important)
Recommendation 15:	
The Office should strengthen the management of information and communication technology by:	
<ul style="list-style-type: none"> (a) finalizing and approving the disaster recovery plan alongside an action plan to facilitate its implementation; (b) re-evaluating the plan to purchase additional desktop printers in favour of multi-function printers to be 	

shared among staff; and
(c) changing administrator passwords for critical information and communication technology resources on a predetermined schedule.

Management Comments: Agreed Disagreed

- (a) The disaster recovery plan will be finalized by 31 October 2013 based on the Office of Information Systems and Technology Regional Bureau's comments, tested and approved alongside an action plan for its implementation by 10 December 2013.
- (b) A new computer and office equipment plan will be finalized within the current relocation to BASE II to include the use of multi-function printers by 31 December 2013, latest.
- (c) The review of the schedule for changing administrator passwords to further protect the information technology resources in the Office will take effect immediately.

4.5 Asset management and general administration

Unsatisfactory

The review of this area focused on the management of assets, fuel, vehicles, travel and premises. Three high priority issues were identified. As such, OAI assessed this area as "unsatisfactory."

In addition, OAI identified two low-priority issues as follows:

- (a) Travel analysis was not done effectively to consider alternative routing from different airlines, and the rationale provided to justify travel requests was not always carefully reviewed prior to approval.
- (b) Several international staff had been granted personal use of the Office's vehicles (after office hours) exceeding three months at a monthly flat rate of \$200, which was below the monthly depreciation and operational costs (including insurance, fuel and maintenance) estimated at \$900. Furthermore, some staff members were not paying for the personal use of the vehicles on a timely basis.

The magnitude of these two issues was not substantial and management has taken corrective actions.

Issue 16 Weaknesses in asset management

Effective asset management ensures that an office can account for the assets that it controls as well as the costs of maintaining such assets. Assets should be tagged and recorded in Atlas prior to their distribution to end users. Subsequently, they should be verified on a periodic basis through a physical inventory. At the end of their useful life, assets should be removed from the office premises and the asset management system should be updated shortly after an approval to dispose assets is granted.

OAI established that it is not possible to accurately account for the assets of the Office, noting that:

- (a) Assets acquired in 2011 with a total value of \$331,000, which included computers and printers, were handed over to end users before they were tagged and recorded in Atlas.
- (b) Serial numbers had not been recorded for assets registered in Atlas since September 2011. In addition asset tag numbers were not affixed to any of the assets deployed to users over the same period. Thus, it was

difficult to undertake a physical inventory and reconcile it with the asset register. A related issue on conducting a physical inventory was raised in the 2007 audit and was assessed as being in progress during the 2010 follow-up audit by OAI. Subsequently, management indicated that a physical count was undertaken in June 2010.

- (c) A total of 11 asset disposal requests valued at more than \$366,000, which had been approved since December 2011, had not been followed through to physical removal of the assets from the premises or removed from Atlas. Thus, the asset register was significantly overstated, as it reflected many assets that were obsolete.
- (d) A loss of assets valued at \$17,000 was not reported to the Director of the Bureau of Management on two different occasions, as required by the policy on asset disposal and write-off in order to facilitate investigation and authorization to write off such assets.

Priority	High (Critical)
Recommendation 16:	
The Office should strengthen the management of assets by:	
<ul style="list-style-type: none"> (a) identifying, registering and tagging all unregistered and untagged assets; (b) undertaking a comprehensive asset inventory and subsequent reconciliation with the asset register (repeat of recommendation raised in the 2007 audit); (c) implementing procedures to ensure that assets are registered and tagged upon receipt; and (d) ensuring that all approvals to dispose of assets are followed through expeditiously to facilitate the update of the Atlas asset register in a timely manner. 	
Management Comments: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
<ul style="list-style-type: none"> (a) A task force for inventory management has been setup as per administrative note ADM/24/12 dated 29 November 2012 (copy attached). (b) The above task force has undertaken a comprehensive asset inventory for 2012 which has been reconciled and certified by Headquarters as per certification letter dated 17 May 2013 (attached). (c) A template will be designed by 31 August 2013 for the registration and tagging of all new assets upon receipt. (d) A time bound template/procedures will be prepared for the management of asset disposals in order to update the Atlas asset register in a timely manner. 	

Issue 17 Weak fuel management

Effective fuel management requires well controlled purchase, receipt, distribution and ongoing oversight to determine consumption patterns that warrant investigation. However, the Office did not have an effective mechanism to manage fuel consumption as noted below.

OAI identified fuel consumption as a high risk area, as it had increased by 105 percent between 2010 and 2012, from \$185,000 to \$382,000, noting that over the same period, programme expenditures had decreased by 48 percent from \$27.5 million to \$14.3 million. The responsibility for fuel management was assigned to the

Administrative Associate in charge of logistics who performed most of the key control functions, including requesting and justifying fuel purchases, approving the issuance of fuel and reconciling fuel consumption against receipts. Specifically, OAI noted the following weaknesses:

- The procedures to record the receipt of fuel were not adequate to provide assurance that fuel purchased was actually delivered for the use of the Office or the projects. For example, OAI was not able to confirm and reconcile the receipt of 21,000 liters of diesel reportedly delivered to the office over two occasions in batches of 8,000 and 13,000 liters. Both batches contained more than the 5,000 liter capacity of the reservoir at the main office.
- Differences recorded between amounts ordered and amounts received had never been reconciled and any amount due from the vendor had not been claimed. OAI identified at least 442 liters of diesel for 2011 and 2012 that should have been claimed back, but had not been claimed from the vendor.
- Vehicle usage and fuel logs were not maintained consistently and were not analysed to identify changes in fuel consumption that warranted justification. Analysis of the limited fuel consumption data for one of the Office diesel vehicles indicated an average consumption of 3.5 km/liter for March and October 2012 and 5.7 km/liter for the months of July and August, which was significantly below the expected 11 km/liter for a comparable vehicle.
- The Office was using a single prepaid fuel card to purchase fuel for three vehicles. There was neither a list of personnel authorized to use the card, nor were there requirements for recording of fuel card usage data such as license plate, mileage, quantity and volume consumed to permit tracking and control the use of the card. As such, on three different occasions, the fuel card was used to purchase fuel worth more than \$200, which was significantly higher than the capacities of the vehicles that were refueled with the card and of the average transaction of \$70 made with the card. On another occasion, the same receipt was issued and accepted for two different payments of \$200. On both occasions, these discrepancies were not raised, as an analysis had not been undertaken on the use of the fuel card.
- There was no procedure to account for bulk fuel issued from the reservoir to projects for field missions in jerry cans or drums. While the issuance of the fuel was recorded through a voucher at the beginning of the mission, records were not retained to show how much fuel was subsequently used during the mission, how much remained and who received it back at the Office or depot. Fuel consumption of the generators was not monitored as there were no meters attached to the plumbing used to feed fuel to the two generators from the reservoir. Thus, the logs for the generator only tracked the number of hours that the generators were in use and it was not possible to analyse consumption to determine unusual circumstances that may have warranted further investigation.

OAI further noted that allegations of fuel thefts had been investigated by the Security Advisor of BINUCA in May 2012. The weaknesses noted in the ensuing report mirror the above-mentioned weaknesses. The recommendations in the investigation report had yet to be implemented. There were no sanctions recommended in the report.

OAI determined that the weaknesses noted related to inadequate capacity and segregation of duties, a lack of full consideration of fuel management risks, and a lack of management oversight over the work of the Administrative Associate in charge of logistics. The Office fuel management process was, therefore, neither adequately designed nor operated with a view to mitigating inherent risks.

Priority	High (Critical)
Recommendation 17:	
<p>The Office should design and implement control procedures to manage fuel by:</p> <ul style="list-style-type: none"> (a) implementing an automated vehicle management system similar to that used by BINUCA to facilitate control and monitoring of vehicle fuel usage; (b) considering the use of a fuel card per vehicle and ensuring that relevant data is recorded and reviewed periodically; (c) separating the delivery of fuel to the depot and to the main building; (d) ensuring that bulk fuel issued for field missions in jerry cans and drums is accounted for at the end of the mission; (e) installing meters from the gas reservoir at the main office to the two generators to facilitate control of fuel distribution; (f) implementing a monthly management review of fuel consumption for each vehicle and generator to identify variances warranting further action; and (g) ensuring adequate controls are in place over the performance of key activities relating to management of fuel, including proper segregation of duties. 	
Management Comments: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
<ul style="list-style-type: none"> (a) The Office will liaise with BINUCA to analyse their automated vehicle management system and adapt it to UNDP or find another system that better fits the Office's needs by 30 November 2013. (b) Action was already taken on 21 November 2012. Each vehicle has its own fuel card as per TOTAL documents attached. However, due to the damages to TOTAL Central Africa's equipment during the recent crisis, the management of the fuel cards has been centralized by the fuel company until further notice. (c) Separate purchase orders are now issued for the purchase of fuel at M'poko depot and for the main office. (d) Requests for fuel are now reviewed by the Finance Unit and approved by project managers as per attached documents. Accounting for fuel used during missions will be the responsibility of the Chief of missions. This mechanism will be reviewed and strengthened in the future when missions to the country side will be authorized again based on the security situation. (e) Action has already been taken and meters have been installed on the reservoirs to facilitate the control of fuel consumption on the two generators at the main office as per attached document and photographs. (f) A new template has been prepared and is being used for the tracking of fuel consumption of each vehicle and is attached. (g) A new fuel request template has been designed that reinforces control and involves the requester, the logistician, the programme/project manager as well as the head of the Finance Unit. 	

Issue 18 Unjustified rental of premises

The rent for the premises used by the Office as a principal place of business amounted to \$240,000 (\$12,000 monthly at the applicable exchange rate) between January 2011 and September 2012. At the same time, the Office had three buildings assigned to it by the Government at no charge, but which it had sublet, also at no

charge, to the United Nations Dispensary, OCHA, and the residence of the Special Representative to the Secretary General.

These decisions had therefore created an unsustainable ongoing monthly overhead that could have been avoided, and which could have resulted in savings if the Office relocated to the three Government-provided premises.

It is worth noting that the Office was not able to pay the rent for the building on its own. As such, when UNFPA left the building, the Office requested projects to move in so as to share the rental cost. Based on discussions with staff, the Office was previously located in the OCHA offices but moved following the military coup in 2004, due to security concerns. The Office did not express that the issue of space was the justification for the continued use of the rented office premises. Furthermore, the security concerns may no longer be relevant given that another UN agency is using the premises provided by the Government. The Office did not offer an explanation as to why it continued to rent. Without justification supported by relevant documentation, the continued rental raises an issue of value for money.

Items factored into the building rental and that were critical for the safe use of the building were not functional. Specifically: (a) the emergency exit was not safely secured; (b) there were neither functional smoke detectors nor fire extinguishers in the building; (c) the elevator was not functional and the electrical cabling in the building was not securely attached; and (d) the building was susceptible to water damage as it leaked significantly when it rained. Many of the items identified had been raised as a concern in the evaluation of the building made by UNDSS in December 2011. However, corrective action had not yet been taken.

OAI further noted that the office building had not been covered by a civil liability insurance policy at any time from the time UNDP initially leased the building in 2004. The landlord was required to obtain this insurance coverage but had never done so, even though this was a key deliverable factored into the rental agreement.

Priority	High (Critical)
Recommendation 18:	
The Office should: (a) develop and implement a time bound plan to relocate and consolidate the operations of the Office and the projects using the premises provided by the Government; and (b) in the interim, with regard to the rented premises, ensure that the landlord provides civil liability insurance, as well as the other safety related components in line with the contractual obligations.	
Management Comments: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
<p>(a) The Office is currently working with UNOPS on a project to move to BASE II by the end of the year in consultation with the Regional Bureau for Africa.</p> <p>(b) The Office has already discussed the contractual obligations with the landlord, who has agreed to give repair priority to damaged areas of BASE I. The Office will also request the landlord to cover BASE I with proper insurance, and to submit a copy of the insurance policy to UNDP.</p>	

4.6 Safety and Security

[NOTE: This section has been redacted as it is deemed to contain sensitive information.]

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ANNEX I. Definitions of audit terms - Ratings and Priorities

A. AUDIT RATINGS

In providing the auditors' assessment, the Internal Audit Services of UNDP, UNFPA, UNICEF, and WFP use the following harmonized audit rating definitions. UNDP/OAI assesses the Country Office or audited HQ unit as a whole as well as the specific audit areas within the Country Office/HQ unit.

- **Satisfactory** 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. *(While all UNDP offices strive at continuously enhancing their controls, governance and risk management, it is expected that this top rating will only be achieved by a limited number of business units.)*
- **Partially Satisfactory** 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. *(A partially satisfactory rating describes an overall acceptable situation with a need for improvement in specific areas. It is expected that the majority of business units will fall into this rating category.)*
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised. *(Given the environment UNDP operates in, it is unavoidable that a small number of business units with serious challenges will fall into this category.)*

B. PRIORITIES OF AUDIT RECOMMENDATIONS

The audit recommendations are categorized according to priority, as a further guide to UNDP management in addressing the issues. The following categories are used:

- **High (Critical)** 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 and may affect the organization at the global level.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.