UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

GUINEA

Report No. 1146

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(REDACTED)

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Report on the audit of UNDP Guinea
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Guinea (the Office) from 4 to 18 November 2013. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

(a) governance and strategic management (organizational structure and delegations of authority; leadership, ethics and values; risk management, planning, monitoring and reporting; and financial sustainability);

(b) United Nations system coordination (development activities, the Resident Coordinator Office and Harmonized Approach to Cash Transfers);

(c) programme activities (programme management, partnerships and resource mobilization, and project management); and

(d) operations (human resources, finance, procurement, information and communication technology, general administration, and safety and security).

The audit covered the activities of the Office from 1 January 2012 to 31 August 2013. The audit did not cover the role of UNDP in "One UN" because this was not yet applicable in the Country. The Office recorded programme and management expenditures totalling $35 million. The last audit of the Office was conducted by OAI in 2007.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **partially satisfactory**, which means "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." This rating was mainly due to weaknesses in the procurement area, project monitoring and closure, and management of finance and human resources.

Key recommendations: Total = **9**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There are nine medium (important) priority recommendations, which means "Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP." These recommendations include actions to address: non-submission of procurement cases to procurement committees, delays in implementing the Harmonized Approach to Cash Transfers, weak monitoring of donor reports, the absence of the Regional Bureau's authorization for direct implementation, and incomplete and untimely project closure.

There was one issue related to the collection of the Government Local Office Cost contributions that was caused by factors beyond the control of the Office (see Issue 1).

Management comments and action plan

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

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office is located in Conakry, Guinea (the Country). At the time of the audit it employed 46 staff members, 57 service contract holders and 4 international United Nations Volunteers and was implementing the Country Programme Document/Country Programme Action Plan covering the period of 2013-2017. The programme was aligned with the United Nations Development Assistance Framework as well as with the Government's national development priorities. The Country Programme Action Plan outcomes were as follows: (a) governance and conflict prevention; and (b) economic growth and sustainable development. The total budget for implementing the programme was estimated at $46 million.

The Country held its first presidential elections in 2010 and the legislative elections in September 2013. It is ranked 178 on the Human Development Index.

II. Audit results

Satisfactory performance was noted in the following areas:

(a) Governance and strategic management. The control processes were generally established and functioning during the period under audit.

(b) United Nations system coordination. Key controls were operating properly. Further, there was a common understanding in the United Nations Country Team to improve the relevance and effectiveness of the United Nations development system.

(c) Programme activities. Controls were functioning well over a number of areas, including project initiation and monitoring. While some weaknesses existed in the area of project closure, these would not put the achievement of the programme results at risk.

(d) Operations. Key controls were enhanced and operating more effectively in 2013 as compared to 2012, and this enabled the Office to achieve its results with due regard to efficiency and effectiveness.

OAI proposes nine recommendations that are ranked medium (important) priority.

Low priority recommendations were discussed directly and agreed with the Office and are not included in this report.

Medium priority recommendations, arranged according to significance:

(a) Submit procurement cases to the appropriate procurement committee when the threshold is reached (Recommendation 8)
(b) Pursue efforts to fully implement Harmonized Approach to Cash Transfers (Recommendation 2)
(c) Improve monitoring of donor reports (Recommendation 3)
(d) Request authorization to implement projects directly (Recommendation 4)
(e) Strengthen procedures for project closure (Recommendation 5)
(f) Strengthen security measures (Recommendation 9)
(g) Strengthen the management of staff separations (Recommendation 6)
(h) Improve leave management (Recommendation 7)
(i) Complete the mandatory training courses (Recommendation 1)

The detailed assessment is presented below, per audit area:

A. Governance and strategic management

Issue 1 Long outstanding Government Local Office Cost contributions

Host governments are required to contribute towards the costs of Country Offices through Government Local Office Cost. The Executive Board encouraged all host country governments to meet their obligations toward local office costs.

As of the audit date, the Government Local Office Cost totalling $3.36 million had been outstanding since 1991. The Government had paid over the years a total amount of $336,500. The Office provided evidence confirming the regular follow-up with the Government for payment of these arrears without success. In view of this and considering that this matter is beyond the control of the Office, no recommendation is being made.

Comment

OAI encourages the Office to follow up on this matter since it risks losing a valuable source of funds that may impact its operations.

Issue 2 UNDP mandatory courses not completed

All staff are required to complete the UNDP mandatory courses within six months of joining the organization.

OAI noted that several staff from a total of 50 had not completed the following UNDP training mandatory courses within the required period, as follows:

- Ethics: 55 percent
- Gender Journey: 32 percent
- Legal Framework: 87 percent
- Prevention of Harassment in the workplace: 40 percent.

Staff members who have not completed the mandatory training courses may be unaware of corporate policies and the staff code of conduct, which may have a negative impact on performance.

Priority Medium (Important)

Recommendation 1:

All staff to complete the UNDP mandatory courses.

Management action plan:

Management has impressed upon staff concerned the urgency to complete the courses. To support this communication, each staff member will be receiving a letter advising of, and emphasizing, not only the obligations of staff and supervisor, but also the impact of non-completion on performance evaluations. A deadline of end March 2014 has been given for completion and will be monitored by Deputy Country

Directors (Operations and Programme).

Estimated completion date: March 2014

B. United Nations system coordination

Issue 3 Delay in implementing Harmonized Approach to Cash Transfers

The Harmonized Approach to Cash Transfers Framework lists minimum conditions to be met prior to transferring cash to Implementing Partners. These include: (a) conducting a macro-assessment of the existing public financial management system once per programme cycle; (b) conducting a micro-assessment of partners that are expected to receive cash transfers above an established annual amount; and (c) establishing an assurance plan in the form of, inter alia, periodic on-site reviews of the Implementing Partner's financial records as they pertain to the cash advances received.

The UN Executive Committee agencies (ExCom agencies) in the Country adopted the Harmonized Approach to Cash Transfers in 2007, but its implementation had been delayed. A new macro-assessment was conducted for the new Country Programme 2013-2017 and a draft report was available at the time of the audit. The micro-assessment of 87 Implementing Partners (of which 9 are UNDP's partners) had been completed and assessments of an additional 92 partners were planned for 2014. The following issues were noted:

- Two UNDP Implementing Partners that each received more than $100,000 in 2013 did not cooperate with the evaluation mission and thus were not assessed.
- No joint assurance activities had been conducted since the introduction of the Harmonized Approach to Cash Transfers. The Office stated that a common assurance plan was being prepared and was expected to be ready by the end of January 2014. The Office further explained that the approach of auditing Implementing Partners rather than projects has not been fully assimilated and operational among the ExCom agencies. Therefore, in 2014, in addition to the joint spot-checks and special audits which might be carried out, the Office intends to conduct audits of nationally implemented projects.

Failure to fully implement in a timely manner the minimum conditions of the Harmonized Approach to Cash Transfers Framework could result in further delays in harmonizing practices among the agencies and in making progress towards becoming a "One UN" country.

Priority Medium (Important)

Recommendation 2:

Pursue efforts to implement the Harmonized Approach to Cash Transfers by:

(a) completing the micro-assessments of Implementing Partners; and
(b) coordinating with the ExCom agencies to develop a joint assurance plan.

Management action plan:

(a) Two UNDP partners that were not assessed in 2013 will form part of the list to be assessed in 2014.

(b) A Harmonized Approach to Cash Transfers interagency committee consisting of senior programme and operations staff will be put in place in January 2014. This committee will finalize the common assurance plan and develop the spot-check calendar. **Estimated completion date**: 30 June 2014	

C. Programme activities

Issue 4 Weak monitoring of donor reports

UNDP is required to adhere to financial and project reporting clauses set out in agreements with donors. A reliable monitoring mechanism is required to ensure that appropriate reports are prepared and submitted to donors by the established deadlines.

The Office did not have an adequate monitoring tool which would include the list of all donors, the reporting requirements and frequency of submissions, deadlines and actual dates of submission. Additionally, there was no staff dedicated to this monitoring role. For example, it took a significant amount of time for the Office to retrieve documents for OAI's review. Nonetheless, OAI's verification of documents revealed that the Office had actually submitted the 2012 annual progress reports to the concerned donors on time.

Delay or non-submission of the agreed donor reporting may negatively impact the relationships with the donors and could result in retention or withdrawal of pledged contributions and may affect the reputation of UNDP.

Priority	Medium (Important)
Recommendation 3: Strengthen the management of donor reporting by putting in place an adequate tool and assign a staff member responsible for maintaining and monitoring reporting requirements.	
Management action plan: An existing monitoring and evaluation tool, used for monitoring projects delivery and resource allocation will be adapted to incorporate donor reporting dates and key requirements, for monthly review by senior management. The monitoring and evaluation focal point has been designated as the focal person for planned office tasks. A formal letter will be addressed to the staff member, at the beginning of the year, in the context of effectively rolling out the Office's (2014-2015) Financial Sustainability and Effectiveness Plan, approved by the Regional Bureau for Africa. **Estimated completion date:** End February 2014	

Issue 5 Absence of Regional Bureau's authorization for direct implementation

The Resident Representative does not have authority to approve documents for new or renewed projects when direct implementation by UNDP is proposed, unless authorized by the Director of the Regional Bureau following an assessment of the capacity of the Country Office.

OAI reviewed a sample of three directly implemented projects and noted that the authorization for the projects had expired and were not renewed by the Bureau (one project was phasing out in 2013). The Office had requested authorization for each of the projects; however, the process was not completed at the time of the audit. These three projects had cumulative expenditures totalling $16 million.

Management indicated during the exit meeting that the Office had always followed instructions under the direct implementation modality, as evidenced by the past and current portfolios, which was necessitated by the prevailing socio-political and institutional context, especially in the areas of elections and security sector reform.

To this effect, since 2010, direct implementation modality and Fast Track authorizations were granted to the Office to implement the projects. However, for the period from 2012 to mid-2013, implementation of activities was stalled, owing to the political situation. Accordingly and in conformity with established guidelines, the Office requested the renewal of direct implementation in March 2013. Unfortunately, the response from Headquarters was delayed and some critical and sensitive activities had to be undertaken due to the prevailing political situation. Therefore, the projects had to be implemented.

If prior authorization for direct implementation is not obtained from the Regional Bureau, there is no assurance that the capacity of the Office to directly implement the projects has been properly assessed and found adequate.

Priority Medium (Important)

Recommendation 4:

Strengthen management of directly implemented projects by:

(a) following up with the Regional Bureau for Africa on the request for direct implementation authorization; and
(b) refraining from implementing projects using the direct implementation modality, unless the Regional Bureau has conducted a capacity assessment and given its authorization.

Management action plan:

(a) The Office has since been in contact with Headquarters to request that authorization be expedited. Approval for the Elections project has already been obtained. The memo also confirms the Office's capacity to use direct implementation.
(b) For all newly formulated directly implemented projects, the Office seeks to obtain approval from the Regional Bureau, in time before implementation.

Estimated completion date: End March 2014 for all newly approved and thereafter, as and when necessary.

Issue 6 Incomplete and untimely project closure

The Programme and Operations Policies and Procedures provide that a project be operationally closed when the last UNDP-financed inputs have been provided and the related activities have been completed. A project should be financially closed within 12 months from the date it has been operationally closed.

OAI determined that the actions required to ensure proper project closure were not conducted in a timely manner. As at 31 October 2013, the following items were noted:

- A total of 29 projects had an end date prior to 31 December 2012, but were still listed as ongoing in Atlas.
- A total of 18 projects, which had been operationally closed for more than one year, had not been financially closed.
- Six projects were financially closed but had cash balances. During and after the audit, the Office took corrective actions to address this issue.

From the four sample projects reviewed for operational and financial closures (IDs 57226, 60746, 12796, 12793), the following exceptions were noted:

- Two projects (IDs 12796 and 12793) operationally closed in 2006 and 2007 were not financially closed within the 12-month period. Additionally, the Office was not able to provide the minutes of the final project review and the final Combined Delivery Report.
- The checklists of closed projects were not prepared in a timely manner.

If project status is not reviewed regularly, appropriate actions to close projects may not be taken in a timely manner, which could result in the loss of assets or resources.

Priority	Medium (Important)
Recommendation 5: Strengthen project closure by: (a) ensuring that the status of projects in Atlas is reviewed regularly and that appropriate actions are taken to update, operationally close, or financially close them as necessary; and (b) keeping on file all required project documentation.	
Management action plan: (a) The Office is currently reviewing the existing "monitoring tool" in place, to ensure that it incorporates a column on the status of projects in Atlas, to enable a systematic and timely review of upcoming and pending project closure using the corporate checklist and with all required documentation kept on file. (b) A memo is to be addressed to all Programme Officers, impressing upon them that part of performance and project management tasks include uploading of key project documents in Atlas. The Deputy Country Director (Programme) will be accountable for following up with Programme Officers. **Estimated completion date:** End March 2014.	

D. Human resources

Issue 7 Delayed recovery of staff receivables from separated staff

The staff separation process must be handled in a timely manner to ensure that any receivables or payables are recovered or settled in a timely manner by the concerned staff members.

As at 31 August 2013, account 14020 'Staff receivables' included salaries totalling $28,100, which had been unduly paid as separation, and which were not processed in a timely manner in Atlas. These receivables from five former staff members had been outstanding since 2009. At the time of the audit, only one of them was still working for UNDP in another country but was also separating from the organization on 12 November 2013. This person owed UNDP $12,000. The Office notified the Office of Human Resources about the receivable and they confirmed that the amount would be deducted from the final payment. The other four individuals were no longer in the United Nations system and the receivables of $16,100 from them may be irrecoverable.

Priority	Medium (Important)

Recommendation 6:

Strengthen the management of staff separations by ensuring that:

(a) the amount of $12,000 receivable from the separating staff member concerned is recovered prior to his/her separation from UNDP;
(b) due process is followed and documented in the write-off of the $16,100 in receivables from the four former staff members if all efforts to contact and collect from them fail; and
(c) in the future, the separations of staff members are processed adequately and in a timely manner in Atlas.

Management action plan:

(a) The Office is already in contact with Copenhagen to recover the $12,000 from the separation entitlements of the concerned staff member. With respect to the potential irrecoverable $16,100, the Office intends to make a formal request to the Bureau of Management to examine the possibility of a write-off.
(b) There are two upcoming separations scheduled for the end of February and the end of June 2014. The Office will provide evidence of documentation that actions are taken in a timely manner for these separations.

Estimated completion date: June 2014

Issue 8 Inaccurate leave records in Atlas

UNDP staff members are to use the e-service module in Atlas when applying for leave. The Office did not use e-service consistently (utilization rate was 48 percent), which resulted in inaccurate leave balances in Atlas.

In the review of 15 staff members' attendance, OAI noted that the following leave entries were not inputted in Atlas, although they were recorded in the monthly attendance records:

- Annual leave taken by four staff members for a total of 32 days

- Uncertified sick-leave of two days taken by one staff member
- Annual leave taken by six staff members in 2013 was recorded only after it was actually taken

Inaccurate leave balances negatively impact UNDP's financial liabilities. There is also a risk that staff members take unearned leave if entries are not properly recorded.

Priority	Medium (Important)
Recommendation 7: Improve leave management by: (a) reconciling monthly attendance records with Atlas records and ensure that discrepancies are immediately corrected; and (b) having staff use the e-service module systematically when requesting leave.	
Management action plan: (a) Monthly reconciliation started end October 2013 and will be continued systematically. The Office will share a consolidated reconciliation report with OAI at the end of March 2014 (cut off for leave). (b) The e-service module is now systematically used by staff members as needed and we expect 100 percent use by 30 June 2014. **Estimated completion date:** June 2014	

E. Procurement

Issue 9 Non-submission of procurement cases to procurement committees

The Programme and Operations Policies and Procedures provide that a procurement review committee consisting of UN/UNDP staff is mandated to determine whether or not a procurement process was conducted in accordance with the UNDP rules, policies, procedures and principles, and to submit a written recommendation to the concerned procurement authority. All procurement cases above the pre-defined thresholds of $50,000 and $100,000 should be submitted to the Contracts, Assets and Procurement Committee and the Regional Advisory Committee on Procurement, respectively.

OAI noted the following exceptions in 2012:

- One contract amounting to $140,300 was submitted post facto to the Regional Chief Procurement Officer.
- Purchase order no. 4413 amounting to $104,900 (in excess of the $100,000 threshold) was not submitted to the Regional Advisory Committee on Procurement.
- Purchase order no. 6503 amounting to $67,700 (in excess of the $50,000 threshold) was not submitted to the Contracts, Assets and Procurement Committee

OAI further noted that under the Election project (ID 74784), the Office purchased security equipment (purchase order no. 6791) amounting to $847,700. The file was submitted to the Regional Advisory Committee on

Procurement, but the Committee was not able to review this because of incomplete information and the very tight deadline. The issue refers to an electoral support activity in a politically charged context and with elements outside the control of the Office. OAI noted that the Office consulted with all Headquarter entities (Regional Advisory Committee on Procurement, Bureau of Management, and Regional Bureau for Africa) and sought their advice on the way forward. The purchase order was later on submitted for post facto approval. OAI considered this as an exceptional case, and no further action was expected from the Office.

Management subsequently informed OAI that the Office had already taken action to strengthen the Procurement Unit by initiating recruitment of an international United Nations Volunteer and was in contact with Bonn to advance the shortlisting of potential candidates. In addition, purchase order no. 6503 was submitted to the Contracts, Assets and Procurement Committee on 13 December 2013.

Non-submission and post facto submission of procurement cases to the concerned procurement committees may compromise the transparency of the procurement process and the interests of UNDP, and may increase the risk of procurement irregularities.

Priority	Medium (Important)
Recommendation 8: Strengthen the procurement practices by submitting procurement cases to the appropriate procurement committee when the prescribed thresholds are exceeded.	
Management action plan: (a) Completion of recruitment of an International United Nations Volunteer for the Procurement Unit. (b) Submission (post facto) of purchase order no. 4413 to the Regional Advisory Committee on Procurement by end of February. **Estimated completion date:** April 2014	

F. Safety and security

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

Issue 10 Inadequate security measures

The Programme and Operations Policies and Procedures provide that "the UN has a duty as an employer to reinforce and, where necessary, supplement the capacity of the Host Government to fulfil security obligations in circumstances where UN personnel are working in areas which are subject to conditions of insecurity which require mitigation measures beyond those which the Host Government can reasonably be expected to provide."

OAI reviewed the latest Minimum Operating Security Standards evaluation conducted by the UN Department of Safety and Security in December 2012 and noted that the Office was 86 percent compliant, instead of 90 percent which would have made it fully compliant with the Minimum Operating Security Standards. The issues noted were:

- [redacted]

- [redacted]
- building doors not solid and lockable.

OAI further noted that:
- [redacted]
- A fire drill exercise had not been performed in 2013. The Office informed OAI that it planned to conduct one by end of the year.
- [redacted]

In response to the draft report, management explained that because the building was owned by a private individual and housed more than five agencies, some major structural work could not be undertaken. Management added that following the survey conducted by the UN Department of Safety and Security on 20 November 2013, the Office received a score of 94.60 percent and was assessed to be compliant with the Minimum Operating Security Standards.

Non-compliance with safety and security policies and measures could jeopardize the safety of UNDP personnel and the safeguard of assets.

Priority	Medium (Important)
Recommendation 9: Strengthen security management by: (a) implementing the UN Department of Safety and Security recommendations in order to ensure compliance with the Minimum Operating Security Standards; (b) consulting with the UN Department of Safety and Security on conducting a fire drill regularly and screening visitors at the entrance gate; and (c) ensuring that all staff and personnel complete the Basic Security and Advanced Security courses.	
Management action plan: (a) UNDP along with other agencies in the building "maison commune" is working with the UN Department of Safety and Security to conduct a fire drill by February 2014. (b) [redacted] **Estimated completion date:** End February 2014	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **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.

- **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.

- **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.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **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.

- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to 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.