UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE GAMBIA

Report No. 1925

Issue Date: 4 December 2018

(REDACTED)

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Report on the Audit of UNDP Gambia
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Gambia (the Office) from 24 September to 5 October 2018. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

(a) governance (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);

(b) programme (quality assurance process, programme/project design and implementation, knowledge management);

(c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and

(d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2017 to 30 June 2018. The Office recorded programme and management expenses of approximately $12.4 million. The last OAI audit of the Office took place in 2013.

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

Overall audit rating

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

Key recommendations: Total = **13**, high priority = **6**

The 13 recommendations aim to ensure the following:

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

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

| Weaknesses in control environment and risk management (Issue 1) | The audit disclosed the following exceptions pertaining to the control environment and risk management: (a) inadequate delegations of authority; (b) insufficient staffing capacities in the Office; and (c) weak oversight. |

Recommendation: The Office should reinforce its control environment and risk management processes by: (a) revising delegations of authorities to ensure that staff profiles are aligned; (b) filling vacancies as soon as possible through prompt finalization of ongoing recruitment processes; and (c) formalizing an oversight mechanism.

| Exceptions in project monitoring and implementation (Issue 6) | The Office's overall programme delivery rate was at 54.5 percent as of 19 November 2018. Also, the following exceptions were noted with regard to project monitoring and implementation: (i) for two outputs, the annual work plans did not contain indicators, baselines and targets; (ii) the monitoring and evaluation plan was not costed for one output; (iii) procurement plans were not adequately prepared for two outputs; (iv) project sustainability plans were not formalized for four outputs; (v) for one output, the Office purchased two vehicles for a total value of $73,731 in the last quarter of the project implementation, without this being initially included in the annual work plan and without approval of the project board; and (vi) two transactions amounting to $15,000 and $14,772 were not correctly justified. |

Recommendation: The Office should improve its overall programme delivery rate and enhance its project monitoring by ensuring that: (a) all required plans (annual work plan, monitoring and evaluation plan, and sustainability plan) are properly and timely prepared and implemented; and (b) all expenses are properly justified and authorized.

| Weak oversight over financial transactions (Issue 8) | The audit disclosed the following exceptions: (i) incorrect use of the Office's Chart of Accounts; (ii) exceptions in cash management; and (iii) inadequate controls over payment processing with a high number of cancelled and deleted payments. |

Recommendation: The Office should strengthen its financial management as well as oversight and controls by: (a) promoting the correct use of the Charts of Accounts through regular trainings; (b) documenting all cancelled payments and implementing corrective actions to reduce them; and (c) granting, recovering and reconciling cash advances in compliance with organizational policies and procedures.

| Weaknesses in asset management (Issue 9) | The audit disclosed the following weaknesses in asset management: (i) the Asset Management Module in Atlas (enterprise resource planning system of UNDP) was not updated; (ii) inadequate assets identification and location; (iii) inadequate monitoring of asset inventories; and (iv) asset disposals not timely processed. |

Recommendation: The Office should enforce monitoring and oversight over assets by: (a) developing a comprehensive list of all assets owned by the Office and performing reconciliation with the Atlas asset record as well as the year-end asset records; (b) reinforcing the coordination and oversight role of the

Asset Manager of the Office and designating asset focal points to ensure that assets are correctly received, recorded and tracked; and (c) disposing obsolete and unused assets in a timely manner.

Weaknesses in fuel management processes (Issue 11)

The procedures to record and reconcile the receipt and consumption of fuel were not adequate to provide assurance that fuel purchased was delivered for the use of Office and project vehicles.

Recommendation: The Office should strengthen the management of fuel by: (a) reinforcing accountability over fuel management and implementing a tracking system to ensure that all fuel coupons delivered to staff members are duly approved, timely justified and filed; (b) implementing effective monthly reconciliation of fuel consumption for all vehicles to reconcile consumption with vehicle logs and identify variances warranting further action; and (c) conducting and documenting controls over fuel management to detect and fix exceptions in a timely manner.

Weaknesses in human resources management (Issue 12)

The audit team noted insufficient documentation on the rationale as to why candidates were either excluded from or included in longlists or shortlists. Further, there were inconsistencies in evaluation processes. Evaluators did not systematically indicate comments to support scores given to candidates.

Recommendation: The Office should reinforce controls over the management of human resources by systematically documenting all the steps of the recruitment processes and explaining the rationale for not considering some candidates.

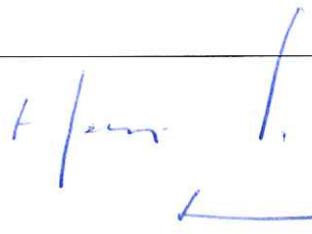**Implementation status of previous OAI audit recommendations:** Report No. 1213, 12 December 2013

Total recommendations: 3
Implemented: 3

Management comments and action plan

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

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

Helge S. Osttveiten
Director
Office of Audit and Investigations

I.   About the Office

The Office is located in Banjul, the Gambia (the Country). At the time of the audit, the Office was comprised of 31 staff members, 18 service contract holders and 5 United Nations Volunteers. The Country Programme Document for 2017-2021 focused on the following areas: (a) inclusive economic growth and poverty eradication; (b) governance and human rights; and (c) environment and resilience development.

The Office had a portfolio of 18 development projects (4 directly implemented and 14 nationally implemented).

II.   Audit results

OAI made six recommendations ranked high (critical) and seven 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) Reinforce control environment and risk management processes (Recommendation 1).
  (b) Enhance project monitoring and improve overall programme delivery rate (Recommendation 6).
  (c) Strengthen financial management as well as controls and oversight (Recommendation 8).
  (d) Enforce monitoring and oversight over assets (Recommendation 9).
  (e) Strengthen fuel management (Recommendation 11).
  (f) Reinforce controls over human resource management (Recommendation 12).

Medium priority recommendations arranged according to significance:
  (a) Strengthen resource mobilization management (Recommendation 4).
  (b) Improve the management, control and accounting for budget overrides and the handling of temporary project deficits and funding gaps (Recommendation 2).
  (c) Improve oversight over procurement activities (Recommendation 10).
  (d) Ensure that all mandatory training courses are completed (Recommendation 3).
  (e) Improve Integrated Work Plan in accordance with the applicable corporate requirements (Recommendation 5).
  (f) Improve controls over project closure (Recommendation 7).
  (g) ██

The detailed assessment is presented below, per audit area:

1. Leadership

Issue 1 Weaknesses in control environment and risk management

The UNDP Internal Control Framework stipulates that the head of office is responsible for establishing and maintaining an adequate control environment, as well as managing risk for effective internal control. The following weaknesses were noted by the audit team:

(a) Inadequate delegation of authority

- The Procurement Associate had full human resources (HR) rights and two conflicting roles: global payroll administrator and HR administrator.
- One project team leader approved vouchers for nationally implemented project advances amounting to $758,374, when in fact the head of office, the Deputy Country Director, or the Deputy Resident Representative should have approved them.

Following the audit fieldwork, the Office deactivated the staff profiles that were inconsistent with their level of delegated authority.

(b) Insufficient staffing capacities in the Office

- The HR Associate position had been vacant since May 2017.
- The Finance Analyst position had been vacant since April 2017.
- The Office did not have an M&E Specialist. The Deputy Resident Representative was acting as the M&E focal point.
- The Procurement Unit was staffed with just one person.

The recruitment of the Finance Analyst was delayed by the freezing of posts imposed by the Regional Bureau in 2017.

(c) Weak oversight

- There was no formalized oversight mechanism to follow up on project and management issues.
- Staff members that had been separated from service had active Atlas profiles.
- Baselines and indicators were not measurable and gender sensitive.
- There were exceptions in project monitoring and closure.
- There were errors in the recording of transactions.
- There were weaknesses in assets management.
- There were recurring errors in recruitment processes.

Inadequate staffing along with a weak internal control environment and monitoring system could negatively impact staff productivity and affect the Office's efficiency and effectiveness. Therefore, the achievement of its objectives could be at risk.

Priority	High (Critical)

Recommendation 1:

The Office should reinforce its control environment and risk management processes by:

(a) revising delegations of authorities to ensure that staff profiles are aligned;
(b) filling vacancies as soon as possible through prompt finalization of ongoing recruitment processes; and
(c) formalizing an oversight mechanism.

Management action plan:

(a) All recruitments are expected to be completed by the first quarter of 2019.

(b) Formalization of an oversight mechanism will be done by 15 January 2019. Meetings will take place bi-monthly to ensure proper follow up on project operations and management issues. The Office will put in place a focal point system and assign responsibilities/distribute tasks to responsible staff members and assign clear oversight/assurance responsibility to relevant managers. The 2019 Performance Management and Development process will include these clearly stated responsibilities and staff assessments will be based on completion and quality of outputs/assigned responsibility. Senior management will undertake monthly and quarterly reviews.

Estimated completion date: 31 October 2019

Issue 2   Inappropriate handling of temporary cash deficits

During periods of temporary cash deficits, the Office has, under certain conditions, the option to enter into commitments by availing itself of inter-project loans. These must be covered by a budget override policy duly approved by the Comptroller and cleared within one month by the receipt of donor funds.

The audit team found that the Office habitually entered into inter-project loans due to temporary cash deficits in some projects, supported by a policy approved by the Comptroller. For the audit period, the Office raised General Ledger Journal Entries worth $350,294 to refund the inter-project loans. However, there was an absence of a formal mechanism to track and monitor those inter-project loans; therefore, the audit team could not assess whether all inter-project loans had been reimbursed.

Failing to use the approved budget override policy weakens the ability of the Office to properly manage budgets and to timely address funding gaps.

Priority	Medium (Important)

Recommendation 2:

The Office should improve the management, control and accounting of budget overrides and the handling of temporary project deficits and funding gaps by implementing a formal mechanism to track and monitor inter-project loans.

Management action plan:

The Office commits to utilizing budget overrides for funding gaps, where applicable.

Estimated completion date: 30 November 2019

Issue 3   Low completion rate of UNDP mandatory training courses

UNDP mandatory training courses are necessary tools to ensure that staff and managers understand the various policies, regulations, principles and values, as well as the goals and objectives of UNDP. All staff members must complete the mandatory courses and obtain their certificates of completion no later than six months after commencing duties.

The audit disclosed the lack of monitoring by management on staff completion of these courses, and the failure of staff to recognize the importance of this mandatory training. As a result, Office staff had not completed all the mandatory training courses, as follows:

- 32 percent had not completed the Ethics and Integrity at UNDP course;
- 16 percent had not completed the Gender Journey course;
- 39 percent had not completed the Legal Framework course;
- 16 percent had not completed the Prevention of Sexual Exploitation and Abuse of the Local Population;
- 29 percent had not completed the Basic Security in the Field course;
- 48 percent had not completed the Advanced Security in the Field course;
- 48 percent had not completed the UN Human Rights and Responsibilities course; and
- 52 percent had not completed the Prevention of Harassment, Sexual Harassment and Abuse of Authority course.

Failure to complete mandatory training courses may result in staff not being aware of the organizations' values and principles.

Priority	Medium (Important)
Recommendation 3: The Office should ensure that all mandatory training courses are completed by staff.	
Management action plan: The Office will ensure completion of all mandatory courses by staff working with UNDP for over six months. **Estimated completion date:** 30 April 2019	

2. Corporate external relations and partnership

Issue 4 Inadequate resource mobilization management

The financial sustainability of UNDP Country Offices depends on their ability to mobilize resources and develop partnerships. This would imply the completion of the mobilization action plan, billing against agreed Service Level Agreements for cost recovery and the efficient implementation of Direct Project Costing.

The following weaknesses were noted in resource mobilization and partnership management:

(a) Resource mobilization action plan not completed

A Communication and Partnership Strategy and Action Plan was being finalized in consultation with the Regional Bureau for Africa and the Bureau for External Relations and Advocacy.

The Office also committed to mobilizing $6 million of non-core resources to support the area of "inclusive and sustainable growth." At the time of the audit, no resources had been mobilized. After the completion of audit fieldwork, the Office drafted a proposal for $6.2 million.

(b) Weaknesses in cost recovery for services rendered to other agencies and the Government

- Absence of signed Service Level Agreements.

- Service on ICT and vendor creation to UN agencies were not billed. Moreover, there was no cost recovery on 722 vouchers processed from January 2017 to September 2018. The audit team could not assess the corresponding losses.

- Inefficiencies in the use of the Universal Price List to recover costs on complex services: The Universal Price List was used for complex procurement processes while it would have been more cost effective to use a Service Level Agreement for ad hoc services or a local price list.

(c) Absence of known parameters to efficiently implement Direct Project Costing

- 52 percent of the Office's staff members did not take part in the workload survey.

- Inconsistencies were noted in the workload survey responses, which could affect its completeness and reliability.

- The Office was using 10 percent of its core resources for Direct Project Costing. However, there was no prior analysis to ascertain that this would be sufficient.

Weaknesses in resource mobilization may jeopardize the Office's ability to mobilize necessary resources to deliver on its commitments and achieve planned objectives.

Priority	Medium (Important)
Recommendation 4: The Office should strengthen resource mobilization management by: (a) finalizing the Communication and Partnership Strategy and Action Plan with a focus on the area of inclusive and sustainable economic growth; (b) improving the cost recovery mechanism through the formalization of relationships with other agencies, systematization of recoveries for all services rendered and upfront analysis of the most appropriate cost recovery method to use; and (c) undertaking a new workload survey for more efficient implementation of Direct Project Costing, which should include donor funding as well.	
Management action plan: (a) A Communication and Partnership Strategy and Action Plan is currently being reviewed by Regional Bureau for Africa and the Bureau for External Relations and Advocacy and is scheduled to be finalized by mid-December 2018. (b) Draft Service Level Agreements for all agencies have been prepared for discussions and signature for 2019 period and onwards. (c) The Office notes the recommendation on Direct Project Costing. A workload survey 2019 has been completed by 95 percent of staff. Analysis is scheduled for completion and submission by 10 December 2018. The completed analysis will be shared with OAI in December 2018. The outcome of the workload survey will inform the implementation of Direct Project Costing inclusive of donor funding. **Estimated completion date:** 30 September 2019	
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.	

B.   Programme

1.   Quality assurance process

Issue 5   Missing priorities and enabling actions in the Integrated Work Plan

The Integrated Work Plan establishes annual programmatic and operational priorities. It outlines the Country Office's plan during the year in response to corporate priorities and country-specific priorities.

The audit team reviewed the Office's 2017 and 2018 Integrated Work Plans. For the 2018 Integrated Work Plan, enabling actions were not comprehensive and did not encompass the Office's programmatic priority on security sector reform and anti-corruption.

Inadequate Integrated Work Plans and enabling actions that are not measurable may impact the Office's ability to monitor and achieve intended objectives and results.

Priority	Medium (Important)
Recommendation 5: The Office should improve its Integrated Work Plan in accordance with the applicable corporate requirements by defining, for all priorities, enabling actions that are comprehensive and specific.	
Management action plan: The Office will ensure the 2019 Integrated Work Plan has relevant and smart enabling actions for all stated priorities. **Estimated completion date:** 30 April 2019	

2. Programme/Project design and implementation

Issue 6   Exceptions in project monitoring and implementation

The 'UNDP Programme and Operations Policies and Procedures' provide guidance for the Office on what monitoring activities to undertake during the project implementation stage.

The Office's overall programme delivery rate was low, at 54.5 percent as of 19 November 2018. The audit team also noted the below exceptions with regards to project monitoring and implementation:

- For two outputs, the annual work plans did not contain indicators, baselines and targets.

- The monitoring and evaluation plan was not costed for one output.

- Procurement plans were not adequately prepared for two outputs.

- Project sustainability plans were not formalized for four outputs.

- For one output, the Office purchased two vehicles for a total value of $73,731 in the last quarter of the project, without this being initially included in the annual work plan and without approval of the project board.

- Two transactions related to one output and amounting to $15,000 and $14,772 were not correctly justified.

These issues resulted from the absence of a formalized and systematic oversight and monitoring mechanism.

The lack of effective monitoring and delays in implementing projects may prevent the Office from achieving planned project outputs as well as overall programme results.

Priority	High (Critical)
Recommendation 6: The Office should improve its overall programme delivery rate and enhance its project monitoring by ensuring that: (a) all required plans (annual work plan, monitoring and evaluation plan, and sustainability plan) are properly and timely prepared and implemented; and (b) all expenses are properly justified and authorized	
Management action plan: The Office takes note of the issues flagged and comments. The following will be implemented: Management has set out a clear timeline for the completion of annual work plans and procurement plan; monitoring and evaluation plans to be completed by 15 January 2019. All project sustainability plans should be completed by June 2019. The Office will ensure that all annual work plans have relevant baselines, indicators and targets prior to board approval. **Estimated completion date:** 30 June 2019	

Issue 7   Late project closure and missing justification for closed projects

The 'UNDP Programme and Operations Policies and Procedures' require that projects be financially closed within 12 months after their operational closure. Any residual balances should be cleared within this timeframe to enable the financial closure of projects. Furthermore, projects that have ended should be financially closed in Atlas, have a project closure checklist completed, and have relevant documentation attached to justify their final closure.

The audit team selected five financially closed projects and analysed Atlas queries. The following lapses were noted:

- Except for one output, key supporting documents justifying correct closure of the projects were missing. The projects were financially closed based on notes to the files.

- For four projects, the quality assurance review for closure had been "under review" since 2016 and 2017, depriving the Office of a platform to centralize and follow up on lessons learned.

- Four projects were still ongoing even though their end dates had expired (2012, 2013 and August 2018).

- Two projects that ended in October 2017 were operationally closed during the first quarter 2018. However, such closure was not reflected in Atlas as the projects were shown as ongoing.

Delayed closing of projects may hinder the effective use of available resources.

Priority	Medium (Important)
Recommendation 7: The Office should improve the controls over the closure of projects and ensure that: (a) all required supporting documents to justify project closure are kept in Atlas; (b) mechanisms are put in place to monitor project expiration dates and to timely initiate project closure processes or extensions; and (c) quality assurance reviews of closed projects are systematically performed.	
Management action plan: (a) Going forward, the Office will ensure due diligence in the closure of projects by the following actions: (i) all supporting documents justifying correct closure of projects will be uploaded in Atlas and the project closure workbench will be properly followed; (ii) a mechanism through a focal point system will ensure project closure status is updated quarterly with the Programme Finance Associate as overall focal point working with relevant programme staff; and (iii) in instances of legacy projects where documentation cannot be sourced, the Office will liaise with the Office of Financial Resources Management for appropriate guidance. (b) All project end dates will be adjusted accordingly, and the Programme Finance Associate will monitor all project closure dates monthly. An action plan for project closure has been prepared and is being implemented. (c) The Office will ensure that project quality assurance is conducted wherever required. **Estimated completion date:** 30 November 2019	

C.   Operations

1.   Financial resources management

Issue 8   Weak oversight over financial transactions

The 'UNDP Programme and Operations Policies and Procedures' provide guidance on the correct use of the Chart of Accounts for effective financial management.

During the period under review, the Office processed 3,148 vouchers amounting to $11.5 million. The audit team reviewed the Office's financial oversight and controls and selected a sample of 46 vouchers amounting to $3.6 million and noted the following weaknesses:

(a)   Incorrect use of Chart of Accounts:

The audit team noted 424 transactions valued at $562,584 that were booked in the wrong Chart of Accounts. The errors were not detected because of inadequate oversight from the Operations Unit.

(b)   Exceptions in cash management as illustrated below:

- Nine instances of project cash advances outstanding for more than one year.
- One instance of a salary advance given to a staff member with a recovery period beyond the expiry date of his contract.
- Petrol advances amounting $113,000 pending in the petrol advance account since 2004.

Except for petrol advances, the audit team noted that the Office was not aware of the outstanding balances in staff receivable accounts. When informed by the audit team, the Office started initiating actions to recover the pending amounts.

(c)   Inadequate controls over payment processing:

The Office cancelled 379 payments worth approximately $1.7 million from January 2017 to September 2018. The audit team noted that 122 of these cancellations (32 percent) were processed the day of the initial payment and 184 (48 percent) were cancelled between 1 and 30 days after payment. The audit team noted that these cancelled payments were replaced by new ones. Discussions with the Office demonstrated that they were due to human errors on the checks or the bank references of the beneficiaries that had not been detected prior to the transaction being processed. Furthermore, 101 other vouchers worth $179,041 were deleted during the audit period without adequate justification.

These weaknesses in financial transaction oversight increase the risk in reporting mistakes, income delays, and inefficient payment processing.

Priority	High (Critical)
Recommendation 8: The Office should strengthen its financial management as well as controls and oversight by: (a) promoting the correct use of the Charts of Accounts through regular trainings; (b) documenting all cancelled payments and implementing corrective actions to reduce them; and (c) granting, recovering and reconciling cash advances in compliance with organizational policies and procedures.	
Management action plan: (a) The use of sundry accounts for non-Atlas agencies has been clarified and the Operations Specialist will no longer approve vouchers using the sundry account. (b) The Office takes note of the recommendation and will ensure that proper documentation of all cancelled payments is kept.	

(c) The Office has taken action to recover all outstanding staff advances from WFP staff (one has paid in full and last payment due from the second staff at the end of November). The Office will also develop a standard operating procedure for staff separation with agencies for whom UNDP administers staff as part of a Service Level Agreement. As per the Streamlined Business Notification, all staff advances will henceforth be requested through Atlas for enhanced monitoring.

Estimated completion date: 30 September 2019

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   Weaknesses in asset management

The 'UNDP Programme and Operations Policies and Procedures' require offices to maintain complete and accurate records of assets and ensure their safeguarding. All assets under UNDP's use and control should be timely recorded in the Atlas Asset Management Module, depreciated, and later disposed.

The audit team noted the following:

(a) Atlas Asset Management Module not updated

The audit team tested the reliability of the year-end asset verification by selecting a sample of 16 inventory items with a net value of $0.13 million of a total of $0.27 million as at 30 June 2018. The physical verification showed that:

- Assets related to the OneICTbox and valued at $104,000 as at 30 June 2018 were not capitalized but were fully expensed. Acquisition prices for some of the systems components went beyond the $1,500 threshold and should have been recorded into Atlas In-service Report.

- Four laptops, which appeared as "in-service" and therefore included in the asset verification list, were missing. The Office could not provide any explanation on these missing items;

- 12 assets were physically verified by the audit team while they were not reported in the Atlas In-service Report. They included 1 server, 3 high-frequency radios, 3 printers, 3 copiers, and 2 laptops.

(b) Inadequate assets identification and location

Some of the assets were not adequately tagged, did not correspond to those recorded, and had incorrect locations.

(c) Inadequate monitoring of asset inventories

The Office had not prepared an exhaustive listing of assets and attractive items to serve as a tracking tool. Therefore, the Office could not reconcile the physical asset counted with the list of equipment used and under its control. As a result, exceptions could not be timely detected.

Furthermore, physical verifications of assets were not adequately documented. The Office did not prepare physical inventory reports indicating the equipment verified and its status. In the absence of documentation, the audit team could not ascertain whether the physical verification of assets was conducted.

(d)   Asset disposal not timely processed

As at the time of the audit, 15 stand-alone printers were not used as the Office decided to no longer procure toners for them. The audit team noted that this equipment was still under the custody of staff members and yet to be collected for disposal. Also, 31 obsolete laptops not in use had not been disposed by the Office while their disposals had already been recommended by the Contracts, Assets and Procurement Committee. The Office indicated that the disposal would be done later.

Asset management weaknesses can restrict the Office's ability to properly manage, account, report and control assets.

Priority	High (Critical)
Recommendation 9: The Office should enforce monitoring and oversight over assets by: (a) developing a comprehensive list of all assets owned by the Office (including tagging of all assets and update of locations and missing assets) and performing reconciliation with the Atlas asset record as well as the year-end asset records; (b) reinforcing the coordination and oversight role of the Asset Manager of the Office and designating an asset focal points for each project who will work with the Asset Manager and will ensure that assets are correctly received, recorded and tracked; and (c) disposing obsolete and unused assets in a timely manner.	
Management action plan: The Office takes note of the recommendations above and commits to take the following actions: (a) The reconstituted Office asset verification team will develop a comprehensive listing of all assets owned by the Office, their current location and tag. If assets are not tagged, tag referenced will be assigned. This listing to be cross-referenced with In-service Report data and needed updates and reconciliations made. Asset Manager to review reconciliation and ensure adequacy. (b) The role of the Asset Manager has been emphasized in the updated delegation of authority. Memo to appoint asset focal points for each project will be issued with clear roles and responsibilities. An asset focal point for each project to be designated. (c) Contracts, Assets and Procurement Committee cases for all items due for asset disposal will be created to facilitate disposal and sale. Action to be taken by the asset focal point. **Estimated completion date:** 30 November 2019	

2.   Procurement

Issue 10   Weaknesses in procurement management

The 'UNDP Programme and Operations Policies and Procedures' require offices to conduct procurement activities in a fair and transparent manner.

The Office issued 347 purchase orders totalling $4.1 million from January 2017 to August 2018. The audit team reviewed 35 purchase orders worth $3.1 million (76 percent of total procurement volume). It also reviewed the recruitment and contract management of seven individual contractors and the adequacy of controls during the bidding and evaluation phases.

The following weaknesses were noted as part of the audit review of procurement activities:

- Bids were not sufficiently secured as procurement solicitations were sent using a senior manager's email address instead of a generic procurement email.
- In all the cases sampled, advance payments were given to civil works companies and individual contractors upon signature of contracts, even though advance payments should only be given on an exceptional basis.
- The Office was not using the new UNDP procurement planning system PROMPT 2.0.
- For civil works, the Office did not apply penalty clauses for delays during the period under review, whereas three important contracts valued $3.2 million were delayed between 7 and 10 months, therefore affecting the Office's overall delivery.

These weaknesses were caused by an absence of an oversight mechanism over procurement processes, and a lack of adequate capacity and knowledge of the organization's principles.

Ineffective oversight over procurement practices may lead to unfair procurement practices or not providing value for money for the organization in its procurement activities.

Priority	Medium (Important)
Recommendation 10: The Office should improve oversight over procurement activities by: (a) establishing adequate controls over the receipt and safekeeping of bid documents as well as a proper archiving system for easy retrieval of supporting documentation; (b) ensuring that the procurement planning system PROMPT 2.0 is adopted; and (c) adhering to UNDP policies related to payment of advances and application of penalty clauses for delays.	
Management action plan: The Office takes note of the recommendations above and commits to take the following actions: (a) The Office has established a generic email, which is functional. All procurement cases are filed and indexed and kept in the procurement office.	

(b) PROMPT has been adapted and units have made use of the system by updating their procurement needs for the year. Follow-up training for programme and procurement staff will be held in 2019. With the onboarding of the Procurement Assistant, full adoption of PROMPT will be facilitated, including progress of procurement cases.

(c) The Office takes note for full adherence. Any advance, if given, will be recorded as such (Account 16000). Effective October 2018, for all contracts, the Office will request a substantive deliverable as basis for the first payment. Application of penalty clauses for delays will be included in all contracts.

Estimated completion date: 30 September 2019

OAI response:

OAI acknowledges the action taken by management to reinforce controls over bid documents. This will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

Issue 11   Weaknesses in fuel management processes

Effective fuel management requires well-controlled purchases, receipts, distribution and ongoing oversight and reconciliations to determine actual consumption and patterns that warrant investigation.

The procedures to record and reconcile the receipt and consumption of fuel were not adequate to provide assurance that fuel purchased was delivered for the use of the Office and for project vehicles. The audit team's analysis disclosed the following weaknesses:

(a) Weak oversight over fuel coupons

- Inter-project and inter-agency loans were not documented or approved by senior management.
- The physical stock verified by the audit team did not match with the logbook.

(b) Inadequate tracking of fuel coupons remitted

- The Office requested that recipients of fuel coupons present evidence of having received the fuel. The audit team noted that evidence of fuel supplies in UNDP vehicles were not systematically submitted and filed. Furthermore, a tracking system was not in place to timely detect fuel coupons remitted and yet to be justified.
- At the time of the audit, only 110 justifications for fuel coupons were filed for 2017 while 217 were expected based on the audit team's reconciliation.

The Office did not detect exceptions in a timely manner as there was no reconciliation system between fuel consumption and vehicle mileage.

These weaknesses were due to inadequate oversight over fuel management processes. Non-compliance with the organization's policies regarding fuel management can lead to abuse, fraud, and financial and reputational risks for UNDP.

Priority	High (Critical)

Recommendation 11:

The Office should strengthen the management of fuel by:

(a) reinforcing accountability over fuel management and implementing a tracking system to ensure that all fuel coupons delivered to staff members are duly approved and timely justified and filed;
(b) implementing effective monthly reconciliation of fuel consumption for all vehicles to reconcile consumption with vehicle logs and identify variances warranting further action; and
(c) conducting and documenting surprise controls over fuel management to detect and fix exceptions in a timely manner.

Management action plan:

Management takes note of this recommendation and commits to the following actions:

(a) A thorough review of the fuel management system will be undertaken by the Office and a dedicated standard operating procedure for fuel management will be developed, including internal controls for review and reconciliation of fuel receipts. On a pilot basis, two days a week have been designated as fueling days to ensure that all fuel coupons are timely justified and filed.
(b) Monthly reconciliation of fuel will be done by the Operations Specialist to reconcile fuel consumption with vehicle logs, identify variances and undertake further action.
(c) Quarterly review of reconciliations will be undertaken by the Operations Specialist or the Deputy Resident Representative to detect and fix exceptions.

Estimated completion date: 30 November 2019

3.   Human resources

Issue 12   Weaknesses in human resources management

An effective and efficient recruitment process is critical to ensure that the Office employs people with the appropriate skills to meet its strategic objectives in a timely manner. The 'UNDP Programme and Operations Policies and Procedures' also set out specific guidelines for separation of staff, such as the return of the Office's assets, removal from payroll, and the timely deactivation of email and Atlas accounts.

The audit team noted the following:

a) Selection processes insufficiently documented

The audit team reviewed a sample of six recruitments completed in 2017 and 2018 and noted that there was no documented rationale of why candidates were either excluded from or included in longlists or shortlists.

b) <u>Inconsistencies in evaluation processes</u>

For all six fixed-term appointment recruitments reviewed, the Office did not establish a guide for marking the written tests. Evaluators did not systematically indicate comments to support scores given to candidates.

These issues were caused by inadequate oversight and poor planning over recruitment processes.

Delays and inefficiencies in the recruitment process may increase the risk of the Office not hiring the most suitable candidates.

Priority	High (Critical)
Recommendation 12: The Office should reinforce controls over the management of human resources by systematically documenting all the steps of the recruitment processes and explaining the rationale for not considering some candidates.	
Management action plan: The Office will take steps in ongoing recruitment to ensure that all longlists and shortlists are adequately documented with reasons for inclusion or non-inclusion of candidates. The Office has recognized shortcomings of lack of marking guides and the wide disparity in scoring. Recent recruitment processes have included a marking guide. **Estimated completion date**: 30 October 2019	
OAI response: OAI acknowledges the action taken by management to reinforce controls over the management of human resources. This will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

[**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**

  The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.

- **Partially Satisfactory / Some Improvement Needed**

  The assessed governance arrangements, risk management practices and controls were generally established and functioning but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.

- **Partially Satisfactory / Major Improvement Needed**

  The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.

- **Unsatisfactory**

  The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

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. Failure to take action could result in negative consequences for UNDP.

- **Low**

  Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.