UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

DJIBOUTI

Report No. 1458

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(REDACTED)

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Report on the audit of UNDP Djibouti
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Djibouti (the Office) from 12 to 23 April 2015. 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.).

The audit covered the activities of the Office from 1 January 2014 to 28 February 2015. The Office recorded programme and management expenditures totalling $6.8 million in 2014 and a programme budget of $4.8 million in 2015. The last audit of the Office was conducted by OAI in 2010.

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

Overall audit rating

OAI assessed the Office as **partially satisfactory**, which means, "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." This rating was mainly due to unexplained deficiencies in bank reconciliation, irregular payment process, weak management of risks, and financial sustainability being at risk.

Key recommendations: Total = **15**, high priority = **4**

The 15 recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendations 1, 2 and 3); (b) reliability and integrity of financial and operational information (Recommendations 7 and 8); (c) effectiveness and efficiency of operations (Recommendations 9, 10, 12, 14 and 15); (d) safeguarding of assets (Recommendation 13); and (e) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 4, 5, 6 and 11).

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:

Insufficient monitoring activities and risk management (Issue 2)	Baselines and targets were not clearly defined in the Country Programme Action Plan. There was: no regular monitoring and early warning system to anticipate and address non-dashboard issues; no strong monitoring and independent evaluation function; no updated logs in Atlas for project issues and risks; no risk management plan while the Office was functioning de facto under the full Harmonized Approach to Cash Transfers modality; and no follow up on issues raised by corporate surveys (Global Staff Survey and Partners' Survey). <u>Recommendation</u>: The Office should enhance its risk management process and reinforce monitoring activities by systematically implementing risk management and using the required tools and plans; putting in place quality control mechanisms and more robust independent monitoring and evaluation functions; instituting precise baselines and targets during the review of the Country Programme Action Plan; train programme staff in the use of the Atlas project management module and ensure various logs are regularly updated and used; and discuss the results of corporate surveys with the Office staff and agree with them on appropriate action plans.
Financial sustainability at risk (Issue 3)	Projections of extrabudgetary resources for the period 2015-2017 were below the required minimum of 12 months of reserves and the measures envisaged to address the financial gap were not sufficient. The resource mobilization strategy was outdated as it was not aligned with the current cycle of the United Nations Development Assistance Framework to ensure availability of financial resources needed to deliver on commitments. Furthermore, the Government had not paid their contribution to local costs since 2012, for an accumulated amount of $813,000. <u>Recommendation</u>: The Office should improve its financial sustainability by: developing a resource mobilization strategy and action plan; effectively identifying and implementing cost reduction measures and the direct project costing methodology; and pursuing efforts to collect outstanding Government contributions to local costs.
Deficient bank reconciliation processes (Issue 7)	Bank reconciliations were approved despite the fact that these contained serious deficiencies and remained unresolved over an extended period. Vouchers indicated as cancelled were actually paid through manual bank transfers but these were not shown as reconciling items. At the same time, the cancellation of these vouchers were not completely effected in Atlas and therefore the corresponding supporting documents remain valid and available for processing for payment. There was a significant amount (total of $191,000) of unreconciled items that remained outstanding for an extended period (from 2005 to 2014) and not acted upon until detected through OAI's audit. The bank reconciliation statements were neither dated, nor signed by those responsible for preparation, review and approval. <u>Recommendation</u>: As an immediate solution, the Office should conduct a thorough examination of specified transactions as well as long-outstanding items in the bank reconciliations. Such a review would greatly benefit from immediate assistance by a team from the Office of Financial Resources Management who could also provide training and guidance to the staff. During

	the review, if indications of fraud are evident, consultations should be done with the Office of Audit and Investigations, as and when appropriate. As a longer-term solution, the Office should strengthen the bank reconciliation process.
Irregular practices in processing of payments (Issue 8)	Irregular practices involved manually splitting of payments through bank transfers after these were processed and approved in Atlas and making two separate deposits and at different dates at the bank; incomplete execution in Atlas of the cancellation process for vouchers leaving these cancelled vouchers active and eligible for payment processing; and vouchers were created and approved prior to services being rendered. Recommendation: As an immediate solution, the Office should review all cancelled vouchers and take immediate corrective actions and ensure that the relevant supporting documents are likewise cancelled and not made available for possible payments. This review should be done with the assistance of the Office of Financial Resources Management. During the review, if indications of fraud are evident, consultations should be done with the Office of Audit and Investigations, as and when appropriate. As a longer-term solution, the Office should institute better management and execution of payments.

Management comments and action plan

The Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and 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 Djibouti, Djibouti (the Country). At the time of the audit, the Office employed 22 staff members (4 international, 4 national officers and 14 General Service), 11 service contract holders and 2 international United Nations Volunteers. The Government and the Office signed the Country Programme Action Plan for 2013-2017 focused on the following areas: (a) inclusive growth and poverty reduction; (b) sustainable environment and climate change (c) democratic governance and rule of law.

II. Audit results

Satisfactory performance was noted in the following areas:

(a) United Nations system coordination. Key controls were in place and adequate. The United Nations Country Team shared the common goals of improving coordination within the United Nations system in the Country.

(b) Programme management. Apart from two unclear targets and baselines noted in the Country Programme Action Plan, no significant issue was raised in this area.

(c) Partnership. Overall, partners met by OAI expressed their satisfaction with UNDP's support and collaboration.

OAI made 4 recommendations ranked high (critical) and 11 recommendations ranked 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) As an immediate solution, conduct a thorough examination of the above-mentioned transactions. As a longer-term solution, strengthen the bank reconciliation process (Recommendation 7).
(b) As an immediate solution, review all cancelled vouchers and take immediate corrective actions and ensure that the relevant supporting documents are also cancelled. As a longer-term solution, institute better management and execution of payments (Recommendation 8).
(c) Enhance risk management process and improve monitoring activities (Recommendation 2).
(d) Improve the financial sustainability of the Office (Recommendation 3).

Medium priority recommendations, arranged according to significance:

(a) Improve project management and closure processes (Recommendation 5).
(b) Enhance the management, monitoring and reimbursements of payments for VAT (Recommendation 9).
(c) Improve procurement practices (Recommendation 10).
(d) Improve and reinforce physical inventory verification (Recommendation 13).
(e) Adhere to prescribed procedures for project appraisal (Recommendation 4).
(f) Adhere to UNDP's recruitment principles and prescribed procedures (Recommendation 6).
(g) Strengthen controls relating to organizational structure by finalizing the organigramme and updating all job descriptions (Recommendation 1).
(h) Institute full compliance with prescribed procedures and guidelines in the selection and hiring of individual contractors (Recommendation 11).
(i) Boost the performance of ICT investments (Recommendation 12).

(j) Reinforce travel management (Recommendation 14).
(k) Improve safety and security measures (Recommendation 15).

The detailed assessment is presented below, per audit area:

A. Governance and strategic management

1. Organizational structure and delegations of authority

Issue 1 Organigramme and job descriptions not finalized

Efficient organizational structure and clear delegation of authority and responsibility are key elements of control environment. According to the UNDP 'Programme and Operations Policies and Procedures', senior managers are responsible for maintaining a control environment that provides a foundation for an effective internal control system.

The review of the organizational structure, as well as discussions with some staff members disclosed that the organigramme shared with OAI was not the final version. The reporting lines were not indicated in the document. In addition, the job descriptions did not reflect the current roles and responsibilities of the staff, especially those who were affected by the change management exercise in 2012 and particularly for the ICT manager and the Programme Management Support Unit.

The Office acknowledged this and explained that the review of the organigramme and job descriptions were ongoing.

The absence of a complete and final organigramme and updated job descriptions contribute to an unclear authority and responsibilities of staff members that could lead to ineffective supervision and inadequate control environment.

Priority Medium (Important)

Recommendation 1:

The Office should strengthen the controls relating to its organizational structure by:

(a) finalizing the organigramme, with clear reporting lines and delegations of authority; and

(b) updating all job descriptions to reflect recent changes.

Management action plan:

At the time of the audit mission, the Office has been finalizing a dynamic organizational structure which supports clear lines of accountability and reporting/supervision, as well as a mapping of delegated authority anchored in the internal control framework and programmatically realigned functions in the three clusters. The newly emerging environment has been captured in a final draft organigramme, while corresponding update of all job descriptions was ongoing at the time of the preparation of this audit report.

Estimated completion date: September 2015

2. Risk management, planning, monitoring and reporting

Issue 2 Insufficient monitoring activities and risk management

Risk management is the process by which an organization identifies, assesses and manages risks that can endanger the achievement of its planned objectives, and takes steps to reduce the probability of their occurrence, and lessen their impact if these cannot be avoided. This entails defining clear and measurable objectives against which results could be measured and preparing and implementing a risk management plan. UNDP's 'Programme and Operations Policies and Procedures' require offices to: (a) indicate baseline data and targets for each outcome and output indicator in the Country Programme Action Plan; (b) maintain risk logs, monitor and report on risks and results; (c) use the Enhanced Results Based Management platform to capture risks and mitigating actions at the office level; and (d) use Atlas (enterprise resource planning system of UNDP) to record all project information reflecting the same structure.

Review of the Country Programme Action Plan, the (draft) organizational structure of the Office and monitoring activities, as well as the analysis of five projects (representing 33 percent of 2014 expenditures), indicated the following weaknesses:

- In two instances, baselines and targets were not defined in the Country Programme Action Plan, therefore affecting the monitoring of the related outputs and achievement of planned results. Specifically: (a) activities related to decentralization and assessment of electoral system had no clear timeframe for the related deliverables; (b) the output "Capacités de la société civile renforcées et participation accrue à la prise de décision aux niveaux national et local" was not determined. The Office claimed poor national statistics in justifying unclear baselines and targets.

- The Office monitored and followed up on issues captured in the financial and IPSAS dashboards through various committees. However, these committees had no clear terms of reference specifying mission scope and expected results and did not meet specifically for the purpose of sharing information and taking decisions; thus a mechanism to anticipate non–dashboard issues was not in place and consequently were not monitored. Measures taken to address exceptions noted from the dashboard were shared only during monthly meetings as one agenda.

- The responsibility for following up on planned evaluations and reporting in the Results Based Management platform were distributed between two Programme Specialists, who were also managing projects because there was no Monitoring and Evaluation Specialist position in the Office. Therefore, the independence of the monitoring and evaluation function could be questioned.

- Atlas project monitoring logs, risks logs and issues logs were not updated regularly because Atlas was primarily used for financial purposes and not as a project management tool. Therefore, the project management module was not well mastered by all programme officers.

- Twenty-one projects were not attached to the programme tree, which could mean that they were not linked to the United Nations Development Assistance Framework and Country Programme Action Plan, and not contributing to achieve UNDP's commitment in the country during the cycle. The Office was not aware of this prior to the audit mission.

- Issues and concerns raised by corporate surveys were not followed up. The 2014 Global Staff Survey indicated significant declines compared to 2013 in the following areas: conflict management, work life balance, applying policies consistently to all staff, creating an environment of openness and trust, and providing training. The results had not been discussed and no corrective actions had been taken. Likewise, OAI did not obtain any action plan for improvement in areas where the Office scored below UNDP and Regional Bureau for Arab States average in the 2012 Partnership Survey. Those areas were: "image favorable", UNDP as a valued partner, developing national capacities, focus on programme assistance, high quality projects and programme delivery.

- Without proper risk management and monitoring systems, the Office might not be able to act or make decisions on a timely basis to mitigate risks and address issues arising from monitoring activities and consequently not achieve their objectives.

Priority High (Critical)

Recommendation 2:

The Office should enhance its risk management process and reinforce monitoring activities by :

(a) systematically implementing risk management including the proper use of tools for monitoring risks and results,
(b) putting in place quality control mechanisms and more robust and independent monitoring and evaluation functions;
(c) taking advantage of the Country Programme Action Plan review and the alignment exercise to conform to UNDP's Strategic Plan scheduled during the second semester of 2015 to specify baselines and targets, or otherwise conducting specific studies to improve the deficiencies in the national statistics;
(d) training all programme staff in the use of Atlas as a project monitoring tool and conduct regular verifications to make sure that various logs are updated; and
(e) discussing the results of corporate surveys with the Office staff and agreeing with them on appropriate action plans.

Management action plan:

A stronger oversight and quality control mechanisms, project planning/management and reporting in accordance with ATLAS/PRINCE II will be integrated in individual job descriptions. An Action Plan was initiated to implement the recommendation. Furthermore, the Office will take advantage of the ongoing Regional Bureau for Arab States-supported programmatic alignment exercise (in its final phase by end June 2015) and the Integrated Work Plan mid-year monitoring and its Project Quality Assurance module to help comply with corporate norms. The upcoming mid-term review exercise to kick off in August 2015 will test the relevance of the Country Programme and guide the Office through a better profiling of the Country Programme Action Plan Resources and Results Framework.

Estimated completion date: September 2015

3. Financial sustainability

Issue 3 Financial sustainability of Office at risk

The 'Programme and Operations Policies and Procedures' require all offices to maintain a minimum reserve of 12 months of extra budgetary resources, to ensure financial sustainability by securing stable and sufficient long-term resources, and to develop a resources mobilization strategy covering the on-going cycle of the United Nations Development Assistance Framework to ensure availability of financial resources needed to deliver on commitments.

Considering the Office pipeline projects and the forecasted level of expenditures reflected in the 2015 integrated work plan, the financial sustainability of the Office is at risk in view of the following factors:

(a) Projected extrabudgetary reserves for 2015-2017 are below the minimum 12 months requirement.

	2015	2016	2017
Opening balance	**417,174**	**258,269**	**274,999**
Projected GMS	193,798	296,730	263,459
Projected ISS***	35,000	35,000	35,000
Projected salaries	145,399	180,000	180,000
Projected GOE expenses	242,304	135,000	135,000
Projected closing balance	**258,269**	**274,999**	**258,458**
XB reserve in months	**8**	**10**	**10**
*** average between 2012 and 2014			

GMS = General Management Services; ISS = Implementation Support Services;
GOE = General Operating Expenses

As shown in the table above, the Office also planned to reduce its administrative costs (Projected GOE expenses) in 2016 by 55 percent, i.e. $107,000. To do so, several measures were envisaged to lower the level of charges supported by the Office through: (i) hosting new agencies in the premises and on the parking lot and sharing the VSAT, which would reduce the Office's contribution to the maintenance of the premises; (ii) raising awareness of staff members of the need to save power; (iii) rationalizing a more cost efficient use of cars and consumption of gas and oil; and (iv) minimizing purchase of new equipment, etc. The expected reduction in costs from the implementation of these measures amounted to $52,000, hence there was still a gap of $55,000. Furthermore, the Office did not provide evidence that other United Nations agencies committed to share UNDP's building or equipment.

The Office indicated that, in addition to the above measures, they had introduced the direct project costing option in their 2015 annual work plans[1].

(b) The Office resource mobilization strategy not in line with the United Nations Development Assistance Framework cycle.

The Office did not prepare a resources mobilization strategy aligned with the current cycle of the United Nations Development Assistance Framework (2013-2017) to ensure that financial resources would be available to deliver on commitments. The Office had a strategy document for the period 2010-2014 that was part of the previous cycle (2008-2012). On the area of governance, only $0.7 million was mobilized out of $ 2.7 million committed by UNDP in the Country Programmed Action Plan.

(c) The Government did not pay its contribution to local costs.

Despite collection efforts by the Office, the Government has not paid their contribution for local costs since 2012. There was an outstanding balance of $813,000 yet to be recovered.

Restoring or achieving financial sustainability remained a critical objective and key priority of the Office.

The absence of a resources mobilization strategy and delays in the implementation of cost saving measures amidst the reduced core resources and extra budgetary resources threatens the financial sustainability of the Office. These might weaken the Office's ability to maintain its current structure and operational support to the Country as well as prevent the achievement of the commitments for the current cycle.

Priority	High (Critical)
Recommendation 3: The Office should improve its financial sustainability by: (a) preparing and aligning the resource mobilization strategy and action plan with the rest of the cycle, with emphasis on governance; (b) effectively identifying and implementing income generating and cost reduction measures including signing with targeted UN agencies a memoranda of understanding for their use of common premises and equipment; (c) implementing direct project costing; and (d) pursuing efforts to recover from the Government the outstanding balance of Office local costs.	
Management action plan: The recommendation will be implemented. **Estimated completion date:** September 2015	

[1]Direct project costing reflects in projects the true costs of achieving development regardless where these costs are incurred.

B. Programme activities

1. Project management

Issue 4 Weaknesses in project design, initiation and definition

The 'Programme and Operations Policies and Procedures' set out the requirements for project design, initiation and definition. In particular, direct implementation by UNDP requires prior authorization by the Director of the Regional Bureau. Also, a project appraisal committee must meet to review and ensure that the project has been designed with a clear focus on agreed upon results. Countries implementing the Harmonized Approach to Cash Transfer are also urged to develop an assurance plan to ensure that implementing partners' governance structure provide an appropriate level of transparency and reliability over their transactions. Moreover, Government entities should be assessed prior to entrusting them with implementation of projects.

Projects under national implementation

Four nationally implemented projects were reviewed, out of 23 existing projects. This sample represented 30 per cent of 2014 expenditures. The following weaknesses were noted:

- Two projects were not reviewed by the local appraisal committee to ensure that project relevance, feasibility and sustainability had been agreed upon by stakeholders, prior to signing the project document.

- None of the four Government entities entrusted with the implementation of the projects were assessed as required by UNDP Financial Rules and Regulations. The Office hired two international volunteers for the projects funded by the Global Environment Fund to do quality assurance at the level of the national counterpart. However, at the time of the audit, this practice was discontinued.

- All the steps leading to compliance with the Harmonized Approach to Cash Transfer modality had not been completed, yet the Office was implementing this modality. For example, direct payments were made based on Funding Authorization and Certificate of Expenditures forms, usually accompanied with invoices. Moreover, the Office had not developed an assurance plan.

Projects under direct implementation

- There was no authorization requested from the Regional Bureau for Arab States for directly implementing two of the eight projects. For another project, the authorization was obtained for the first 12 months of implementation that ended in May 2013. The Office did not seek a new authorization thereafter and at the time of the audit, the project was still ongoing.

To remedy the shortcomings noted above the Office committed to finalize the micro-assessment of implementing partners by July 2015. Furthermore, a national manual of procedures was developed for release in June 2015.

Weaknesses in project design may result in ineffectively designed projects that are not aligned with the organization's standards and mandate. This increases the risk of not achieving expected results, which can negatively affect UNDP's reputation and could reduce donors' interest in funding future projects.

Priority	Medium (Important)

Recommendation 4:

The Office should adhere to prescribed procedures for project appraisal by:

(a) ensuring that local project appraisal committees are systematically convened for each project;

(b) finalizing micro-assessment for national entities implementing projects; and

(c) seeking authorization from the Regional Bureau for Africa for all projects under the direct implementation modality prior to signing the project document or extending the project.

Management action plan:

The Office started implementation of the PRINCE II project management tool. Audit comments would serve as a reminder to enforce application and accelerate process of systematizing compliance with relevant rules and procedures, specifically as regards to micro-assessments, authorizations for direct implementation modality, project appraisals and approvals, etc.

On Harmonized Approach to Cash Transfers, the ongoing micro-assessments would result in drafting an assurance plan for all implementing partners based on individual parameters, notably risks assessments and indicators.

Estimated completion date: September 2015

Issue 5 Weaknesses in project management and closure

The 'Programme and Operations Policies and Procedures' provide specific guidance on how to implement and monitor projects, including regular reporting to the project board (at a frequency defined in the project document) and financially closing projects within 12 months after their operational closure. Furthermore, specific guidelines related to micro-capital grants provide "micro-capital grants for credit and non-credit activities may be included among the inputs financed by UNDP. An individual micro-capital grant may not exceed $150,000. A recipient organization may receive multiple grants provided the grants do not exceed on a cumulative basis $300,000 within the same programme or project. To receive multiple grants, the recipient organization must have produced the results agreed to in the prior grant agreement, and a new micro-capital grant agreement must be approved by the steering committee."

A review of 5 out of 23 projects disclosed the following:

- One project had a micro-credit component executed by a national institution. The Office extended a grant of $300,000 in two tranches (in 2013 and 2014) without respecting policies and procedures. Specifically, there was no signed agreement defining the use of funds, monitoring mechanisms, reporting modalities and expected results. Furthermore, the second tranche was released although the micro credit activities associated with the first tranche had not started yet. This puts into question the rationale for the release of the second tranche.

- For another project, the reporting mechanism was not in accordance with the agreement. The agreement called for quarterly and annual reporting. The Office provided only annual financial reports on the premise that the objectives of the project were more operational (purchase of drugs and payment of salaries) than programmatic. The agreement also stipulated that the annual report should include a summary of achieved results. With regard to the quarterly reporting, the agreement did not define the format and content of the reports and the Office never submitted these reports. Also, the funding agreement required UNDP (being a Principal Recipient of Global Fund grants) to provide technical advice to the Government on the HIV project. However, the scope of such activity was not clearly defined in the project document leading to difficulties for the Office to provide technical suggestions on the use of the funds that could have benefited both the HIV project and also the HIV Global Fund grants.

Twenty-nine projects (of which 10 were dated prior to 2010) had been operationally closed for more than 12 months but had not been financially closed until the date of the audit.

The above deficiencies were due to a lack of knowledge and training of the staff responsible for project monitoring and closure, as well as insufficient oversight. OAI observed during the fieldwork that the Office started the process of closing projects.

Delays in the financial closure of projects could hinder a more effective use of the remaining available resources or impede a timelier and full accounting of resources that may result in duplicate and/or undetected irregular transactions.

Priority	Medium (Important)

Recommendation 5:

The Office should improve project management and closure by:

(a) conforming to projects requirements in terms of reporting and ensuring that required reports are prepared; and
(b) expediting the financial closure of projects that are operationally closed for more than 12 months.

Management action plan:

Recommendation will be implemented.

Estimated completion date: September 2015

C. Operations

1. Human resources

Issue 6 <u>Deficiencies in recruitment process</u>

The UNDP 'Recruitment and Selection Framework' provides that recruitment shall be guided by the principles of competition, objectivity, transparency, diversity and accountability. Fairness of the competition requires the shortlisting of candidates who meet the job profile. United Nations staff rules and regulations require that the levels of posts of committee members involved in various stages of the recruitment process (interview, review panel, etc.) are at a comparable level as the position under review. Moreover, fixed term appointments should be made only after the review by the Compliance Review Panel (for national positions) and satisfactory reference check is completed prior to the endorsement of the candidate.

Review of the recruitment process of 60 percent of staff recruited in 2013 and 2014 disclosed that the Office was not always meeting the organization's guiding principles. Illustrative cases are described below:

(a) The principles of objectivity, competition and transparency may not have been met:

- For two positions, the selected candidate competed with others who did not meet the requirements for academic credentials or experience.
- For one position, 15 candidates were initially longlisted. To avoid long recruitment process, the Office decided to consider only those applicants who had the finance certification. Consequently, four candidates were considered for interviews. However, among the four shortlisted, only two provided evidence of the required certification.
- For one position, five candidates were longlisted and invited to take written tests, without disclosing the selection criteria used. OAI's review of all applications showed that at least seven other applications could have been considered based on nationality, diplomas and experience. Also, written tests were not anonymous, thereby negatively impacting the transparency and neutrality of the process.

(b) Composition of an interview panel was not appropriate for the recruitment of a Programme Specialist (NO-C). It was composed of a consultant (former Operations Manager), an incumbent Operations Manager from another Office, and a United Nations staff with academic background in human resources. Per UNDP policy, the panel would have been more appropriate with the presence of a senior staff with a programmatic background.

(c) For the three recruitments of local staff under fixed term appointment, there was no evidence that the related processes were endorsed by the Compliance Review Panel in the absence of minutes of meetings.

(d) For one position, except for the interview report, no other documentation was available to assess the fairness and competitiveness of the process.

The Office explained that most of these recruitments were undertaken in the framework of a change management process led by a consultant without involvement of the Human Resources Unit, hence the difficulties in complying with the prescribed procedures and in retrieving documentation. Except for these cases that were handled by a consultant, the Office has been in compliance with rules and procedures in their recruitment activities.

Non-adherence to the principles of objectivity, competition and transparency and non-involvement of the Human Resources Unit in any recruitment processes may result in the selection of individuals who might not meet the highest standards of competence.

Priority	Medium (Important)
Recommendation 6: The Office should adhere to UNDP's recruitment principles and prescribed procedures by: (a) involving the Human Resources Unit in all recruitment activities; (b) disclosing evaluation criteria for relevant steps of the recruitment process; (c) shortlisting only candidates who meet minimum requirements; (d) establishing an interview panel whose credentials are commensurate to the nature and level of positions under recruitment; (e) submitting all recruitments on fixed term appointments to the appropriate review committee; and (f) keeping record of all steps of recruitment.	
Management action plan: All recommendation points will be implemented. **Estimated completion date:** Immediately	

2. Finance

The Office processed 2,429 vouchers worth $4.8 million, excluding transactions related to the Global Fund projects that were subject to a separate audit with separate report. OAI selected a sample of 45 vouchers worth $0.9 million for review. The weaknesses noted in the review of bank reconciliation, management of payments and processing of Value Added Taxes are described below.

Issue 7 Deficient bank reconciliation processes

The Internal Control Framework provides that bank reconciliations are important control mechanisms and all unreconciled transactions must be reviewed regularly to promptly detect errors and to reduce the risk of occurrence of irregularities or fraud. The 'Programme and Operations Policies and Procedures' further state that uncleared cheques outstanding for two months or more from the date of issue must be followed up with the payee.

(a) Cancelled vouchers paid out to vendors and misstatements in bank reconciliation

Three vouchers amounting to about $40,000 were reported as cancelled (in 28 August 2012, 5 February 2014 and 1 November 2014) in Atlas but the corresponding payments were processed and transferred from the Office's bank account and credited to the vendors' accounts, as shown in the bank statements. Further review revealed that the purported cancellation of these vouchers in Atlas were not completely done and therefore, all the supporting documents remain valid and still available for processing in Atlas, thus, there is a risk of vouchers being paid again. Furthermore, the payments using bank transfer forms were not linked to Atlas, hence were neither reflected as "paid" in Atlas nor reported as "payments not in the books'' in the monthly bank reconciliation, and this was a deviation from the UNDP Financial Rules and Regulations. Finally, in reviewing and approving the bank reconciliation statements, the Office failed to detect the above anomalies.

The Office was not able to explain how such irregularities occurred between August 2012 and February and November 2014. It appeared that the related bank reconciliations were prepared and approved within the Programme Unit, and therefore were not subjected to the appropriate oversight from the Operations Unit. Following the audit fieldwork, the Office demonstrated commitment to working closely with the Office of Financial Resources Management of the Bureau of Management to determine the extent of such anomalies and ascertain any immediate and needed corrective actions.

(b) Long-outstanding items in bank reconciliation statements not reviewed

The Office had not reviewed and followed up on the following outstanding unreconciled items in the bank reconciliation statements, hence, they were not able to act on them for years (2005 to 2014):

- Manual payments amounting to $19,000 from 2005 to 2011
- Electronic Fund Transfer amounting to $97,000 from 2012 to 2014
- Cheque payments amounting to $50,000 from May to December 2014
- Deposit amounting to $25,000 on 31 July 2013.

These outstanding unreconciled payments comprised of cancelled payments, payments missing correct banking information, payments created in Atlas although services were never rendered, or incomplete supporting documentation. The absence of proper and timely review and oversight on bank reconciliations were the causes for these irregularities which remained undetected until the OAI audit. Without adequate review and follow up, these payments could be inadvertently finalized and reconciled when they should have been rectified or cancelled.

Furthermore, the nine bank reconciliation statements reviewed by OAI did not have the names and signatures of staff responsible for their preparation, review and approval. Furthermore, there was no date stamp on these bank reconciliation statements, hence, it cannot be ascertained when these were actually prepared, reviewed and approved. These shortcomings undermined the oversight and accountability process over the preparation and review of the bank reconciliations.

During the audit fieldwork, OAI reached out to the Office of Financial Resources Management to provide technical support to the Office in clearing these long outstanding and unreconciled items. While OAI was kept in the loop on their correspondence, no immediate resolutions had been identified at the time of finalizing this audit report.

Deficiencies in the management of bank reconciliation and inadequate and delayed follow-up on unreconciled transactions could lead to undetected fraud or financial irregularities. These could impair the financial status of the Office and negatively impact donors' confidence on the Offices ability in managing and accounting of their contributions/funds.

Priority	High (Critical)
Recommendation 7: As an immediate solution, the Office should conduct a thorough examination of the above-mentioned transactions. Such a review would greatly benefit from immediate assistance by a team from the Office of Financial Resources Management who could also provide training and guidance to the staff. The review may also confirm the following:	

(a) if suppliers who were paid based on cancelled vouchers actually delivered services and goods;

(b) if suppliers who were paid based on cancelled vouchers were actually paid, particularly those whose addresses were out of the Country; and

(c) that the cancelled vouchers used as a basis for payment were not used again to process new payments.

Furthermore, the Office should perform a comprehensive review to clear the long-outstanding items in the bank reconciliations, possibly extending to 2005 to ascertain appropriate corrective actions to be taken and to obtain assurance that no other cases went undetected.

During the review, if indications of fraud are evident, consultations should be done with the Office of Audit and Investigations, as and when appropriate.

As a longer-term solution, the Office should strengthen the bank reconciliation process by:

(a) reflecting in the bank reconciliation all payments made by the bank that are not traceable in Atlas as "payment not in the books";

(b) reviewing on regular basis long-outstanding unreconciled transactions, and ensuring appropriate and timely actions are taken when transactions are considered invalid or in case of lost payments;

(c) adding date stamp to the bank reconciliation, and ensuring that all those responsible for preparation, review, and approval are properly identified with their full names, titles and their signatures affixed in the statements; and

(d) ascertaining the technical capacity of the staff and the support they need to enable them to do a better job; this may also include considering rotating those who have been performing the same financial responsibility for a long time.

Management action plan:

Follow-up corrective actions were initiated with technical support through email exchanges and a conference call with the Office of Financial Resources Management.

Estimated completion date: July 2015

OAI Response:

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

Issue 8 Irregular practices in processing of payments

As described in the 'Programme and Operations Policies and Procedures', the payment process includes the following: (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. There should be no change in the payment instructions as processed in Atlas and those communicated to the bank, in order to mitigate the risk of errors, alterations, or unauthorized payments.

(a) Splitting of payments through bank transfers: In two instances, the Office split into two bank transfers the payments of vouchers after these were processed and approved in Atlas. These were deposited separately and at different dates at the bank, but paid to the same payees. This manual intervention caused the payment processed in Atlas to be different from the payment processed by the bank. Making changes to the payment instructions, after these are processed and approved in Atlas, creates the risk of unauthorized or fraudulent payments and having inaccurate bank reconciliation.

(b) Incomplete cancellation procedures of vouchers: The cancellation of 11 vouchers amounting to $57,000 were only partially executed and the funds were not credited back to the project account. Therefore, the vouchers remained active and the supporting documentation were available for possible processing of payment in Atlas.

(c) Vouchers created and approved for services not yet provided: Eight vouchers pertaining to installments payments for $200,000 on two projects were created and approved in Atlas, although the vendors had not yet provided the corresponding services or products. In setting up the installment contracts, the Office systematically created vouchers corresponding to every milestone of the projects for two years before their expected delivery dates. This process artificially inflated the delivery of the Office.

The Office's management did not exercise adequate oversight on the practices and procedures adopted by the Finance and the Programme Units in the processing of payments and was not able to take timely corrective actions.

Priority High (Critical)

Recommendation 8:

As an immediate solution, the Office should review all cancelled vouchers and take immediate corrective actions and ensure that the relevant supporting documents are likewise cancelled and not made available for possible payments. This review should be done with the assistance of the Office of Financial Resources Management as also proposed in **Recommendation 7**. The review may also confirm how manual bank transfers were executed and some information changed after these were processed in Atlas and what controls are needed to prevent this from happening again (also see item a below).

During the review, if indications of fraud are evident, consultations should be done with the Office of Audit and Investigations, as and when appropriate.

As a longer-term solution, the Office should institute better management and execution of payments by:

(a) discontinuing the practice of changing information in the bank transfer forms such as payee information or amounts to be paid or bank details after such payments have been approved and processed in Atlas;

(b) ensuring that cancellation of vouchers are properly and fully executed in Atlas leaving no options to reissue a payment once the relevant transactions are cancelled; and

(c) discontinuing the practice of creating and approving vouchers when services or goods had not been delivered.

Management action plan:

Follow-up and implementation of corrective actions were ongoing with technical support through email

exchanges and a conference call with the Office of Financial Resources Management. **Estimated completion date:** Immediately
OAI Response: OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

Issue 9 Ineffective and inefficient management of Value Added Tax (VAT)

The Standard Basic Agreement between UNDP and the Government exempts UNDP from paying VAT in the conduct of its operations in the Country. When the local taxing authorities do not provide exemption certification, the Office should regularly file the claims for the reimbursement of the VAT paid to suppliers. A dedicated chart of account was set up in Atlas to record and monitor VAT paid up front, and should be reconciled and closed when the reimbursement is received from the host country.

There were weaknesses in the management of VAT paid by the Office to suppliers due to an absence of oversight and monitoring:

(a) Delay in filing reimbursement for VAT: As of April 2015, the Office had not submitted a claim for the reimbursement of VAT paid to suppliers in 2013 and 2014. The Office had an estimated calculation for payments made in 2013 but not for 2014.

(b) Ineffective monitoring: The Office's practice was to analyze its payment vouchers only at year-end to identify payments for VAT instead of immediately accruing the recovery as they are incurred. This practice was inefficient and ineffective because the Office was not tracking timely and adequately its VAT payments and claiming reimbursements. There were 4 vouchers with paid VAT in a sample of 10 that were not included in the 2013 VAT reimbursement estimates of the Office.

(c) Amounts of VAT not itemized in suppliers' invoices: There were 6 instances totalling $19,000 out of a sample of 15 vouchers, wherein invoices from suppliers were not itemized to separately indicate the VAT paid. As such, the Office may have unknowingly paid VAT, which could no longer be claimed back from the taxing authorities.

(d) Incorrect recording of VAT: Payments for VAT were expensed directly along with the payment of the invoices rather than being recorded to a specific account. Consequently, the Office was not able to ascertain and monitor regularly payments for VAT, which may have contributed to delayed or incomplete filing of reimbursements.

Failure to properly account, monitor and regularly file for the reimbursement of the VAT could put at risk the timely and accurate recovery of VAT payments and this may have a negative impact on the Office's financial resources.

Priority	Medium (Important)

Recommendation 9:

As an immediate solution, the Office should finalize the computation of VAT claims to be filed for 2013 and 2014, review those VAT reimbursements from 2010 to 2012 to ensure completeness of the VAT collections. The review should also assess whether the suppliers for which the VAT were collected were among those suppliers referred to in Issue 7 herein. The review can be done in conjunction with the recommended review per Recommendations 7 and 8 herein, in consultation with the Office of Financial Resources Management and the Office of Audit and Investigations, if and when indications of fraud are evident.

As a longer-term solution, the Office should enhance the management, monitoring and reimbursement of payments for VAT by:

(a) regularly filing VAT claims rather than waiting at year end;

(b) establishing a mechanism to properly capture all VAT paid by the Office (ensuring invoices are itemized to display the VAT amount), and recording all payments of VAT to the dedicated chart of account (14056) to allow timely collection and submission of VAT claims; and

(c) engaging and requesting from the Government for the issuance of VAT exemption certificates.

Management action plan:

The Office initiated the following actions:

- Set up a system and process for immediate record keeping and finalizing all VAT claims on a quarterly basis;
- 2013 and 2014 VAT claims are prepared and sent to the VAT Administration Office; and
- Support the United Nations Country Team in negotiating directly with the host Government issuance of a VAT Exemption Certificate to all United Nations entities.

Estimated completion date: October 2015

OAI Response:

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

3. Procurement

During the audit period, the Office issued 159 purchase orders totaling $1.04 million. OAI reviewed 23 purchase orders worth $0.6 million, as well as the procurement plans for 2013 and 2014, the management of vendors, the engagement of individual contractors, and adequacy of controls within the bidding process.

Issue 10 Inefficient procurement practices

Adequate oversight of procurement practices ensures that all appropriate rules and regulations have been followed. The 'Programme and Operations Policies and Procedures' provide guidance on effective procurement practices, such as adequate procurement planning and proper use of purchase orders to identify economies of scale, better use of resources, and streamline procurement activities. Furthermore, UNDP established the Advisory Committee on Procurement Online (ACP Online) aimed at facilitating the procurement review process and centralizing documentation to support procurement decisions.

Review of procurement management in the Office showed the following weaknesses.

(a) Inadequate procurement planning: The Office had not developed a procurement plan in 2013, as no requisition plans were received from the projects. Furthermore, the 2014 procurement plan was incomplete. It did not cover the entire year and reflected partial but actual procurement rather than planning/forecast. As a result, the Office was not able to timely initiate the procurement process for renewing their long-term agreements with the travel agent, security and cleaning companies, which expired at the time of the audit. This impacted the efficiency of the operations as the Office was forced to sign multiple small value contracts, raising multiple purchase orders and vouchers while awaiting for the completion of different procurement processes.

(b) Incorrect use of purchase orders: Purchase orders were issued for transactions when there was no need to do so and were not issued for transactions that required these documents. On the one hand, purchase orders were prepared for payments made on behalf of United Nations agencies. They had already undertaken and completed the procurement processes, hence, no need to create purchase orders for these transactions (two vouchers for $65,000). On the other hand, the Office failed to create the required purchase orders for their own procurement of travels and civil works (seven cases of travel out of 10, for a total value of $9,000). This weakness was caused by an inefficient oversight and noncompliance with prescribed procedures by those responsible for the creation or use of purchase orders. As a result, procurement statistics did not correctly reflect the Office's procurement activities.

(c) ACP Online not used: The Office has not adequately managed its procurement activities by not using the ACP Online, which is the corporate procurement management tool aimed at creating better visibility and transparency while improving efficiency. There were six procurement cases that should have been managed through the ACP Online tool. The Office explained that technical issues prevented the use of the tool, and acknowledged the need to continue working with the service support team in order to fully benefit from the functionality of the tool and gain in efficiency in their procurement activities.

Inadequate planning and non-compliance with applicable directives and policies on procurement could result in misinformed managerial decisions, which consequently could impact operations and programme delivery. In addition, not using the ACP Online tool is missing the opportunity of gaining the benefits that could be derived from an online tool and could result in cost inefficiencies in procurement.

Priority	Medium (Important)

Recommendation 10:

The Office should improve procurement practices by:

(a) developing a yearly procurement plan taking into consideration requisitions plans from the projects, and incorporating contract expiration dates and renewal constraints;

(b) appropriately using purchase orders to provide accurate status of procurement activities; and

(c) contacting the support service team to make operational the ACP Online, and making full use of this tool.

Management action plan:

The Office was finalizing an annual Procurement Plan. In addition, systematic use of the ACP Online tool has been adopted.

Estimated completion date: July 2015

OAI Response:

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

Issue 11 Weaknesses in selection and hiring of individual contractors

The 'Programme and Operations Policies and Procedures' require that all individual contractors be selected through a competitive process Also, the Individual Contractors' Guidelines provide step-by-step guide for hiring contractors from sourcing them to the awarding of contracts. The Guidelines also stated that the receipt of a financial proposal is a key criterion to the selection process, as this shows prevailing market prices and serves as basis for determining the most competitive prices offered.

Review of the selection and hiring of 13 individual contractors disclosed the following weaknesses:

(a) Submission of offers not in line with the guidelines: Information on offers or proposals for services from contractors were incomplete, missing any of the following required documentation, such as: (i) contractor's letter to UNDP confirming interest and availability; (ii) explanation on why they consider themselves the most suitable for the assignment; (iii) a brief methodology, if applicable, on how they will approach and complete the assignment; and (iv) financial proposal in standardized format. Consequently, offers received were not technically or financially comparable.

(b) Inappropriate process of receiving offers: The Individual Contractors' Guidelines stipulate that for offers made by e-mail, there should be a fully dedicated e-mail account used centrally for receiving such offers. The Office had not set up this email account and communication and offers were directly managed using staff member's emails, which did not ensure transparency and confidentiality or full consideration of all offers received.

(c) Inadequate evaluation of offers and negotiations: Selection of individual contractors was mostly based on the review of their curricula. The consultants' proposed methodologies to complete their assignment were not incorporated in the technical evaluation process. The financial proposals, which should account for 30 percent in the overall evaluation process, were also not taken into account. There was no evidence that the Office had checked prevailing market prices prior to making proposals and negotiating with potential contractors.

Without proper review and integration of the financial proposal in the evaluation process, the Office may not know prevailing market prices and determine the most competitive prices that they can negotiate with the contractor. This may result in either the Office paying higher fees that would be costly for the Office or lower fees that are not commensurate to the required service and level of expertise of the concerned contractor.

(d) Absence of reference checks: The Individual Contractors' Guidelines require that the individual deemed to have provided the most suitable offer be subjected to at least two positive reference checks. The Office did not do reference checks in all cases reviewed by OAI.

Non-compliance with prescribed procedures and guidelines in the selection and hiring of individual contractors could adversely affect project and programme implementation and delivery of results.

Priority	Medium (Important)
Recommendation 11: The Office should institute full compliance with prescribed procedures and guidelines in the selection and hiring of individual contractors by: (a) requiring the submission of the standard offer package, which includes letter of intent, financial proposal, methodology for the service to be provided during the sourcing phase; (b) setting up a dedicated email account and establishing a mechanism for a centralized receipt of offers in order to maintain confidentiality and transparency; (c) ensuring that evaluation of offers complies with the methodology as described in the procurement notice or the Term of References; (d) conducting transparent and appropriate negotiations with potential contractors; and (e) completing reference checks and ensuring that these are obtained appropriately.	
Management action plan: Full implementation of the individual contract methodology has started. **Estimated completion date:** Immediately	
OAI Response: OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

4. Information and communication technology (ICT)

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

Issue 12 Use of IT resources not optimized and aligned with UNDP ICT standards

UNDP's Information Technology Standards define the minimum configurations that must be used by Country Offices for optimum performance and security. Some of the standards address switching technology including wireless access points, local area networks, implementation of firewalls and demilitarized zones[2].

The Office acquired a Very Small Aperture Terminal[3] (VSAT) to provide backup for Internet access to the service provided by the local Telecom leased line connection. In addition, the Office acquired a Link Load Balancer (LLB) designed to improve Internet connection by allowing for simultaneous/aggregated use of different Internet connections and to provide a failsafe mechanism when one connection fails.

The VSAT was never configured and connected to the LLB to take advantage of the features and obtain the benefits derived from integrating these two systems. [redacted] The Office of Information Communications and Technology followed up with the ICT Unit in the Office on at least two occasions in 2014 to ensure that the LLB/VSAT integration was configured appropriately but this Unit did not do the configuration. OAI understood that the ICT Unit had capacity challenges and could not configure the equipment appropriately.

The network infrastructure in the Office was not designed in line with the minimum standards of UNDP, particularly some of the network switches and the wireless access points. Moreover, the Office did not have a domain controller and therefore, machine and user configuration was done on a per user basis. With this, there was no easy way to enforce UNDP standards including password management and print services.

Considering that the network had not been optimized to align with standards, network performance and the use of the UNDP cloud solution had been a challenge for the Office. As such, staff members were saving the information and documents they produced either in local hard drives which were not backed up or in non-UNDP resources such as Dropbox. This approach negatively impacted access to information and retention of documents especially when staff moved from the Office.

These issues were caused by inadequate skills and knowledge, as well as insufficient oversight of the ICT Unit. The ICT Unit had not escalated its challenges to management who were unaware of these issues.

Non- conformity with UNDP ICT minimum standards and not properly using the features of the VSAT and LLB puts at risk the performance and security of ICT systems in the Office. Benefits expected to be gained from ICT investments may not be obtained and could result in inefficiencies and inappropriate use of resources.

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[2] A network design where publicly accessible servers are placed on a separate, isolated network segment. The intention is to ensure that publicly accessible servers cannot contact other internal network segments, in the event that a server is compromised.

[3] A satellite communications system that serves home and business users.

Priority	Medium (Important)

Recommendation 12:

The Office should boost the performance of ICT investments by:

(a) working with the Office of Information and Communications Technology to ensure that the Office's ICT infrastructure meets the minimum standards (appropriately configuring existing infrastructures and investing in upgrades of non-standard equipment);

(b) addressing the capacity and appropriately supervising the ICT Unit; and

(c) escalating promptly to management significant ICT issues for immediate resolution.

Management action plan:

Recommendation fully implemented. Copy of the corresponding LLB is uploaded in the Office's SharePoint.

Estimated completion date: Immediately

OAI Response:

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

5. General administration

OAI reviewed local and international travel, common premises, vehicle management, and fixed assets. The weaknesses in the management of assets and travel are detailed below.

Issue 13 Weaknesses in asset management

The 'Programme and Operations Policies and Procedures' require physical count of fixed asset including furniture, equipment and vehicles twice a year to ensure that the data in the Atlas Asset Module corresponds to the items physically located in the Office. The quality of this information is vital for the production of the Financial Statements. Furthermore, all assets meeting the capitalization threshold should be timely recorded in the Atlas Asset Module.

The Office certified 62 assets valued at $400,000 in its 2014 year-end certification. Review of the asset physical inventory count process and the recording of assets in the Atlas Assets Module disclosed the following weaknesses:

(a) Physical count of fixed asset neither sufficiently documented nor reconciled. Physical inventory count was not initiated from the asset 'In Service Report' to ensure completeness of the Office asset database 'asset registry'. Rather, inventory taking by the Office consisted of counting and certifying assets physically located in each staff member's office, and recapitulating them on individual list prepared for each staff member. However, these individual lists were not reconciled to the assets listed in the 'In Service Report'. Consequently, one copier in the individual list was not recorded in the 'In Service

Report'. Furthermore, the 'In Service Report' used in the year-end asset certification did not identify the staff who prepared, reviewed or approved the inventory count, and was not dated to indicate accurate count of assets as at a certain date.

(b) Incomplete asset registry: One vehicle purchased in June 2014 for a DIM project (valued at $37,000), which was used and controlled by the Office, was not included in the Atlas asset registry. A photocopier for another DIM project valued at $2,800 was also not included in the registry.

Inadequate practices in the physical inventory of assets could lead to incomplete accounting and reporting of assets or undetected lost or missing assets.

Priority Medium (Important)

Recommendation 13:

The Office should improve and reinforce physical inventory verification by:

(a) properly documenting fixed asset physical count and identifying the date of the exercise, as well as those responsible for the actual count, and for the preparation, review and approval of the individual lists, the asset registry, and the reconciliation;

(b) reconciling individual count sheets with the 'In Service Report' to ensure all assets are accounted for; and

(c) recording all DIM assets in the 'In Service Report'.

Management action plan:

Follow up actions are initiated and ongoing.

Estimated completion date: July 2015

OAI Response:

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

Issue 14 Weaknesses in travel management:

The travel policy was revised in 2014 to align with UNDP's strategic objectives by emphasizing cost reduction, including purchasing the lowest restricted ticket. The analysis leading to the travel decisions including payment of travel entitlements must be properly documented.

OAI reviewed the management of travels in the Office by testing a sample of 10 air ticket purchases for official mission totaling $12,000 and the corresponding Daily Subsistence Allowance amounting to $24,000. The following weaknesses were noted:

(a) Travel procurement not centralized: Travel requests were initiated from different units in Operations or Programme, which had different interpretations of travel policies. The travelers worked directly with the travel agent and determined the itineraries that fit their needs rather than first determining the most direct and economic route in compliance with UNDP's travel policy. Consequently, the financial impact of itineraries preferred by the travelers and of their extended stays, if any, were not assessed and consequently, the relevant extra costs were not borne by them.

(b) Travel costs and other entitlements not sufficiently documented: Trip analysis did not systematically include three quotations/itineraries and extended stays were not sufficiently substantiated. One staff member spent seven days on official business although the event was for two days only. In another case, only one quotation was provided for a destination serviced by more than one carrier. Furthermore, the Office paid to a staff member a Daily Subsistence Allowance that was higher than the prescribed rate without the required justification. These were not sufficiently substantiated to justify the payments made.

(c) Travel claims: F10s were completed for compliance purposes only rather than as validation of travel entitlements based on actual departure and return dates. Boarding passes were not systematically attached to the travel claims. As a result, staff members approving the travel claims did not seek for justification on differences between travel dates for official or personal business or on the payment of higher Daily Subsistence Allowances.

(d) Rebates not collected: Contract with the travel agent included 3 percent rebates on total procurement volume for travel per year. The Office had not collected from the travel agent such rebates for 2013 and 2014.

Inadequate management of travel and non-collection of rebates could lead to inconsistency in the granting or abuse of travel entitlements among travelers as well as higher costs

Priority Medium (Important)

Recommendation 14:

The Office should reinforce travel management by:

(a) centralizing the procurement of travel and establishing a process of ascertaining the correct travel entitlements granted to all travellers;

(b) establishing a workflow for the processing of travels, and ensuring that any costs for extended stays or other staff preferences are borne by the staff and not UNDP;

(c) ensuring that the travel claims are used to validate actual expenditures of travel advances, and adequate justification and approval are provided for any deviations from the rules; and

(d) initiating the processing and collection from the travel agent of the 3 percent rebates for the years 2013 and 2014.

Management action plan:

Action taken immediately as regards division of labor and supervision lines for travel. Action on the last point of the recommendation was initiated and will be from now on be systematized.

Estimated completion date: Immediately

OAI Response:
OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

6. Safety and security

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

Issue 15 Security measures not reinforced

Effective security management requires that preventive measures be implemented to minimize the occurrence of security incidents. UNDP Country Offices are expected to ensure that security considerations are an important element of all operations.
The following weaknesses were noted:

- The Office's business continuity plan was updated in December 2014, but had not been tested since then. Thus, there was no assurance that staff members were aware of the procedures and their expected roles and responsibilities during a crisis.
- [redacted]

Weaknesses in securities can put at risk the office's ability to operate as well as endanger staff member and other occupants within the premises.

Priority	Medium (Important)
Recommendation 15: The Office should improve safety and security measures by: (a) testing the Business Continuity Plan and regularly conducting practice drills; and (b) [redacted]	
Management action plan: Action taken and completed. **Estimated completion date:** Immediately	
OAI Response: OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

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.