UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

CHAD

Report No. 1330

Issue Date: 28 August 2014

(REDACTED)

Table of Contents

Report on the audit of UNDP Chad
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Chad (the Office) from 7 to 23 April 2014. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

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

(b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – "One UN", Harmonized Approach to Cash Transfers);

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

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

The audit covered the activities of the Office from 1 January to 31 December 2013. The Office recorded programme and management expenditures totalling $26.5 million. The last audit of the Office was conducted by OAI in 2006.

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

Overall audit rating

OAI assessed the Office as **unsatisfactory**, which means, "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 weaknesses in organizational structure and delegations of authority, financial sustainability, project management, human resources, finance, procurement, asset management, and safety and security.

Key recommendations: Total = **16**, high priority = **13**

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

Poor control environment and low staff member morale (Issue 1)	Several shortcomings negatively impacted the control environment, leading to harmful practices and potential misuse of UNDP resources. For instance, there was an inadequate office structure and poor communication between senior management and staff, there was no updated organogram or job descriptions, several positions remained vacant, and core functions were performed by consultants, which created a shadow office and led to negative Global Staff Survey results. In addition, there were no documented internal control procedures, which could have clarified roles and responsibilities among staff, and

	the Resident Representative did not issue a delegation of authority to the Country Director, Deputies, or other staff. Furthermore, UNDP ethical values were not fully adhered to and some cases of wrongdoing were noted and shared with the Investigations Section of OAI. Moreover, Atlas profiles were poorly managed which led to a poor control environment and a lack of segregation of duties. Recommendation: Adhere to the UNDP Accountability Framework and Oversight Policy and strengthen all dimensions of the control environment.
Office not financially sustainable and poor management of donor resources (Issue 2)	The Office's extrabudgetary reserves declined from 23 months at the end of 2012, to 15 months at the end of 2013. Further decline was expected in 2014. This situation was due to poor management of donor contributions, failure to collect government cost-sharing amounts totalling $35.6 million, and lack of follow-up on the Government Contributions to the Local Office Costs amounting to $750,000. Additionally, the Office returned $251,000 to a national partner for the cost recovery of General Management Support services incurred by UNDP and charged to the project. The national partner indicated that the Office did not share the organization's policy on cost recovery and therefore, all related amounts charged by UNDP had to be returned. The reimbursement was made out of the Office's core resources instead of its extrabudgetary account where the General Management Support recovery was initially recorded. Recommendation: Ensure accountability over the efficient and effective management of resources.
Deficient project initiation, monitoring and closure (Issue 4)	Several weaknesses were noted in project initiation, monitoring and closure. Local Project Appraisal Committee meetings were not organized, project board meetings did not take place, annual review reports were not prepared, and combined delivery reports (the most comprehensive and definitive document showing expenditure incurred on a project) were not extracted and certified. In addition, there were weak controls over the selection and management of services by non-governmental organizations. Recommendation: Improve project initiation, monitoring and closure.
Deficient management of audits of nationally implemented projects (Issue 5)	For the last three years, audit plans and audit reports for nationally implemented projects were submitted late and the Office received an unsatisfactory rating for the overall audit results with a net financial impact total of $7 million. The Office did not cooperate effectively or provide adequate support to the national partners or the auditors conducting audits of the nationally implemented projects. Recommendation: Strengthen the management of the audit of nationally implemented projects.
Deficient management of salary advances (Issue 7)	The Office did not monitor the recovery of salary advances. Salary advances were not recovered for 13 staff members. On another hand, the Office recovered more than the advances given to 12 staff members. Also, 32 staff members systematically received salary advances at the beginning of each year (2013, 2014) for a total of $273,000 for both years, making this a routine request rather

than an exception.

Recommendation: Improve the management of salary advances.

Deficiencies in the payment process (Issue 8)

There were deficiencies in payment processes. An advance to a nationally implemented project amounting to $300,851 was liquidated and recorded as expenditure with inadequate supporting documentation. The cheque printer did not function, and there were weak controls over cheques prepared manually. Also, five vouchers amounting to $110,000 did not have any supporting documents. Additionally, 75 payments totalling $407,000 were on hold since 2005 due to missing or incomplete documentation, resulting in an overstatement of disbursements by the same amount.

Recommendation: Strengthen the payment process.

Inefficiencies in bank reconciliations (Issue 9)

The Office did not follow up and clear external unreconciled items in the bank reconciliation in a timely manner. As of 21 April 2014, the Office had an outstanding unreconciled Electronic Fund Transfer for $100,000 from 2012 and an unreconciled cheque for $8,000 from 2013. A bank deal of $688,000 that was mistakenly linked to a closed bank account was incorrectly deactivated and resulted in the amount appearing as an unreconciled item. No conclusive corrective action was taken by the Office and after more than a year, the amount continued to show as unreconciled. In addition, there was a long delay (ranging from 8 to 79 days) in creating deposits in Atlas.

Recommendation: Improve efficiency in bank reconciliations.

Inadequate management of project cash advances (Issue 10)

Project cash advances were not managed adequately. The Office directly expensed project cash advances instead of using the appropriate account. The Office had not received supporting documents for five advances amounting to $222,000, and as of 30 April 2014, the Office had outstanding unliquidated cash advances estimated at $357,000. Furthermore, the Office provided an advance of $162,000 to a national partner to carry out some activities under the direct implementation modality. However, this advance was recorded as an expense and, therefore was not monitored and duly reconciled against the actual activities that had been undertaken.

Recommendation: Improve management of project cash advances.

Inadequate vendor management and unreliable vendor database (Issue 11)

There was inadequate oversight and control over vendor creation and approval in Atlas. The vendor approver role was assigned to three staff members instead of two, without approval from the Comptroller. There were 42 duplicate vendors and 40 vendors sharing the same bank account number with another vendor. Furthermore, a total of 25 out of 26 vendor forms requested by OAI were missing. Vendor profiles in Atlas did not include relevant details on key personal or full vendor addresses and contact information, and vendors were not reviewed against the United Nations sanctions list.

Recommendation: Improve vendor management.

Weaknesses in procurement management (Issue 12)	OAI identified a number of weaknesses in the procurement business function of the Office, specifically: the absence of a consolidated procurement plan; non-submission of procurement cases to the required procurement review committees; non-submission of post-facto cases to the Regional Central Procurement Office; and procurement processes for directly implemented projects conducted by national partners. <u>Recommendation</u>: Improve procurement management.
Weaknesses noted in hiring process and management of individual contracts (Issue 13)	Several weaknesses in the hiring process and management of individual contracts were noted based on the 10 cases reviewed, specifically: (a) four core functions were being carried out by individual contractors; (b) in three instances, repetitive and incorrect extensions of contracts were noted; (c) terms of references did not comply with UNDP procedures in one case; (d) four contracts were split to avoid submission to procurement review committees; (e) seven contracts were awarded without a competitive process; (f) conflicts of interest were not adequately considered when awarding one contract; (g) best value for money was not considered when determining five consultant fees; and (h) funding was not confirmed prior to issuing individual contracts. <u>Recommendation</u>: Adhere to UNDP policies relating to individual contracts.
Weaknesses in asset management (Issue 15)	Several deficiencies were noted in the management of assets, specifically: (a) 55 assets valued $156,186 were not found; (b) weak asset verification processes as a Physical Verification Committee was not established; (c) lack of accountability for lost assets; (d) ten vehicles belonging to directly implemented projects retained by national partners after project closure; (e) non-capitalization of assets amounting to $300,000 used and controlled by UNDP; (f) lapses in recording United Nations Department of Safety and Security assets valued at $32,596; (g) obsolete and non-working items included in the asset register and not disposed of; and (h) weaknesses in the tagging and tracking of assets. <u>Recommendation</u>: Strengthen management of assets.
[redacted]	[redacted] [redacted]

Management comments and action plan

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

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

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office is located in Ndjamena, Chad (the Country). At the time of the audit, the Office employed 32 staff members (11 international, 7 national and 14 General Service), 50 service contract holders and 17 international United Nations Volunteers. The Government and the Office signed the 'Country Programme Action Plan' for the period covering 2012-2015, with a focus on the following areas: (a) political governance; (b) economy; (c) environment and sustainable development; (d) crisis prevention and management; and (e) transition.

II. Audit results

OAI made 16 recommendations ranked high (critical) and medium (important) priority.

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

High priority recommendations, arranged according to significance:

- (a) Adhere to the UNDP Accountability Framework and Oversight Policy and strengthen all dimensions of the control environment (Recommendation 1).
- (b) Strengthen the payment process (Recommendation 8).
- (c) Adhere to UNDP policies relating to individual contracts (Recommendation 13).
- (d) Improve vendor management (Recommendation 11).
- (e) Ensure accountability over the efficient and effective management of resources (Recommendation 2).
- (f) Improve management of project cash advances (Recommendation 10).
- (g) Strengthen management of the audit of nationally implemented projects (Recommendation 5).
- (h) Strengthen management of assets (Recommendation 15).
- (i) Improve efficiency in bank reconciliations (Recommendation 9).
- (j) Improve project initiation, monitoring and closure (Recommendation 4).
- (k) Improve the management of salary advances (Recommendation 7).
- (l) Improve procurement management (Recommendation 12).

[redacted]

Medium priority recommendations, arranged according to significance:

- (a) Improve the 'Country Programme' document design and implementation (Recommendation 3).
- (b) Improve human resource management (Recommendation 6).
- (c) Improve management of UNDP property (Recommendation 14).

The detailed assessment is presented below, per audit area.

A. Governance and strategic management

1. Organizational structure and delegation of authority

Issue 1 Poor control environment and low staff morale

The 'UNDP Accountability Framework and Oversight Policy' requires managers to demonstrate proper stewardship of resources entrusted to them by ensuring clarity of roles, responsibilities and authorities and by implementing integrated monitoring and control systems in the Office. The control environment is the foundation for all other components of efficient internal controls, providing discipline and structure. Control environment factors include: integrity, ethical values and competence, management philosophy and operating style, delegation of authority and responsibility, and human resource policies.

Several shortcomings, as described below, negatively impacted the control environment, leading to incorrect practices and potential misuse of UNDP resources. The participation of the Office personnel in the Global Staff Survey has been very low (20 percent in 2012 and 16 percent in 2013) and the level of favourable responses has also been very low in various dimensions, including openness, fairness and respect, accountability and staff member engagement. The general sentiments conveyed during discussions with representatives from the Staff Association were similar to the results of the Global Staff Survey. OAI was advised that as a consequence, the Office personnel were reluctant to participate in the survey. OAI was also informed that the Office did not invite its United Nations Volunteers and personnel on service contracts to participate in the survey.

(a) Inadequate Office governance structure and poor communication:

- The Office's organogram was not updated with clear reporting lines during the period under review. Subsequent to the audit fieldwork, the Office indicated that the existing organogram was originally suggested by the Management Consulting Team; however, it was being reviewed.

- Job descriptions were not signed by staff members acknowledging their understanding of their roles and responsibilities.

- In 2013, 16 positions remained vacant, of which 12 were in the Programme Unit and 4 in the Operations Unit.

- Two units with an advisory and coordination mandate (the Resident Coordinator's Office and the *Unité d'Appui Stratégique*) were involved in designing and implementing projects.

- The Resident Representative hired several consultants to perform core functions and this created a shadow office. The consultants engaged with donors and government institutions and, therefore, some staff members in the Office expressed the feeling of not being empowered. In some instances, consultants were even directing UNDP staff members.

- Management meetings were not held. In addition, there were no global staff meetings, programme meetings or operations meetings held during 2013.

- Based on interviews with management, staff members and staff association representatives, communication between senior management and staff members was not effective. Staff members reported a lack of trust and a lack of empowerment from senior management. One of the consequences of this was that several staff members did not complete their results competency assessment or Performance Management and Development process. This situation was further exacerbated by the long absences of various senior managers who often combined their rest and recuperation with annual and home leaves. The review of leave records of three senior managers showed that each senior manager was outside of the Country an average 100 days during 2013, and in some instances, several senior managers were absent at the same time from the Office. Management indicated that since the Country was classified as post-crisis non-family duty station, international staff members were entitled to 30 working days of annual leave and an additional 30 days of rest and recuperation, family leave, etc. Management also indicated that several staff members were on sick leave due to the difficult living conditions in the Country.

(b) Absence of documented internal control procedures and delegation of authority:

According to the 'Internal Control Framework', the Resident Representative has overall accountability for establishing and maintaining adequate internal controls within the Office, and for ensuring that the Office's internal control procedures are documented. This document also includes a record of authorities delegated, designations made and Atlas profiles authorized. Periodically, and at least annually, the Resident Representative is required to update and sign the Office's documented internal control procedures and file them for future reference. The 'Internal Control Framework' states that for each management or development project directly implemented by UNDP, the Resident Representative must formally designate a Project Manager and ensure that the Project Manager is aware of his/her responsibilities.

- Internal control procedures were not documented, and as a result roles and responsibilities were not clearly defined, which led to confusion in terms of responsibilities and accountabilities.

- The Resident Representative did not issue a delegation of authority to the Country Director or Deputy Country Director (Programme). The delegation of authority to the Deputy Country Director (Operations) was issued by the former Country Director (who did not even have the delegated authority) in July 2013. In addition, the new Country Director did not receive any delegation of authority at all since arriving at the duty station in January 2014. Following the audit, the Resident Representative issued a delegation of authority to the Country Director and endorsed the delegation of authority issued to the Deputy Country Director (Operations).

- Staff members holding Project Manager profiles in Atlas did not receive a formal delegation of authority to this effect. A total of eight staff members held the Project Manager profile in Atlas, however, no written delegation of authority had been issued by the Resident Representative.

(c) UNDP ethical values not fully adhered to:

The concept of integrity enshrined in the Charter of the United Nations includes all aspects of behaviour of an international civil servant, including such qualities as honesty, trustfulness, impartiality and incorruptibility. Staff members must uphold the highest standards of efficiency, competence and integrity.

- OAI noted that the Resident Representative was involved in hiring 10 consultants without adhering to UNDP rules and procedures (refer to Issue No. 13).

- In one case, a consultant was suggesting ways to avoid submissions to the UNDP Contracts, Assets and Procurement Committee (refer to Issue No. 13).

- Staff members did not complete UNDP mandatory training. Specifically, 15 out of 32 staff members did not complete the mandatory training on ethics; 27 out of 32 staff members did not complete the course on the prevention of harassment, sexual harassment and abuse of authority in the workplace; and 25 out of 32 did not complete the training on the UNDP legal framework.

- There was a lack of accountability over cash and asset management. Assets with a total value of $220,000 were either stolen or lost and no one in the Office was held accountable. For example, a retired staff member did not return a motorbike that was provided to him for transportation by the Office while he was still a staff member. Cash advances were handed to project staff members without any subsequent verification and follow-up. The supporting documentation reviewed raised concerns. For example, five vouchers amounting to $222,000 remained without supporting documentation 14 months after the activity took place. In addition, and as of 30 April 2014, the Office had outstanding unliquidated cash advances amounting to $357,000 based on a list provided by the Office.

- Deficiencies were noted in the payment process, such as questionable expense validation, and weak controls over cheques prepared manually (Refer to Issue No. 8).

- There was no oversight over the creation and approval of vendors in Atlas, as vendors were created without any reliable documentation (Refer to Issue No. 11).

- Eight national staff members (at the General Service and National Officer level) were issued diplomatic license plates in violation of the 'UNDP Standard Basic Assistance Agreement'.

- The sibling of one staff member (who was a Secretary in a non-governmental organization) was enrolled in several workshops and this relationship was never brought to the attention of the Office's senior management.

- A total of 22 staff members were using UNDP vehicles for unofficial business. Of these 22 cases, 19 staff members had exceeded the maximum allowable period of three months for non-official use of an official vehicle, and only 4 staff members had reimbursed the cost of privately using the vehicles.

- Allegations of wrongdoing were identified and subsequently referred to the Investigations Section of OAI for assessment. Cases included misappropriation of UNDP resources by a non-governmental organization, misrepresentation of financial documents and misuse of UNDP assets.

(d) Inadequate Atlas profiles:

According to the 'Internal Control Framework', there must be a segregation of duties to minimize the risk of error and fraud. The Project Manager is the 'first authority' for transactions charged to the project and approves all e-procurement purchase requisitions and requests for non-purchase order payments. The Approving Manager is the 'second authority' and must be independent of the first authority 'Project Manager' and the third authority 'Disbursing Officer'. One person cannot exercise both the first and second authority on any one transaction because the second authority acts as an independent check on the first authority. The Disbursing Officer role performs the third authority in the requisition to payment process and only UNDP staff members may be designated as Disbursing Officers. Any exceptions must be approved by the Treasurer, and copied to the Comptroller. Finally, and upon separation from the organization, Atlas profiles should be deactivated.

Lack of segregation of duties and incorrect Atlas profiles:

- Four staff members were holding both Project Manager and Approving Manager profiles, which would allow them to approve the requisition and the purchase order on the same transaction. As a result, a total of $1.1 million of expenditures was approved by the same staff members who approved both the requisition and the purchase order.

- Of the 16 individuals that were holding Treasury/Finance user roles, 12 were not in the Finance Unit, including five United Nations Volunteers and one service contract holder. These personnel were able to run the paycycle without control from the Finance Unit. Vouchers totalling $3.25 million were created outside of the Finance Unit, and without the applicable control. Two personnel created their own vouchers for a total of $52,000.

- Six staff members who left the organization had active Atlas profiles.

- One staff member held both a Human Resources Administrator profile and an Atlas Finance profile; these profiles are incompatible when exercised by the same person and present a serious breach in segregation of duties.

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

Lack of accountability and a poor control environment have put UNDP assets and resources at serious risk. If no strong and sustained action is taken to foster a correct control environment, major losses could be expected and UNDP credibility will be severely damaged.

Priority High (Critical)
Recommendation 1: Adhere to the UNDP Accountability Framework and Oversight Policy and strengthen all dimensions of the control environment by: (a) formulating and implementing a time-bound strategy to address the main causes of the negative Global Staff Survey results; (b) reviewing the Office's organizational structure and control environment; (c) adhering to the United Nations Code of Conduct and the organization’s procedures on reporting any allegations of wrongdoing; (d) implementing and enforcing the UNDP ‘Internal Control Framework’ in the Office, including a revision of all Atlas profiles to align them with the Framework and ensure that no staff member exercises more than one role and that there is a clear segregation of duties.
Management action plan: The Office initiated the following short-term corrective actions which will be followed-up on by longer-term

actions:

(a) The terms of reference of the Management Consulting Team supporting the Office on the Financial Sustainability exercise included a second phase that would help the Office develop standard operating procedures and work-flows in line with the final organogram adopted. The second mission of the Management Consulting Team would be carried out right after the post-matching and job fair within the framework of the Financial Sustainability exercise. To also improve the environment, an Office retreat was planned for the first week of July 2014 to discuss the Global Staff Survey and the results of this audit and come up with a time-bound action plan.
(b) The local 'Internal Control Framework' under finalization included a clear risk management chapter pointing out the collective and individual responsibility on adhering to the United Nations Code of Conduct and the organization's procedures on reporting any allegations of wrongdoing. The Office had already organized a special session on the new local 'Internal Control Framework', which resulted in remarkable enthusiasm among staff and middle management. The local 'Internal Control Framework' addresses all the points raised in this audit recommendation; hence, this Framework coupled with the implementation of standard operating procedures to be developed under Management Consulting Team facilitation would give a reasonable assurance for compliance. The Office had complied with all recommendations of OAI on Atlas profiles following the audit and will continue updating accordingly in line with the new local 'Internal Control Framework' under finalization.

Estimated completion date: 31 March 2015

OAI Response:

OAI acknowledges the actions taken by management; this will be reviewed at a later stage as part of the follow-up process of OAI.

2. Financial sustainability

Issue 2 Office not financially sustainable and poor management of donor resources

The 'UNDP Programme and Operations Policies and Procedures' require all offices to maintain a minimum of 12 months of extrabudgetary reserves and to ensure financial sustainability by securing stable and sufficient long-term financial resources and allocating these resources in a timely manner and appropriate form in order to cover full costs, and to ensure that resources are managed effectively and efficiently.

The Office's extrabudgetary reserves declined from 23 months at the end of 2012 to 15 months at the end of 2013. In preparing its Financial Sustainability Exercise, the Office developed two scenarios for the upcoming two years as follows:

	Pessimistic scenario		**Optimistic scenario**	
Year	2014	2015	2014	2015
XB reserves (in months)	1	-5	8	6

Source: Office FSE Submission

OAI considered the pessimistic scenario as very probable for the following reasons:

- There were very limited funding prospects. Donors that OAI met with indicated that because of the Office's poor performance and lack of reporting, they would be reluctant to fund new programmes or big programmes (including the upcoming elections). In addition, the Global Fund programme was due for completion in 2014 and there was no confirmation if a new phase would be approved; the Office was also required to follow-up on the repayment by the Government of $850,000 of ineligible expenditures by the Sub-recipients. This has severely damaged the Office's reputation.

  Donor contributions were poorly managed as various equipment and goods were charged to cost-sharing contributions that were not granted to cover these types of activities. For example, under project ID 82362 *"Programme d'appui a la gouvernance"*, a total of $770,000 originating from a major donor was used to purchase various equipment and goods. These payments went to ad-hoc requests received from various government ministries or non-governmental organizations.

  The 'Programme and Operations Policies and Procedures' require offices to closely follow up on the payment of the Government's cost-sharing contributions. The signed project document, together with a schedule of payments and a budget reflecting the cost-sharing elements constitute the legal agreement between UNDP and the programme country government. The Office did not collect up to $35.06 million of the Government's cost sharing since 2007 because there was no mechanism in the Office to follow up on the payment of the Government's cost sharing and there was no staff member in the Office assigned with the responsibility for monitoring the payment of the Government's cost-sharing. In nine projects, the Government committed to contributing $41 million (estimated by the Office), but only $5.93 million was received. Of the remaining balance of $35.06 million, an amount of $31.68 million (or 90 percent) related to projects that were closed/discontinued and for which the Office indicated that the Government would not pay its contribution. During the projects' implementation, UNDP core resources were used instead to implement the activities and as result, a total unplanned contribution of $1.78 million was added by the Office.

  The Office returned to a national partner an amount of $251,000 representing the cost recovery of General Management Support services incurred by UNDP and charged to a large programme (Project ID 77223) that was funded by Government cost-sharing. The reimbursement was paid from UNDP core resources (TRAC resources) instead of charging it to the Office's extrabudgetary account where the cost-recovery was initially recorded. The national partner argued that the Office did not inform them about the UNDP cost-recovery policy and therefore, the Office had to return the related amounts charged to the project. The Office did not challenge the national partner and did not escalate the issue to the Regional Bureau or the Legal Support Office or to the Government's main counterpart. One month after the reimbursement, the national partner was dismantled. Subsequent to the audit, the Office indicated that the mistake regarding the General Management Support lays with the Office in not including the General Management Support in the project document, and never informing the Government's counterpart of this requirement when the project document was drafted.

- The Office did not effectively pursue the payment by the Government of $745,528 representing the Government Contributions to Local Office Costs since 2011. The Office reported that the Resident Representative reached out to the Government three times within 12 months, without effect. In addition, the Office indicated that the frequent changes in government counterparts made follow-up a challenge.

This issue was caused by a lack of effective control over the management of donor resources, including lack of conclusive follow-up by the Office to collect Government contributions.

Inadequate management of donor contributions and delays 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. This will result in limited funding prospects and limited extra-budgetary reserves, thus impacting the Office's ability to continue operating.

Priority High (Critical)
Recommendation 2: Ensure accountability over the efficient and effective management of resources by: (a) refraining from diverting donor resources to activities and projects not agreed upon with the donors; (b) following up with the Government on payment of outstanding contributions amounting to $3.33 million; (c) reversing the inappropriate use of core resources to fund the amount of $251,000 of General Management Support fees that were forfeited back from the extra-budgetary reserves; and (d) following up on outstanding Government Contributions to Local Office Costs of $745,528.
Management action plan: (a) and (b) The Office has taken note of these recommendations and will fully implement them. (c) The Office has taken note of this recommendation but in the absence of a firm commitment from the Government and adequate legal framework, it will be difficult to strongly push for payment of outstanding contributions amounting to $3.33 million. For future programmes, the Office will make sure all corporate policies and legal instruments are duly used, monitor and diligently follow up on contribution payments. (d) The Office agrees that the money be taken from extra-budgetary and not core resources. (e) The Office has been following up on outstanding Government Contributions to Local Office Costs. The Resident Coordinator/Resident Representative received verbal but firm commitment from the relevant government ministry will pay the Government Contributions to Local Office Costs. A follow up letter has been sent to the ministry. **Estimated completion date:** 30 June 2015
OAI Response: On the Office's comment under point (c), OAI maintains that the signed project document along with the budget are legal obligations and should be sufficient to pursue the recovery of the Government's cost-sharing contributions.

B. Programme activities

1. Programme management

Issue 3 Weaknesses in the 'Country Programme' document design and implementation

Measuring the progress in achieving the 'Country Programme' outcomes can only take place if indicators, baselines and targets are well designed to ensure that progress can be measured. Offices are required to develop SMART indicators (i.e., specific, measurable, attainable, relevant and time-bound). In addition, Offices are required to develop and implement an evaluation plan that will include a given number of outcomes and projects.

(a) Weak definition of 'Country Programme' outcome indicators:

All outcomes and outputs contained in a 'Country Programme' or 'Country Programme Action Plan' need indicators. Baseline data and targets are required for each outcome and output indicator. Most of the indicators of the Office's 'Country Programme' document and/or 'Country Programme Action Plan' were vague and poorly defined, impeding the measurement of progress towards achieving the expected results.

(b) Absence of outcome evaluations:

Monitoring and evaluation of progress made towards the 'Country Programme' outcomes was not undertaken. For 2012 and 2013, 10 mandatory evaluations were not conducted, though planned.

Donors and Government institutions indicated the importance of evaluating the impact of UNDP's programmes in the Country in order to obtain assurance that results were achieved and progress made.

The absence of a Monitoring and Evaluation Specialist in the Office is considered a key contributing factor to this shortcoming. However, at the time of the audit, the Office had already appointed a Monitoring and Evaluation Specialist and it is expected that the abovementioned weaknesses will be addressed.

Poor 'Country Programme' outcome monitoring, if not addressed promptly, will lead to inefficient use of donor resources, the inability to identify and report results, and have a negative impact on the organization's reputation.

Priority	Medium (Important)
Recommendation 3: Improve the 'Country Programme' document design and implementation by: (a) improving monitoring and evaluation of the 'Country Programme' and 'Country Programme Action Plan' by ensuring that: (i) indicators and baselines presented in the 'Results and Resources Framework' are clear, concise and measurable to facilitate monitoring of development results; and (ii) evaluations of outcomes/projects are conducted as planned and all reports are uploading in the Independent Evaluation Office's database; and (b) maintaining a professional capacity within the Office for the monitoring and evaluation function.	
Management action plan: Following the audit, the Office initiated a 'Country Programme Action Plan' mid-term evaluation. It will be followed up by a final evaluation in January 2015. The results will be used during the drafting of the next 'Country Programme' and 'Country Programme Action Plan' scheduled for end of 2015.	

In addition, as the United Nations Country Team is launching a 'United Nations Development Assistance Framework' process which will result in a one UN approach, the drafting of a 'Country Programme Action Plan' will become redundant as of 2016 when the 'United Nations Development Assistance Framework' will be realigned to the Government's new development plan.

A Quality Assurance position was created and will be staffed by an individual at the P3 level.

Estimated completion date: 31 December 2015

2. Project management

Issue 4 Deficient project initiation, monitoring and closure

The 'Programme and Operations Policies and Procedures' set the requirements for project initiation and monitoring. The 'Programme and Operations Policies and Procedures' state that 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. The 'Programme and Operations Policies and Procedures' add that a project appraisal committee must meet to review and ensure that the project has been designed with a clear focus on agreed results and that awards are only generated in Atlas when the following criteria are met: (a) the project has completed a project appraisal review; (b) the project document is signed; and (c) the minutes of the appraisal committee and project document are attached to the proposal in Atlas.

In terms of monitoring, Offices are required to: (a) ensure that project boards are established for every project and meet regularly to provide effective project oversight; (b) ensure that an annual review report of the project is prepared by the Project Manager and shared with the project board; (c) that the combined delivery report (summarizing all expenditures) is issued at the end of each quarter and year and is signed by UNDP and certified by the designated authorized official of the implementing partner to confirm the validity of the expenses; (d) that management monitors all critical risks; and (e) that all operationally terminated projects are closed within 12 months.

The 'Programme and Operations Policies and Procedures' requires strict control over the selection and management of services provided by non-governmental organizations. These services must be tendered and contracted under professional service agreements and selected in a transparent and competitive manner through Calls for Proposals.

- The Office did not organize meetings of the Local Project Appraisal Committee prior to signing project documents and initiating project activities.
- The Office implemented several projects under direct implementation modality. An authorization was not sought or obtained from the Regional Bureau for Africa for projects 77223 and 82362.
- The Office did not ensure that all required documents and steps were completed prior to generating awards in Atlas.

- Project board meetings were not held for the following projects: 77223, 82362 and 83522.

- Annual review reports for 2013 were not prepared for the following projects: 77223, 85758 and 82362.

- During 2013, the Office did not generate combined delivery reports on a quarterly basis and the UNDP Resident Representative and the implementing partners did not sign the annual combined delivery reports.

- Senior management was not involved in monitoring of risks identified. Out of 84 risks noted, 36 (of which 28 were rated as high) did not contain any response from them. In addition, out of 55 issues noted, 20 issues (of which 14 were rated as high) did not have feedback or reaction.

- Two operationally closed projects with an end date prior to 31 December 2012 were still listed as ongoing (00079718 and 00081481). In addition, 25 projects with an end date prior to 31 December 2013 were still listed as ongoing. Subsequent to the audit, the Office commented that the projects were reopened to clear some outstanding balances and were closed in May 2014. However, OAI maintains that several projects were active while no activities were taking place. There was no indication during the audit fieldwork that these projects were reopened to clear the balances.

- There were weak controls over the selection and management of services by non-governmental organizations. The Office had engaged the professional services of non-governmental organizations without issuing a Call for Proposals or going through a competitive process. Project staff members explained that non-governmental organizations submitted projects and proposals for funding which were assessed by the Programme Officers themselves and then approved. These proposals were not part of project documents or work plans, but were mainly proposals from non-governmental organizations or entities soliciting a financial contribution from the Office. In addition, the Office did not have monitoring and evaluation systems in place to monitor progress on the attainment of results. In most of these cases, the activities funded were workshops, travels abroad or equipment.

These issues occurred mainly because of absence of oversight from senior management and lack of accountability by staff members in the different Programme Units.

Weaknesses in the review, approval and monitoring of projects increase the risk of not achieving expected results. Failure to meet expected results can negatively affect UNDP's reputation and could reduce donor interest in funding future projects.

Priority	High (Critical)
Recommendation 4: Improve project initiation, monitoring and closure by: (a) establishing a local project appraisal committee and ensuring that all new projects are submitted to the committee for review and recommendation. The minutes of the committee meeting along with the signed project document should be uploaded to Atlas prior to generating the award. If a project is expected to be implemented directly by the Office, an authorization from the Regional Bureau would need to be obtained; (b) establishing project boards and ensuring that annual review reports are drafted and submitted to the boards for review. Also, review and sign the combined delivery reports for every project, update all	

	project risks, and financially close all inactive projects; and
(c)	improving controls over selection and oversight of non-governmental organizations by conducting competitive and transparent procurement processes for the provision of professional services from non-governmental organizations and establishing monitoring and evaluation systems.

Management action plan:

Regarding recommendations (a) and (c,) the implementation was ongoing. Starting in the second quarter of 2014, all combined delivery reports will be printed and signed by the Country Director and submitted to the Project Managers for signature. A regular monitoring of this requirement will be done during the programme meetings.

Estimated completion date: 30 September 2014

Issue 5 Deficient management of audits of nationally implemented projects

Audit is an integral part of the 'UNDP Accountability Framework and Oversight Policy'. UNDP financial statements are audited regularly by the United Nations Board of Auditors and the findings are reported to the UNDP Executive Board and the General Assembly every biennium. In expressing its opinion on UNDP financial statements, the Board of Auditors refers to the outcome of the audits of projects nationally implemented by government and non-governmental organizations. Consequently, delays in the completion of audits of projects nationally implemented by government and non-governmental organizations as well as qualified opinions expressed by the auditors have a direct impact on the opinion expressed by the Board of Auditors on UNDP financial statements.

OAI reviewed the management of audits of nationally implemented projects and noted significant deficiencies with regard to monitoring and oversight by the Office, along with continuous negative audit opinions.

For the last three years, the audit plans and audit reports for the nationally implemented projects were submitted after the deadlines. In addition, the Office received unsatisfactory ratings for the overall results of the audits, with audit qualifications having a total net financial impact of $7 million for the fiscal years 2010, 2011 and 2012. The main reasons for the qualifications were unjustified expenses, absence of supporting documentation, large amounts of cash handed over to individuals and not accounted for, and unresolved audit observations from previous periods.

Discussion with the Office and the auditors conducting the audit for the 2013 fiscal year showed that the Office was not cooperating effectively and did not provide adequate support to the auditors and the national implementing partners. This led to additional delays in submitting the audit reports and a qualified audit opinion.

OAI also noted that the Office did not share the audit reports with the Government's main counterpart, which could have helped improve oversight from the Government.

Inadequate oversight over the audit of projects implemented by government/non-governmental organizations could have a negative impact on the opinion expressed by the Board of Auditors on the UNDP financial statements, which in turn could have a negative impact on the organization's image with its stakeholders.

Priority	High (Critical)
Recommendation 5: Strengthen management of the audit of nationally implemented projects by: (a) ensuring that audit plans are submitted on time; (b) extending adequate support to the audit firms and the national implementing partners; and (c) sharing the audit reports with the Government's main counterpart and the implementing partners.	
Management action plan: The Office will ensure the timely completion and submission of audit reports in next year's and succeeding exercises. The Office has already signed long-term agreement with an audit firm, and shared the fiscal year 2013 audit reports with the Government's main counterparts. **Estimated completion date:** 31 May 2015	

C. Operations

1. Human resources

Issue 6 Weaknesses in human resource management

Effective management of human resources is critical to ensure that UNDP employs the most qualified individuals on a timely basis and provides them with the necessary training and development needs in order to meet its strategic objectives.

(a) Absence of leave planning:

Effective leave planning is essential to the productivity and efficiency of the Office. The Office had not developed a leave plan, taking into account home leave (once a year), rest and recuperation (every eight weeks) and annual leave for its workforce. In addition, senior management were involved in field visits and official business trips, sometimes combined with multiple leaves (home leave, annual leave, rest and recuperation). As a result, long absences and overlaps on leave were noticed, which could have prevented the Office from operating efficiently.

(b) UNDP mandatory training not completed:

All staff members are required to complete mandatory courses in the Learning Management System within six months upon hire. Only 2 staff members out of 41 had completed all mandatory training. In addition, 31 staff members had completed, at most, one mandatory course out of six. Staff members may not be aware of the organization's mandate, accountability framework, corporate initiatives and requirements if mandatory training is not completed.

(c) Performance Management and Development process not completed:

The 'Programme and Operations Policies and Procedures' require staff members to complete a Results and Competency Assessment and to establish individual learning plans and training needs. A culture of performance evaluation was lacking. Only 1 staff member out of 41 had completed the Performance Management and Development process for 2013, and no staff member had completed the Performance Management and Development process (under an earlier system) for 2012. Following the audit fieldwork, the Office raised the completion rate of Performance Management and Development to 45 percent.

(d) Core functions performed by service contracts:

A total of 10 service contract holders were performing core functions, including finance, human resources and procurement management. Allowing service contract holders to perform core functions may negatively impact the Office, as there are restrictions on access rights and authority levels that can be assigned to service contract holders.

(e) Low participation in the Global Staff Survey:

Participation in the Global Staff Survey was 20 percent in 2012 and 16 percent in 2013. Despite the low participation rate, the Office had not developed any action plan to address the lack of participation and promote the value of completing the survey. The Office did not request service contractors and United Nations Volunteers to complete the Global Staff Survey.

Overall management of human resources in the Office was weak because a foundation for effective and strategic human resource management was lacking. Management did not ensure that human resource policies were applied effectively and that basic principles were reinforced.

Without adequate human resources management, the Office may not achieve its strategic objectives and development goals.

Priority	Medium (Important)
Recommendation 6: Improve human resource management by: (a) developing a leave plan to ensure adequate and sufficient coverage of key positions and avoid inefficiencies; (b) ensuring that all staff members complete their mandatory training and finalize the Performance Management and Development process; (c) refraining from hiring service contractors for core functions; and (d) ensuring that all eligible personnel complete the Global Staff Survey.	
Management action plan: (a) A consolidated leave plan was being developed to ensure adequate coverage of key positions at all times. (b) The Office will reinforce the need to complete the mandatory trainings. New hires will be required to complete mandatory training during their probationary period. Staff will not be authorized to go on	

mission without completing at least the security trainings. The Office will reinforce the need to complete the Performance Management and Development process, and will ensure such process is completed in a timely manner.

(c) The recommendation will be implemented.

(d) The Office will promote and encourage all staff to complete the Global Staff Survey. Survey communication will now include all personnel, including those under service contracts and United Nations Volunteers.

Estimated completion date: 30 June 2015

Issue 7 Deficient management of salary advances

The purpose of granting an advance against future salary is to provide a measure of financial assistance to staff members under very specific circumstances and conditions, after which the advance is recovered within a specified time period. Advances are recovered in full through regular payroll deductions. If a staff member separates from service, any outstanding part of an advance is recovered in full against his/her final emoluments.

The Office did not monitor the recovery of salary advances. Several staff members had not paid back outstanding salary advances, including staff members who had separated from the organization. According to data from Atlas, 60 advances amounting to $174,000 were not recovered, and several other staff members appeared to have been reimbursed more than the advances they received. This was caused by the incorrect set-up of advances in Atlas without the automatic recovery through payroll, unclear accountability for monitoring of salary advances, and management's failure to exercise its oversight role. Following the audit fieldwork, the Office conducted an analysis of all its salary advances, which showed that 13 advances were not recovered and 12 staff had salary deductions greater than the advances received. The difference between Atlas data and the analysis provided by the Office was due to incorrect recording of advances, and the use of different accounts between the advances and the corresponding deductions.

In addition, 32 staff members had systematically received salary advances at the beginning of each year (2013, 2014) for a total of $273,000 for both years, thus making it a routine request rather than an exception.

Inadequate oversight over salary advances may lead to untimely recovery or financial losses for the organization.

Priority High (Critical)

Recommendation 7:

Improve the management of salary advances by:

(a) recovering all outstanding salary advances and refunding excess recovery, and making necessary adjustments in Atlas to reflect an accurate picture of all advances;

(b) ensuring salary advances are set up in Atlas with direct deduction through payroll; and

(c) only authorizing salary advances on an exceptional basis.

Management action plan:

The Office analyzed all staff advances, and will take appropriate actions for the timely recovery and/or regularization.

Estimated completion date: 31 January 2015

2. Finance

Issue 8 Deficiencies in the payment process

According to the 'Programme and Operations Policies and Procedures', the payment process includes the following steps: (a) finance staff members run the pay cycle; and (b) the Disbursing Officer checks the details of supporting documents prior to finalizing payment in Atlas and authorizing the bank to transfer funds to the payees. Additionally, the 'UNDP Internal Control Framework' requires maintaining adequate supporting documentation that validates all disbursements.

(a) Questionable expense validation

An advance of $300,851 was given to vendor #4289 on 5 December 2012 in connection with a nationally implemented project and was fully liquidated on 31 December 2012. The Programme Unit created and approved the accounts payable journal voucher without any supporting documentation to liquidate the advance, implying that the expenses incurred were reviewed and validated and were in accordance with the work plan. Further review showed that the asset listing provided by the project personnel included purchases dated from 2005 to 2010, while the funds were only received in December 2012.

(b) Weak control over cheques prepared manually

Due to a cheque printer malfunction, the Finance Unit manually wrote cheques for payments approved and processed in Atlas. This created an inadequate sequencing between the cheque series provided by the payment system, and the physical cheques. As a result, two cheques were left out, and were at risk of being inappropriately used. In a weak control environment and absence of a reliable vendor database, there is also a risk that the information of the payee could be altered to be used for payments which were already approved and processed in Atlas.

(c) Deficiencies in the pay cycle

- Missing supporting documentation: Five vouchers amounting to $110,000 did not have any supporting documents to justify the payments. Without adequate supporting documentation, OAI could not validate the legitimacy of these payments.

- Pay cycle initiated without supporting documents: The Finance Unit ran the pay cycle and processed payment for all approved vouchers in Atlas prior to receiving the supporting documents, which were then attached once they became available. To this effect, there were 75 payments that had been on hold since 2005 for a total of $407,000 resulting in an overstatement of recorded disbursements. Furthermore, a total of $3.25 million worth of vouchers was created by individuals outside of the Finance Unit (Project Units or the Programme Unit).

- Payment greater than invoice amount: A voucher amounting to $18,135 was disbursed to a vendor, even though the invoice was only for $10,300. This payment went undetected throughout the pay cycle and there was no adequate explanation for the difference.

- Payment made to individuals instead of institutions: The Office signed grant agreements with six non-governmental organizations to carry out activities; however, payments amounting to $36,000 were disbursed to a UNDP staff member who handed over the cash to the final beneficiaries. There was no justification for such a practice and the supporting documentation submitted by the UNDP staff member was inadequate, as the documents were only photocopies and could have been altered.

Poor payment processes increase the risk of fraud and misuse of UNDP resources. Liquidating advances without supporting documentation leads to a misrepresentation of expenses in the organization's books.

A weak control system in the processing of payments requires immediate action from the Office in order to prevent mismanagement of funds.

Priority	High (Critical)
Recommendation 8: Strengthen the payment process by: (a) following up on irregularities in the supporting documents provided by the national partner, and ensuring that only fully justified advances are liquidated in Atlas; (b) ensuring the cheque printer is repaired in a timely manner; (c) addressing deficiencies in the pay cycle, including retrieving missing documentation, ensuring supporting documents are available prior to launching the pay cycle, and taking appropriate actions to close all payments on hold; (d) seeking reimbursement of excess payments, and ensuring that the payment amount and payee name match those mentioned on the invoices or contracts.	
Management action plan: (a) Supporting documents were received from the Government and are now available. (b) The Office will take action to implement the recommendation. (c) Out of the five vouchers, four were retrieved while the remaining voucher is still missing. The Office is also working toward obtaining the missing details in order to finalize the payments on hold. (d) Credit balance will be requested from the vendor. **Estimated completion date:** 31 December 2014	

Issue 9 Inefficiencies in bank reconciliations

According to the 'Internal Control Framework', bank reconciliations are important internal controls and unreconciled amounts must be reviewed monthly to detect errors promptly and to reduce the risk of error or fraud. Furthermore, the 'Internal Control Framework' states that any cheques outstanding for clearance for two months or more must be followed up on with the payee. If, upon investigation, it transpires that the cheque has been lost, the cheque must be cancelled and replaced.

The following inefficiencies were noted:

(a) Outstanding unreconciled items not cleared in a timely manner
The Office did not efficiently review and follow up on external unreconciled items in the bank reconciliation. As of 21 April 2014, the Office had outstanding unreconciled Electronic Fund Transfers for $100,000 from 2012 and unreconciled cheques amounting to $8,000 from 2013.

(b) Long outstanding deal not reconciled

As of 30 April 2014, the Bank to Book reconciliation showed a difference of $687,849 not reconciled due to a deal that was incorrectly deactivated. This happened because the Office incorrectly deactivated a bank deal that was linked to a bank account closed since 2010, while the related payment remained reconciled. As a result, the dashboard indicator for Bank to Book reconciliation was negative "rating in red" for over one year. The Office did not vigorously pursue this case with the Treasury to investigate and clear the case.

(c) Deposits not created in a timely manner

The Office did not create deposits in a timely manner in Atlas. Out of 310 deposits made during the period under review, 155 were created between 8 to 79 days after the deposit was made. If deposits are not created promptly, the bank reconciliation process becomes more complex, if not inaccurate.

The above occurred due to weak oversight over Finance Unit operations and a lack of accountability of staff members in charge of monitoring.

Inadequate management of bank reconciliations could lead to a loss of financial resources.

Priority High (Critical)
Recommendation 9: Improve efficiency in bank reconciliations by: (a) following up with payees on cheques outstanding for clearance for two months or more and cancelling these cheques if necessary; (b) actively working with the Treasury and Office of Financial Resources Management in order to properly resolve the outstanding unreconciled bank deal; and (c) creating deposits in Atlas in a timely manner.
Management action plan: The Office will: (a) continue to monitor and ensure the timely liquidation of external unreconciled items; (b) continue working with the Bureau of Management for the timely resolution of the issue; and (c) improve the timeliness of deposit creation in Atlas.

Estimated completion date: 31 December 2014

Issue 10 Inadequate management of project cash advances

The 'Programme and Operations Policies and Procedures' state that the project cash advance is a one-time advance not to exceed $25,000 issued to a custodian (nominated by the Deputy Country Director) for a specific one-time project activity. Such cash advances must be closed and fully accounted for by actual expenses within seven days after the last day of the related activities. Treasurer approval must be sought for all advances greater than $25,000. Furthermore, under the direct implementation modality, UNDP is accountable for procurement of goods and services and the review of supporting documentation prior to processing payments.

(a) Deficient monitoring of project cash advances

There was no control and monitoring mechanism to ensure that project cash advances were properly monitored and accounted for. The Office directly expensed these advances using the expense account 7xxxx series instead of the account 16007 "project cash advance" that is dedicated for these types of payments. Some supporting documents were maintained at the project level, but no reconciliation was done to ensure that all funds advanced were accounted for. The Office did not perform spot checks on the documentation provided by project personnel to ensure that the funds were disbursed according to the budget and that the documentation was adequate. Finally, the Office was unable to provide a complete and accurate list of all project cash advances during the audit period.

(b) Project cash advances not liquidated in a timely manner

There was no oversight mechanism to ensure that project cash advances were liquidated in a timely manner. Five vouchers amounting to $222,000 remained without supporting documentation 14 months after the activity took place. As of 30 April 2014, the Office had outstanding unliquidated cash advances amounting to $357,000 based on a list provided by the Office that OAI considered to be not exhaustive.

(c) Excessive advances to personnel and non-compliance with the threshold

The cash custodians for project cash advances were not formally nominated by the Deputy Country Director (Operations) as required by UNDP policies. Vendors #1573, 4388 and 470 all received multiple project cash advances amounting to more than $100,000 during the audit period, including four advances greater than the threshold of $25,000. Authorization from the UNDP Treasurer was not obtained as required by UNDP policies for the advances greater than $25,000. This resulted from lack of enforcement of UNDP policy and lack of leadership in enforcing new policies.

(d) Cash advance to a national partner not reconciled

The Office provided an advance of $162,000 to a national partner to carry out some activities under the direct implementation modality. However, this advance was recorded as an expense and, therefore was not monitored, reconciled and accounted for.

Failure to properly record, monitor and liquidate project cash advances in a timely manner could lead to fraud and funds not being used for approved activities.

Priority	High (Critical)
Recommendation 10: Improve management of project cash advances by: (a) seeking alternative options to the disbursement of cash for any one-time project activity before considering the use of project cash advances, and recording project cash advances to account 16007 to follow up and ensure that recovery is done no later than seven days after the end of the planned activity; (b) compiling an accurate and complete list of all project cash advances and ensuring that they are fully liquidated in a timely manner on the basis of proper supporting documents; (c) seeking approval from Treasury for any advance greater than $25,000; and (d) reconciling the cash advances of $162,000 given to the national partner.	
Management action plan: (a) The Office has entered into a contract for payment services with a mobile telephone company that covers the entire Country. In this regard, cash advances will no longer be given to staff for payment of project activities. For the management of cash via the contractor, a memo and standard operating procedure defining the roles and responsibilities were issued and shared with all office and project staff. (b) All project cash advances will now be recorded to appropriate advance account 16007, and the Office will ensure that recovery is done within the required ten-day period. A list of pending project cash advances will be established and liquidated accordingly. (c) Noted and action will be taken for future cases. (d) Action will be taken to liquidate the $162,000 advance given to the national partner. **Estimated completion date:** 31 December 2014	

Issue 11 Inadequate vendor management and unreliable vendor database

The 'Programme and Operations Policies and Procedures' requires effective and efficient vendor management to avoid duplicate payments and states that the buyer must: (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. The 'Programme and Operations Policies and Procedures' further state that the right to approve vendors in Atlas must be restricted to two users per Atlas business unit. If there is a valid business case for more than two approvers, the request with justification must be sent to the Comptroller for consideration.

- There was no oversight over the creation and approval of vendors in Atlas. At the time of the audit, the vendor approver role was assigned to three staff members (all senior management), rather than two, without approval from the Comptroller, as required by policy. However, senior management may not have the adequate time and/or knowledge to review vendor details in Atlas prior to approval. There were 42 duplicate vendors (i.e., the same vendor had at least two vendor numbers) and 40 vendors sharing the same bank account number with at least one other vendor. Some duplicate vendors were created by the same staff member. One vendor was paid through two identification numbers, which made it difficult to monitor the amounts paid to the supplier.

- Vendors were created without any reliable documentation. Only an email request sufficed in some cases. In addition, 25 out of 26 vendor forms requested by OAI were not provided. Vendor profiles in Atlas did not include relevant information, such as addresses, phone numbers and bank details. OAI could not validate that the Office reviewed the vendors against the United Nations vendor sanctions list.

Weak oversight by senior staff members and an absence of regular review of the vendor database by finance staff members has contributed to an unreliable vendor database with no assurance of the legitimacy of vendors in Atlas.

Without a reliable vendor database and an adequate vendor management process, the Office could process payments to fictitious vendors and make duplicate payments. This risk was compounded by the deficiencies noted in the payment process, whereby payments were processed without documentation.

Priority High (Critical)
Recommendation 11: Improve vendor management by: (a) limiting the number of staff members who can approve vendors to two knowledgeable staff members; (b) deactivating all duplicate vendors and, prior to approving new vendors, ensuring that they do not already exist in the Atlas database; (c) making mandatory the completion of vendor forms for all new vendors and when updating existing vendor data; (d) updating the vendor profiles and including all the required contact details and information in Atlas; and (e) verifying the vendors against the United Nations sanctions list prior to creating new vendors.
Management action plan: The Office has taken note of the audit recommendation and will take appropriate action. On recommendation 11(a), the Office has already reduced its vendor approvers to two staff. Regarding recommendation 11(b), completion of vendor forms will be mandatory for new vendor creation and updating vendor data. **Estimated completion date:** 31 December 2014

3. Procurement

Issue 12 Weaknesses in procurement management

The ‘Programme and Operations Policies and Procedures’ require the Office to conduct procurement activities in a fair and transparent manner. The ‘Programme and Operations Policies and Procedures’ stipulate that offices prepare a consolidated procurement plan, that offices submit all cases above a certain threshold to the respective procurement committees and that they ensure that procurement for directly implemented projects is conducted by the office and not by national partners.

(a) A procurement plan was lacking

The Office did not prepare a consolidated procurement plan incorporating requisition plans from all projects. Consequently, several procurement processes were initiated in parallel as needs were not consolidated for the same products or services. As an illustration, the Office raised 15 purchase orders related to the procurement of laptops during 2013 for a total value of $206,974. This procurement process was time consuming and did not allow the Office to benefit from economies of scale. The Office also procured from a former peacekeeping mission (MINURCAT) a total of 37 vehicles for a total amount of $335,000. Most of these vehicles were in poor condition and incurred heavy maintenance costs. According to the Office, it was planned to allocate these vehicles to new projects, however, this assertion was contradicted by the fact that the Office purchased 12 new vehicles for a total of $564,000.

(b) Procurement cases were not submitted to procurement oversight committees

- Four cases of procurement with a total value of $351,000 were not submitted to the Regional Advisory Committee on Procurement (one case) and to the Contracts, Assets and Procurement Committee (three cases).

- One recruitment of a consultant as a Security Sector Reform Specialist was rejected by the Regional Advisory Committee on Procurement. The Office submitted the case to the Regional Bureau for Africa, which approved the process. The Office was required by the Regional Advisory Committee on Procurement Chairperson to submit the case as post-facto to the Regional Central Procurement Office, but this was not done.

- The Office procured travel services amounting to $400,000 from a single travel company even though no contract was signed. Furthermore, even though there was no signed agreement, the same travel agency was provided with a rent-free office space within UNDP premises to allow them to adequately address travel requests received from United Nations agencies in the premises. The Office informed OAI that a long-term agreement process was already launched regarding travel services and would soon be finalized and the costs of providing accommodation recovered. Following the audit fieldwork, the Office submitted the case to the Regional Advisory Committee on Procurement and the case was approved, therefore, no recommendation is being made.

(c) Procurement done by national partners under the direct implementation modality

- Procurement within directly implemented projects amounting to $96,176 was done by national partners with no involvement of the Office, except making the payments. OAI noted that a written agreement was not signed to support such an arrangement. The prices invoiced were generally excessive compared to regular procurement prices used by the Office. As an illustration, one printer was invoiced for around $670 while a price benchmark revealed that the same item with identical brand and specifications could be purchased for less than $100. Non-compliance with procurement procedures related to directly implemented projects could result in waste of resources and jeopardize the reputation of the Office.

Lack of proper procurement planning and weak procurement management could jeopardize achieving development outcomes. Procuring through direct contracting increases the risk of non-transparent procurement and of not receiving the best value for money.

Priority	High (Critical)

Recommendation 12: Improve procurement management by: (a) preparing a consolidated office procurement plan; (b) submitting all procurement cases to respective committees, as applicable; (c) submitting post facto cases to the Regional Central Procurement Office; and (d) ensuring that all procurement processes related to projects directly implemented by UNDP (in absence of a signed agreement with responsible parties) are conducted and managed by the Office.
Management action plan: (a) The 'Annual Work Plan' had been signed and the procurement plan was being consolidated. (b) The travel services case was submitted and the Office obtained approval from the Regional Central Procurement Office to contract the travel agency within long-term agreement for a period of three years. Furthermore, the Office will ensure that cumulative procurements exceeding procurement thresholds are reviewed by the respective procurement review committees prior to awarding contracts or raising purchase orders. (c) All procurement cases subject to the post-facto modality will be submitted to the respective procurement review committees. (d) Procurement plan based on directly implemented projects annual work plans will serve as a tool to make sure that all purchases for directly implemented projects are processed by the Office. In addition, programme and project staff will be notified accordingly. **Estimated completion date:** Daily for future cases and by 30 September 2014 for the post-facto review cases.

Issue 13 Weaknesses noted in hiring process and management of individual contracts

The 'Programme and Operations Policies and Procedures' clearly mention conditions under which individual contracts are managed, and stipulate that: (a) under no circumstances shall an individual contract be used for functions normally performed by a staff member; (b) the need for an individual contractor should be one-time and definitive, therefore once delivered, further need for such work is not foreseen; (c) amendments cannot be piggybacked on expired contracts; (d) the best value for money must be considered in the selection process for individual contracts; (e) funds are available prior to beginning the engagement process; and (f) terms of reference are clearly defined and mention measurable deliverables. Furthermore, the 'Programme and Operations Policies and Procedures' firmly indicate that "splitting of individual contracts in order to avoid the scrutiny of any Procurement Review Committee is a serious deviation from UNDP procurement policies and procedures." The 'Programme and Operations Policies and Procedures' also state that individual contracts are to be awarded competitively through a fair and transparent selection process.

(a) Incorrect use of the individual contract modality

Core staff member positions were filled by individual contract holders. In several instances, individual contractors were used for functions normally performed by core staff members, including Operations Manager for the Global Fund, a Strategic Planning and Monitoring and Evaluation Specialist, and Security Sector Reform and Mine Action Specialist.

- Repeated and unsupported extensions were given on individual contracts. OAI reviewed 10 individual contracts and noted that for all of them the contracts were renewed. In five cases, the individual contracts were renewed several times, ranging from 2 to 4 times, while the terms of reference were generally similar. This could indicate either that the consultants did not complete their tasks in a timely manner or that the terms of reference were poorly drafted.

- Three amendments or extensions of expired contracts were noted. In one instance, the contract for a consultant was suspended two months before the expiration date because he was requested by the United Nations Department of Political Affairs to undertake another mission. At the end of his mission, the consultant submitted a new proposal, but it could not be systematically approved by the Office because the cumulative amounts of the procurement required the review of the Regional Advisory Committee on Procurement. The alternative proposed by the consultant and approved by the Resident Representative was to sign a no-cost extension based on the former contract, which had expired two months earlier. However, policies state that an expired contract should not be extended, and the Office is required to initiate a new procurement process.

- In one case, the terms of reference were related to the recruitment of an individual contract while two consultants (local and international) were required to jointly carry out the expected services. The responses received were from firms, and the Regional Advisory Committee on Procurement reminded the Office that in such situations, the individual contract modality does not apply and signing a contract for professional services is more appropriate.

(b) Lack of competitive and transparent processes in awarding individual contracts

- Four individual contractors cumulated procurement amounts very close to the $100,000 threshold ($99,986/#4196, $99,500/#4125, $98,051/#4414 and $87,322/#4363) and based on communications annexed to the files, there were clear indications attesting that the purpose was to split the contracts in order to avoid submission of the procurement case to the Regional Advisory Committee on Procurement. Furthermore, two among these consultants were awarded new contracts soon after the expiration of their 12-month cumulative period. OAI noted that in several instances, the Procurement Specialist and the Deputy Country Director (Operations) reminded the Resident Representative about the necessity to comply with rules by not splitting individual contracts.

- Out of 10 procurement cases reviewed, 7 were conducted as direct contracting. The Office argued that recruitment was done to respond to emergencies or need to deploy the consultant in a very short period. In one instance, the Regional Bureau for Africa alerted the Office to this repetitive non-compliance with UNDP policies.

- One situation of conflict of interest was noted in which the consultant who was involved in the drafting of a project document was later contracted to carry out activities for that same project.

- The name of one candidate was mentioned in an email sent during the preparation of the terms of reference for the hiring of a Strategic Policy Advisor (P5 level) and these terms of reference appeared to have been drafted to match that candidate’s qualifications. In the meantime, the composition of the selection panel was defined by the Country Director and did not take into account the Procurement Specialist’s recommendation that senior staff members from United Nations agencies be involved.

- Offers and proposals from firms were accepted and validated while terms of references called for the recruitment of a consultant under the individual contract modality. The 'Programme and Operations Policies and Procedures' clearly indicate that only individuals are to submit offers, not their employers, even if a Reimbursable Loan Agreement is anticipated.

- According to policies, an increase in the daily rate may only occur upon re-engagement under an individual contract for a different assignment with modified terms of reference, and any change in the costs requires a new selection process. The daily rate was doubled when extending the contract of one consultant, while the terms of reference remained similar. The Office argued that the rate used for the initial contract was less than the rate proposed by the consultant in previous missions in other countries, and it was discussed and agreed upon with the Resident Representative to adjust the rate as soon as the financial situation of the Office improved.

- UNDP daily subsistence allowances were applied to individual contractors even though contractors are not necessarily entitled to it and preferably are requested to include their living expenses in their financial cost proposal. OAI noted four instances where individual contractors were paid UNDP daily subsistence allowances for long periods (6 months), and in three instances the consultants were paid the higher daily subsistence allowance (instead of the regular one).

(c) Absence of confirmation of funds when awarding individual contracts

- In 26 cases, payments of consultant fees amounting to $678,594 were recorded under at least three different budgets. The Office explained that this situation occurred because of limitations in fund availability. This situation impacts the Office's relations with donors as funds could have been used for activities other that the purpose for which contributions were received from donors.

- Lack of adherence to UNDP procedures for awarding and managing individual contracts could negatively impact the operations and the reputation of the organization, and using donor funds for non-designated activities can affect relations with donors.

Priority	High (Critical)
Recommendation 13: Adhere to UNDP policies relating to individual contracts by ensuring that: (a) the individual contract modality is correctly used; (b) individual contracts are awarded competitively through fair and transparent selection processes; (c) the best value for money is considered when determining individual contractor fees; and (d) funding is confirmed prior to initiating recruitment of individual contractors.	
Management action plan: (a) The Office used consultants to quickly respond to emergency situations. Effort has been made to discontinue the hiring of individual contractors for core functions. The Office is undergoing a restructuring to adjust its human resources according to its needs. We will ensure that deliverables are clearly defined in the terms of reference and indicated in the contracts.	

(b) The elaboration of terms of reference for individual contractors will be monitored and checked before using them to source consultants. Procurement staff will not undertake any selection process if the terms of reference do not comply with UNDP procedures. Procurement staff will no longer be allowed to support any procurement case where contract amounts are split in order to avoid the scrutiny of the reviewing committees and individual contractors will be selected through competitive processes.

The use of terms of reference compliant with UNDP procedures will be a tool to mitigate the risk of involving one consultant in many stages of the same project. The Office will put in place a monitoring system that will indicate all the tasks accomplished by consultants on a specific project.

(c) Procurement staff will ensure that the best value of money is obtained when hiring individual consultants.

(d) An e-requisition would be mandatory before starting any hiring process. Procurement staff will not execute any request for recruitment of individual consultant if that request is not supported by a valid requisition.

Estimated completion date: 30 November 2014

Issue 14 Inadequate management of UNDP property

According to the 'Programme and Operations Policies and Procedures', "adequate contract management process ensures that all parties to the legally binding agreement fully meet their respective obligations as efficiently and effectively as possible."

In August 2011, the Office leased a villa under its responsibility to the Resident Representative. The agreement might have benefited the tenant, as unusual special conditions were offered, including payment by the Office of utilities, security, phone and maintenance for six months. There was no market analysis to justify setting the rent at $2,100 per month (one million CFA). According to article 3 of the lease agreement, the Office and the tenant would revisit the agreement after the initial six-month period to determine the final rent amount, which would take into account expenses such as utilities, security and phone.

The Office did not adhere to the terms of the lease agreement, as the benefits initially extended to the tenant continued and were not revised. As a result, the cost of utilities, security, maintenance, repairs and improvements paid by the Office amounted to $20,000 and $45,000, respectively in 2012 and 2013, while the total rent income was only $25,200 per year.

Inadequate management of rental premises could lead to financial loss for the organization.

Priority	Medium (Important)

Recommendation 14:

Improve the management of the villa by completing a market analysis with the assistance of the Administrative Services Division, and readjusting the rental amount and the terms of the lease agreement accordingly.

Management action plan:

With the assistance of the Administrative Services Division of the Bureau of Management, a housing market analysis will be completed. The lease agreement for the villa will be amended accordingly.

Estimated completion date: 31 December 2014

4. Asset management

Issue 15 Weaknesses in asset management

The UNDP 'Programme and Operations Policies and Procedures' require offices to maintain complete and accurate records of all assets. For this purpose, all assets are recorded in the Atlas Asset Management Module and subsequently disposed of in case of sale, obsolescence, damage or theft. Disposals are initiated by the Asset Focal Point and approved by the Asset Manager in the Document Management System, after which staff members of the Global Shared Service Centre record the transactions in the Atlas Asset Management Module.

The following weaknesses in asset management were noted:

(a) High volume of assets not found

OAI reviewed the year end in-service report of 31 December 2013 and noted that 55 assets with a net book value of $156,186 (32 percent of the total net value of assets) were not found. OAI raised the issue with the Asset Focal Point and was informed that no specific review or action was conducted to clarify the situation and investigate these unaccounted for assets.

(b) Inadequacy of the asset verification process

The inventory of the Office was poorly controlled as a Physical Verification Committee was not established to conduct mid-year and year-end verification of assets. One person recruited on a service contract was appointed as the Fixed Asset Physical Verification Coordinator and asset verification was left entirely under his responsibility.

OAI tested the reliability of the year-end asset verification by selecting a sample of 19 inventory items with a net value of $43,000 out of a total of $484,000. The physical verification revealed four obsolete or damaged assets with a net book value of $28,000. These missing and obsolete/damaged assets appeared as in service and were included in the asset verification list.

(c) Lack of accountability for lost assets

The motorbike not physically verified (mentioned above) was with a former staff member who retired and the laptop was kept by a United Nations staff member who visited the Office and left with the item. These clarifications were provided by the Office who informed OAI that no action was taken yet to recover these assets. Furthermore, two printers and one laptop were stolen and the cases were reported to the Office's Security Associate. Incident reports were drafted, but there was no follow-up.

(d) Vehicles belonging to directly implemented projects not returned by national partners after closing of projects

Ten vehicles remained with national partners even though they were not officially transferred to them by UNDP. Seven of these vehicles were still operating with UNDP diplomatic plates.

(e) Non-capitalization of assets used and controlled by UNDP

Assets purchased under directly implemented projects (#37413, #41952, #77223, #82056, #82362 and #82362) and valued at around $300,000 were not capitalized, but were fully expensed.

(f) Lapses in recording of United Nations Department of Safety and Security assets

In 2013, the United Nations Department of Safety and Security procured $65,000 of assets through funding code 68100 but only $32,596 were recorded in the asset management non-capital ledger and the balance was expensed.

(g) Obsolete, damaged and non-working items included in the in-service report on assets

A total of 23 vehicles and 8 motorbikes were declared obsolete and out of use. Assets belonging to the United Nations Department of Safety and Security, valued at around $238,000, were planned for disposal and the write-off process was pending since 2012 for 88 percent of this amount ($210,000). Several obsolete IT assets belonging to the Office were inadequately stored in a small office which could have accelerated their deterioration.

(h) Weaknesses in the tagging and tracking of assets

Asset tagging was not implemented and Atlas data on the location of assets was not updated. A physical verification of assets conducted on a sample of 19 capital assets found that 6 of the assets were not tagged for identification purposes. In seven cases, the asset location indicated in the asset report was not correct.

Based on the above issues, it cannot be ascertained whether the list of assets reported by the Office for the purpose of end of year certification is reliable. There is also the risk of theft and misuse if proper controls for the safeguard of assets are not in place. Furthermore, the Office might not receive the optimal value of obsolete items if they are not stored properly and disposed of in a timely manner.

Priority	High (Critical)
Recommendation 15: Strengthen management of assets by: (a) ensuring that all assets, including United Nations Department of Safety and Security assets purchased through funding code 68100 and assets procured for projects under the direct implementation modality, are correctly recorded in the Atlas Asset Management Module; (b) following up and reporting incidents of stolen or lost assets to the Assistant Administrator, Bureau of Management; (c) disposing of obsolete, damaged and non-working items as soon as possible and ensuring that assets	

belonging to projects already closed are adequately monitored; (d) tagging all assets, recording the tag numbers in Atlas and ensuring that their location is correctly reflected in the asset report.
Management action plan: (a) Recommendation will be implemented accordingly. (b) The Contracts, Assets and Procurement Committee had reviewed the missing assets case and assets transfers. Recommendations were made to management and will be implemented accordingly. (c) The measures had been taken to clean the assets file. The recommended committee will be established as well to enforce the taken measure. (d) The asset management committee that will be established will be tasked to make sure that all assets are tagged. **Estimated completion date:** 31 March 2015

5. Safety and security

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

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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.