

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**THE DEMOCRATIC REPUBLIC OF THE CONGO**

**Report No. 1981**  
**Issue Date: 24 August 2018**

**(REDACTED)**

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## Report on the Audit of UNDP Democratic Republic of the Congo Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP in the Democratic Republic of the Congo (the Office) from 22 May to 6 June 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 31 March 2018. The Office recorded programme and management expenses of approximately \$130.6 million. The last audit of the Office was conducted by OAI in 2015.

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/major improvement needed**, which means that “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.”

This rating was mainly due to weaknesses in programme/project design and implementation activities, financial resources management, and procurement management.

**Key recommendations:** Total = 12, high priority = 3

The 12 recommendations aim to ensure the following:

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

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. The high (critical) priority recommendations are presented below:

Delays in DRC  
Humanitarian Fund  
disbursement process  
(Issue 5)

The audit reviewed the disbursement process of funds in February and March 2018 and noted that it ranged from 24 to 29 days in 30 instances of out 49, and 12 to 13 days in four other instances, which were longer than the performance indicator of 10 calendar days. In six other instances, the first payment had not been processed at the time of the audit, while the Humanitarian Coordinator had approved them more than 30 days before. The remaining nine instances met the performance standard. The Office explained that this was caused by the set-up and approval process of the project in Atlas (enterprise resource planning system of UNDP), and by a delay in the receipt of the waiver on the General Management Support.

**Recommendation:** The Office should comply with the 10-day requirement for the disbursement of funds to implementing partners by: (a) addressing the issue of the delays in the set-up and approval process of the project in Atlas; and (b) finalizing the issue of the waiver on the General Management Support.

Weak oversight over  
financial transactions  
and payment process  
(Issue 6)

The audit noted outstanding unpaid invoices from 2011 to 2017, specifically outstanding invoices from one travel agent for \$100,000, of which 40 percent had not been cleared at the time of the audit fieldwork. There were other travel invoices outstanding amounting to \$24,500, and outstanding invoices amounting to \$124,000 from 2008 to 2013 with respect to a telephone company, out of which only \$1,000 was paid at the time of the audit. Furthermore, 10 transactions were booked in the wrong balance sheet accounts following the use of the incorrect Chart of Accounts. In addition, the Office's budget override policy was approved in 2015, but it had not been updated since to reflect changes in the senior management in the Office.

**Recommendation:** The Office should strengthen its financial management by: (a) settling outstanding claims and providing adequate training to staff on the correct use of the Charts of Accounts; and (b) updating the budget override policy.

Lapses in procurement  
management (Issue 11)

The audit identified a need for improvement in procurement management since: (a) negotiations with suppliers were not conducted in line with policies; (b) bid requirements were in some instances too restrictive to guarantee open competition and demonstrate best value for money; (c) conditions set by corporate review bodies for the establishment of Long Term Agreements (LTAs) were not adhered to; and (d) exceptions were noted in contract management.

**Recommendation:** The Office should strengthen procurement management by: (a) ensuring that project activities are adequately planned and budgeted to avoid frequent negotiations; (b) ascertaining that bid requirements are not too restrictive or remain within the local practices or international standards to provide value for money; and (c) following up on recommendations from the procurement review committees regarding lapses in contract monitoring.

**Implementation status of previous OAI audit recommendations:** Report No. 1495, 13 November 2015.

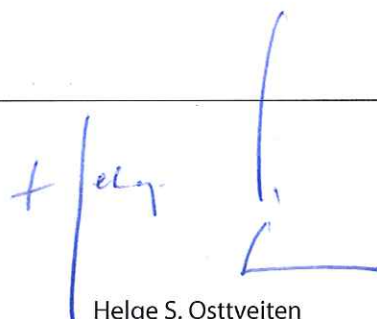
Total recommendations: 13

Implemented: 13

**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.

A handwritten signature in blue ink, which appears to read 'Helge', is written over a large, stylized blue 'L' shape. The signature is located inside a rectangular box.

Helge S. Ostveiten  
Director  
Office of Audit and Investigations

## I. About the Office

The Office is located in Kinshasa, Democratic Republic of the Congo (the Country), with one sub-office in Goma and two project offices in Bukavu and Bunia. At the time of the audit, the Office employed 110 staff members, 92 service contract holders and 14 United Nations Volunteers.

The Government and the Office signed the Country Programme Action Plan for 2013-2017, which focused on the (a) consolidation of peace and reinforcement of democracy; (b) development planning and inclusive growth; and (c) climate change and management of natural resources.

At the time of the audit, the United Nations Development Assistance Framework (UNDAF) 2013-2017 had been extended for one additional year until December 2018. The new UNDAF would cover the cycle 2019-2023.

## II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance/Corporate direction. Key controls were adequately established and fully functioning.
- (b) Operations/Staff and premises security. Key controls were established and adequately functioning.
- (c) United Nations leadership and coordination. Key controls were in place and adequate. The United Nations Country Team shared common goals of improving coordination within the United Nations system in the Country.

OAI made three recommendations ranked high (critical) and nine 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) Strengthen procurement management (Recommendation 11).
- (b) Improve the timeliness of disbursement to implementing partners (Recommendation 5).
- (c) Strengthen financial management (Recommendation 6).

**Medium priority recommendations**, arranged according to significance:

- (a) Improve project design (Recommendation 3).
- (b) Improve project implementation and closure (Recommendation 4).
- (c) Collect arrears of GLOC (Recommendation 2).
- (d) Strengthen fuel and vehicle management (Recommendation 10).
- (e) Strengthen asset management (Recommendation 7).
- (f) Strengthen risk management (Recommendation 1).
- (g) Strengthen human resources management (Recommendation 12).
- (h) Enhance ICT management (Recommendation 8).
- (i) Strengthen controls over travel management (Recommendation 9).

The detailed assessment is presented below, per audit area:

## A. Governance

### 1. Leadership

#### Issue 1 Weaknesses in risk management

The UNDP policy on Enterprise Risk Management (ERM) highlights that UNDP is exposed to a variety of external and internal influencing risks that create uncertainty regarding the realization of organizational goals. The ERM system allows UNDP to manage these risks and stipulates that reporting on risks is performed at all levels of the organization as part of the implementation of the work plan. Risk assessment is the overall process of risk identification, assessment, prioritization, monitoring and reporting.

A review of the risk management component of the Integrated Work Plan (IWP) highlighted the following shortcomings:

- The risk mitigation measures, such as “Strengthening internal capacity on programme and operations management and encouraging innovation in the Country Office” and “Strengthening internal oversight and assurance functions” were not sufficiently elaborated and lacked precision on how they would address the corresponding risk statement. In addition, their status remained unchanged since their initial identification in the IWP.
- The DRC Humanitarian Fund Guide recognized the reputational risk faced by UNDP as one of the most critical ones. The audit noted that this risk was not reflected in the IWP, and consequently, no mitigating action plans were drafted.

The lack of adequate risk management practices may result in risks not being captured and addressed in a timely manner, which could put at risk the achievement of results.

<b>Priority</b>	Medium (Important)
<b>Recommendation 1:</b>	
The Office should strengthen its risk management by:	
<ul style="list-style-type: none"> <li>(a) ensuring that risk mitigation measures are sufficiently elaborated and regularly updated; and</li> <li>(b) identifying and reporting in its Integrated Work Plan the reputational risk included in the DRC Humanitarian Fund Guide, as well as its mitigating action plan.</li> </ul>	
<b>Management action plan:</b>	
The Office will take the following actions:	
<ul style="list-style-type: none"> <li>(a) Develop comprehensive mitigation measures for programme and operations, as well as for the DRC Humanitarian Fund.</li> <li>(b) Develop a quarterly based strategic risk management mechanism.</li> <li>(c) Update the risk log in the IWP by integrating the risks of the DRC Humanitarian Fund Guide.</li> </ul>	
<b>Estimated completion date:</b> December 2018	

## 2. Corporate External Relations and Partnership

### Issue 2 Outstanding Government Contributions to Local Office Costs

In accordance with the provisions of the Standard Basic Assistance Agreements (SBAAs) that govern UNDP operations in programme countries, host governments are expected to contribute towards the costs of Country Offices. The annual Government Contribution to Local Office Costs (GLOC) cash targets are communicated to the Country Offices by the Office of Financial Resources Management (OFRM) for recovery purposes.

As at June 2018, GLOC arrears amounted to \$0.8 million, covering the period 2016-2018. The Office had sent reminders to its national counterpart – the latest one in February 2018. During a meeting with the audit team, the government focal point confirmed that the Country was willing to honor its financial obligations, despite numerous challenges. However, no time frame was provided for the payment.

Delays in collecting GLOC may negatively impact the financial resources available to support the Office's local costs and may prevent the Office from using other funds initially ear-marked for development projects.

<b>Priority</b>	Medium (Important)
<b>Recommendation 2:</b>	
The Office should, in consultation with the Regional Bureau for Africa, continue its efforts to collect arrears of the Government Contribution to Local Office Costs.	
<b>Management action plan:</b>	
The Office will continue its efforts to recover the GLOC. The Office has sent four written reminders to the Government in the last two years and had systematically included the pending GLOC on the agenda at the statutory meetings between UNDP and its main government counterpart.	
<b>Estimated completion date:</b> August 2019	

## B. Programme Activities

### 1. Programme/Project Design and Implementation

#### Issue 3 Weaknesses in project design

The 'UNDP Programme and Operations Policies and Procedures' on project management provide guidance on various steps and documentation required at the project definition stage, including: (i) defining results to be achieved that are specific, measurable, achievable, realistic and time-bound through a resources and results framework or annual work plan; (ii) identifying the outputs, indicators, baselines for each of the activities being implemented; and (iii) drafting transition and phase out arrangements including a scale and sustainability plan. This plan should be reviewed and adjusted annually.



The audit team selected eight outputs for detailed review with estimated total expenditures of \$9.4 million in 2017, i.e. 41 percent of the delivery, and 61 percent of the total budget of \$17.6 million (excluding the DRC Humanitarian Fund). The audit noted the following weaknesses:

a) Baselines and targets not defined in project documents

In three instances, baselines and targets were not defined in the project documents, in one case the output did not have baselines or indicators. In the case of two outputs, activities were not quantified. The Office commented that studies were planned to address these weaknesses.

b) Absence of capacity-building and exit strategy

In five projects, there were no exit strategy plans to transfer ownership and accountability of project deliverables to the national partners. Furthermore, the final evaluation of the Country Programme Document recommended to draft a capacity-building strategy to accompany the national implementation (NIM) modality. However, this had not been initiated at the time of the audit in June 2018.

The Office's management explained that these issues had also been identified during the Project Quality Assurance exercise and that it was developing an action plan to implement the related recommendations.

Weaknesses in project design due to the absence of baselines and targets may result in not achieving anticipated project objectives. Long-term programme results may not be achieved in the absence of a capacity-building and exit strategy.

Priority	Medium (Important)
<b>Recommendation 3:</b>	
The Office should improve its project design by:	
<ul style="list-style-type: none"> <li>(a) finalizing the formulation of quantified activities, baselines and targets;</li> <li>(b) developing a capacity-building strategy to enhance national implementation modality as per the recommendation of the final Country Programme Document evaluation; and</li> <li>(c) drafting exit strategies at the project level where needed.</li> </ul>	
<b>Management action plan:</b>	
The Office will take the following actions:	
<ul style="list-style-type: none"> <li>(a) ensure the systematic use of the UNDP project document form when there is no specific form from the donor;</li> <li>(b) improve the knowledge of programme and operations staff on the UNDP project document form; and</li> <li>(c) develop a capacity-building strategy and exit strategy to facilitate transition to national partners.</li> </ul>	
<b>Estimated completion date:</b> December 2019	

#### **Issue 4**      Lapses in project implementation and closure

The 'UNDP Programme and Operations Policies and Procedures' indicate that projects are key to achieving the outcomes intended by the programme; therefore, controls over them are crucial. They aim to provide reasonable assurance that projects use resources effectively and efficiently, report on performance, and include relevant documentation when closed.

In addition to the eight projects selected for testing on design and implementation, OAI tested project closure on nine other projects and found exceptions, as summarized below:

a) Inadequate financial management

Common charges related to the "inclusive growth and sustainable development" pillar amounting to \$0.5 million were only recorded to one output of one project, instead of it being distributed among all its projects. This caused the other projects' operating costs to be understated.

b) Incorrect and incomplete reporting

In one case, results were incorrectly reported as achieved. Illustrative examples were the following:

(i) "training to management of warehouses and electoral archive" – however, only 50 percent of a targeted population was trained; and (ii) "training of temporary agents" – only 46 percent of a target group was trained.

The Office did not provide explanations on the exceptions.

c) Missing supporting documents

Minutes of the final Local Project Appraisal Committee's meetings for seven out of nine projects reviewed were not available. Further, the final lists of assets or evidence of assets transfer were not available in three instances. Furthermore, no evidence of outstanding balances or refunds to donors was provided.

The Office indicated that the concerned closed projects were related to the previous cycle and that it was difficult to retrieve supporting documents.

Incorrect reporting can mislead decision makers and undermine the organization's reputation. Unsubstantiated project closure does not allow for ascertaining whether the organization's regulations and rules have been applied and whether irregular transactions have not occurred.

Priority	Medium (Important)
<b>Recommendation 4:</b>	
The Office should improve project implementation and closure by:	
(a) distributing common costs to all projects according to a pre-defined distribution key;	
(b) ensuring that reported results are validated; and	
(c) ensuring that all required supporting documents to justify project closure are available in Atlas.	

**Management action plan:**

The Office will take the following actions:

- (a) Ensure the distribution of the common costs to all projects according to a pre-defined apportionment key.
- (b) Quality assurance of project report will be reinforced.
- (c) A waiver will be requested from the Bureau for Management Services to ensure that all outstanding projects are closed.

**Estimated completion date:** December 2018

**Issue 5**      Delays in DRC Humanitarian Fund disbursement process

One of the most critical indicators for UNDP as managing agent of the DRC Humanitarian Fund was defined in the Common Performance Framework (CPF) as the timely disbursement of funds. This measures the average number of calendar days from Humanitarian Coordinator approval of a proposal to first payment by type of allocation and type of implementing partner. According to the CPF, the disbursement should be done within 10 calendar days.

The audit team reviewed the disbursement process of the funds in February and March 2018 and noted that it ranged from 24 to 29 days in 30 instances out of 49, and 12 to 13 days in four other instances. In six other instances, the first payment had not been processed at the time of the audit, while the Humanitarian Coordinator had approved them more than 30 days before. The Office explained that this was caused by the set-up and approval process of the project in Atlas, and by a delay in the receipt of a waiver for General Management Support.

Delays in processing payments in the framework of the DRC Humanitarian Fund may negatively impact the implementation of project activities.

<b>Priority</b>	High (Critical)
<b>Recommendation 5:</b>	
The Office should comply with the 10-day requirement for the disbursement of funds to implementing partners by:	
<ul style="list-style-type: none"> <li>(a) addressing the issue of the delays in the set-up and approval process of the project in Atlas; and</li> <li>(b) finalizing the issue of the waiver on the General Management Support.</li> </ul>	
<b>Management action plan:</b>	
The Office will:	
<ul style="list-style-type: none"> <li>(a) set up an internal standard operating procedure in line with CPF's requirement; and</li> <li>(b) resolve the waiver issue on the General Management Support.</li> </ul>	
<b>Estimated completion date:</b> December 2018	

## C. Operations

### 1. Financial Resources Management

#### Issue 6 Weak oversight over financial transactions and payment process

According to the UNDP Internal Control Framework, through their assigned written delegation of authority, project managers are responsible for reviewing the payment supporting documentation, including the correct use of the Chart of Accounts prior to approving transactions. In addition, Regulation 22.01 of the Financial Regulations and Rules requires all payments to be made based on supporting vouchers and other documents to ensure that services or goods have been received. Furthermore, offices are required to have the budget override policy pre-approved by the Comptroller.

During the period under review, the Office processed 11,783 vouchers worth \$ 97.2 million. OAI reviewed 60 vouchers worth \$7.7 million and noted the following weaknesses:

##### a) Claims not settled timely

The audit team noted cases of outstanding unpaid invoices from 2011 to 2017, as follows:

- One travel agent claimed outstanding invoices of \$100,000, of which 40 percent had not been cleared at the time of the audit fieldwork. Another travel agent had outstanding invoices amounting to \$24,500.
- One telephone company claimed outstanding invoices amounting to \$124,000 from 2008 to 2013, of which only \$1,000 was paid at the time of the audit.
- One garage reported long outstanding unpaid invoices amounting to \$4,500.
- One carrier, which was tasked to transport two motorcycles to a delivery location, had withheld the assets because of unpaid invoices. This matter had not been resolved at the time of the audit fieldwork.

These issues were caused by an absence of regular reporting and meetings with suppliers as required by the signed agreements.

##### b) Incorrect use of the Office's Chart of Accounts

The audit team noted 10 transactions that were booked in the wrong balance sheet accounts following the use of incorrect Chart of Accounts. The errors were not detected due to inadequate oversight from the Operations Unit. As an example, a total of \$128,000 for fuel purchased were recorded in account 73410 (Transport Equipment) instead of account 72311 (Fuel). Eight other payments amounting to \$62,000 were incorrectly recorded as local and international consultants, common services, equipment, training and learning, business services and connectivity charges accounts.

##### c) Inadequate budget override process

The Office's budget override policy was approved in 2015. It had not been updated since to reflect the senior management's turnover in the Office.

Inadequate oversight over the payment process may lead to issues and irregularities not being timely detected and addressed. Inadequate validation of supporting documents and certification of work done prior to payment may result in payments for services and/or goods not delivered.

<b>Priority</b>	High (Critical)
<b>Recommendation 6:</b>	
The Office should strengthen its financial management by:	
<ul style="list-style-type: none"> <li>(a) settling the outstanding claims and providing adequate training to staff on the correct use of the Charts of Accounts; and</li> <li>(b) updating the budget override policy.</li> </ul>	
<b>Management action plan:</b>	
<ul style="list-style-type: none"> <li>(a) The Finance Unit will organize training on the correct use of the Chart of Accounts and will design a user guide in French for the main accounts. In addition, a periodic review of these main accounts will be organized every two months. The first review is scheduled for November 2018 and the second review for January 2019 as part of the year-end closure exercise.</li> <li>(b) The Office will update the budget override policy.</li> </ul>	
<b>Estimated completion date:</b> February 2019	

#### **Issue 7**      Weaknesses in asset management

UNDP's Financial Regulations and Rules require the maintenance of accurate and up-to-date records of assets acquisitions, receipt, custody, maintenance, location, adjustment and disposal transactions. In addition, all assets should be tagged to facilitate their oversight and control. Furthermore, assets disposal (sale, obsolescence, damage or theft) are initiated by the Asset Focal Point and approved by the Asset Manager in the Document Management System. The Global Shared Service Center then records the transactions in the Atlas Assets Module.

The audit team's review of the asset physical inventory count and recording of assets in the Atlas Assets Module disclosed the following weaknesses:

##### a) Inadequate monitoring and recording of assets

The number of vehicles under the custodianship of the Office did not reconcile with the one recorded in the Atlas asset registry, or in the annual physical year-end asset count. The Office physically verified and reported 98 vehicles as of 31 December 2017. At the time of the audit, this list did not include four vehicles that were also under the custodianship of the Office. The Office explained that the four vehicles were pre-IPSAS items and could not find supporting documentation for their Atlas registration. The Office had not looked for expertise to estimate the value of these vehicles. Furthermore, the audit team noted that ICT boxes/equipment purchased for Kinshasa and Bukavu valued at \$150,000 had not been recorded in the Atlas Assets Module.

b) Inadequate assets identification and location

Old and new assets in the Office's compound had not been tagged, including ICT equipment, air conditioners, newly bought Radios HF and office furniture.

c) Inadequate assets transfer and disposal

For three projects selected for review, no evidence of asset transfers was provided to the audit team.

The Office had not initiated actions to dispose three vehicles and three Very Small Aperture Terminal (VSAT) antennas that were considered obsolete.

Most of the above weaknesses resulted from a lack of a mechanism to identify and track assets owned by the Office.

When asset management is not properly undertaken, it weakens the Office's ability to properly manage, account for, report, and control the use of assets. Inadequate disposal or tracking of equipment not used also increases the risk of theft and obsolescence.

<b>Priority</b>	Medium (Important)
<b>Recommendation 7:</b>	
The Office should strengthen asset management by:	
<ul style="list-style-type: none"> <li>(a) liaising with UNDP Global Shared Service Center for guidance and regularization of assets in Atlas;</li> <li>(b) ensuring that all assets are tagged and performing reconciliation between the Atlas In-Service Report and the year-end asset physical count; and</li> <li>(c) transferring or disposing assets on a timely basis, including maintaining adequate documentation.</li> </ul>	
<b>Management action plan:</b>	
The Office will take the following actions:	
<ul style="list-style-type: none"> <li>(a) The Office will liaise with UNDP Global Shared Service Center for guidance and regularization in Atlas of the four pre-IPSAS vehicles. The ICT boxes will be recorded in Atlas and the obsolete items will be disposed.</li> <li>(b) The Office will perform reconciliation as part of the year-end closure.</li> <li>(c) The Office will provide OAI with evidence of assets transfers for the three projects.</li> </ul>	
<b>Estimated completion date:</b> April 2019	

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

## 2. ICT and General Administration

### Issue 8 Weaknesses in information and communication technology (ICT) management

The UNDP Office of Information Management and Technology advocates that effective governance and controls (roles and responsibilities, policies and procedures, ICT committee meetings, structured and effective decision-making processes) on activities relating to ICT will result in enhanced value delivery, improved performance and resource management and in a better quality of services. The 'UNDP Programme and Operations Policies and Procedures' require that the ICT disaster recovery plans include information about business requirements, back-up arrangements, network security set-up and recovery procedures. In addition, offices need to ensure that the plans are kept up-to-date and regularly tested.

The following weaknesses were noted as part of OAI's review of ICT activities and internal controls within the Office:

a) Infrequent ICT committee meetings

The Office appointed an ICT Governance Committee in March 2017, which did not include the ICT manager or any of the senior management team. At the time of the audit, there were no periodic ICT Governance Committee meetings to monitor ICT activities and align IT service delivery with the Office's objectives. The Office requested quarterly ICT Governance Committee meetings. However, only the minutes of one meeting were available for the period from March 2017 and June 2018.

b) Opportunity to decrease Internet connection costs

The Office was using a combination of VSAT and optical fiber connection for Internet services budgeted at approximately \$0.5 million a year. The optical fiber Internet connection fees (for the same bandwidth capacity) was \$84,000 more expensive in Kinshasa than in the sub-offices of Bukavu and Goma. However, the Office had not decided to switch to the less expensive service provider. The Office indicated that this service provider could not offer reliable services at a competitive price in Kinshasa. However, no conclusive evidence was provided to the audit team to support that assertion. Moreover, the Office did not provide an analysis to justify the need for 31 megabits per second of Internet bandwidth capacity. Therefore, there was a risk that this much capacity might have been excessive for the Office's needs.

c) Inadequate Disaster Recovery Plan

The current Disaster Recovery Plan dated 20 September 2017 did not reflect the technical changes introduced with the upgrade to OneICTbox in 2016. [REDACTED]

The absence of efficient ICT governance or an adequate Disaster Recovery Plan may put at risk the effective conduct of business operations to achieve results.



<b>Priority</b>	Medium (Important)
<b>Recommendation 8:</b>  The Office should enhance its ICT management by: <ul style="list-style-type: none"> <li>(a) ensuring that the ICT Governance Committee oversees the management of ICT activities, and manages ICT risks and priorities on a quarterly basis;</li> <li>(b) conducting an assessment to reduce Internet connection costs by evaluating bandwidth usage and selecting the best service providers; and</li> <li>(c) [REDACTED]</li> </ul>	
<b>Management action plan:</b>  The Office will take the following actions: <ul style="list-style-type: none"> <li>(a) The Office has formalized the updated Committee's composition with an internal memorandum. The ICT manager is now a member of the ICT Governance Committee. Regular meetings will be held and documented. The recommendation will be implemented after two meetings and the production of concise reports.</li> <li>(b) A new LTA has been approved by the ACP as part of the Business Operations Strategy in the Country. The application of this new LTA for Internet service will reduce connection cost by around 30 percent compared to the current contract.</li> <li>(c) [REDACTED]</li> </ul>	
<b>Estimated completion date:</b> December 2018	

**Issue 9**      Weaknesses in travel management

The travel policy was revised in 2017 and 2018 to align it with UNDP's strategic objectives by emphasizing cost reduction through proper planning and administration (tickets to be purchased 14 days for economy class and 21 days for business class prior to the travel). Travel claims should be filed within two weeks of returning from travel on official business.

The audit team's review of a sample of 24 travel records, as well as the analysis of the feedback from travel agencies, disclosed the following weaknesses:

a) Late purchase of travel tickets

In 20 cases, the air tickets were not purchased within the required timeframe. On average, they were purchased seven days prior to the travel dates. This practice did not align with the travel policy and it could lead, in most cases, to higher travel costs paid by the Office.



b) Travel claims not filed

In six cases, staff members did not file the required travel claims within two weeks upon returning from an official mission, and no airline boarding passes were available to validate the travel entitlements paid.

These issues were caused by inefficient oversight over travels. Failure to comply with travel policies and establish an adequate control environment could lead to payment of undue benefits.

<b>Priority</b>	Medium (Important)
<b>Recommendation 9:</b>	
The Office should strengthen controls over travel management by:	
(a) purchasing tickets within the time required by the policy to ensure best value for money; and	
(b) processing travels claims within the established guidelines.	
<b>Management action plan:</b>	
The Office will:	
(a) make effort to align with the travel policy recommendation on timely purchase of air tickets when normal conditions prevail;	
(b) proceed to the official adoption of the new application through a circular;	
(c) prepare a monthly report of exceptions and initiate corrective action; and	
(d) ask the Oversight and Business Process Improvement Unit to make a spot-check in January 2019 to share it with OAI for the implementation of the recommendation.	
<b>Estimated completion date:</b> January 2019	

**Issue 10** Weaknesses in fuel and vehicle management processes

Effective fuel management requires well controlled purchase, receipt, ongoing oversight and reconciliations to determine actual consumption and unusual patterns. The 'UNDP Programme and Operations Policies and Procedures' stipulate that "the Resident Representative may authorize in writing the use of official vehicles for a fixed period, until the arrival of a new staff member's private automobile, or for a maximum period of three months (whichever is earlier). Exceptions to the policy require pre-approval by General Operations, Bureau for Management Services."

a) Fuel management

Fuel consumption of 98 vehicles between January 2017 and March 2018 was approximately \$327,000. The audit team reviewed the fuel consumption and reconciliation for 2017 and 2018. Monthly fuel reconciliation to account for the use of fuel for 15 vehicles belonging to two projects was not performed in 2017 and 2018. These vehicles did not have a log sheet to monitor fuel consumption. Due to this absence of data, the audit team was not able to assess the adequacy of fuel consumption.

In 2015, the Office invested \$100,000 in a fleet management system that should have helped to provide analyses and trends on fuel consumption. However, this system was not operational as of June 2018.

b) Vehicle management

Five international staff with fixed-term appointment or temporary appointment contracts benefited from the use of Office vehicles for more than three months after their arrival at the duty station, without an authorization for the period beyond the three months. According to management, the necessity of the Office's vehicles for personal use was critical given the volatile country context. However, the reimbursement for such practices had been set at \$200/month since 2012 and had not been supported by an updated analysis to determine rates that recover fuel, wear and tear, as well as insurance costs associated with use.

These weaknesses were due to inadequate oversight over vehicle and fuel management processes. Non-compliance with the policies can lead to abuse, and financial and reputational risks.

<b>Priority</b>	Medium (Important)
<b>Recommendation 10:</b>	
The Office should strengthen fuel and vehicle management by:	
<ul style="list-style-type: none"> <li>(a) implementing an effective monthly reconciliation of fuel consumption against vehicle logs for all vehicles, identifying and analysing variances;</li> <li>(b) obtaining the adequate authorization for the use of vehicles over three months; and</li> <li>(c) updating the analysis of the Office vehicle costs and revising the monthly fee accordingly.</li> </ul>	
<b>Management action plan:</b>	
<ul style="list-style-type: none"> <li>(a) The fleet management will be operational to reconcile the fuel consumption every month for all projects and analyse and document variances monthly.</li> <li>(b) The Office will implement the recommendation.</li> <li>(c) The price is set at \$250 from 1 August 2018.</li> </ul>	
<b>Estimated completion date:</b> August 2018	

### 3. Procurement

**Issue 11** Lapses in procurement management

The 'UNDP Programme and Operations Policies and Procedures' provide guidance on effective procurement practices, adequate planning and contract management. UNDP procurement principles state that the selection of suppliers should be based on an open competition, and that the evaluation of offers should be fair and transparent. Negotiations are not required when all aspects of the recommended offer are responsive to the exigencies of UNDP, and the final price remains within the budget for the activity. When the scope is significantly changed and beyond 25 percent in value, a new competitive process should be considered.

The audit reviewed 8 out of 23 procurement cases submitted to the different procurement committees and noted compliance issues related to the organization's procurement principles. Illustrative examples included:

a) Gaps in negotiations with suppliers

Five out of eight procurement cases submitted to the Contracts, Assets and Procurement Committee (CAP) were concluded with a proposal to negotiate with the suppliers. In two cases, the scope was significantly changed and beyond 25 percent in value; however, a new competitive process was not considered.

These issues were caused by inadequate budgeting of the project activities and lack of knowledge of the negotiation principles. The Office explained that the project team did not have sufficient information to estimate the needs for the above-mentioned procurement cases.

b) Restrictive requirements not providing value for money

The bid requirements were too restrictive to substantiate open competition and demonstrate value for money. Illustrative examples were:

- For the establishment of the LTA for vehicle maintenance services, the lowest bidder was disqualified from the competition because of the requirements to maintain a fixed price for three years. However, the Office was unable to demonstrate that this was a common practice in the local market.
- Two vendors were disqualified because of lack of international experience for the procurement of basic services such as office supplies, printing and serigraphic, without substantiated evidence.
- Four suppliers were disqualified from the competition because of the restrictive delivery timeframe of three days while the procurement process took up to one month to complete. Value for money could not be demonstrated with only one qualified supplier, which, in the end, did not deliver all products within the required timeframe.

These issues were caused by inefficient oversight exercised by the CAP, which did not object and question the rationale of these procurement decisions.

c) Conditions for establishment of LTA not adhered to

The Advisory Committee on Procurement (ACP) and Regional Advisory on Committee on Procurement (RACP) approved the procurement processes leading to the establishment of an LTA based on certain conditions. These conditions aimed at addressing weaknesses from various procurement processes.

The conditions summarized below were not complied with at the time of the fieldwork:

- undertake contract management and request for regular reporting;
- develop mechanism of performance evaluation and establish periodic evaluation of services rendered by various providers, especially prior to contract extension;
- periodically check market rates to keep track of any inflated fare rates;
- obtain quotes from previous supplier of travel services on an ad-hoc basis to ensure value for money;
- improve the standard operating procedures for garage and Internet services and define service requirements to be met by these providers; and
- survey other agency arrangements to ensure UNDP's LTAs demonstrate comparative value for money.

These exceptions were caused by an ineffective oversight and a lack of accountability in the monitoring of the conditions in the establishment of LTAs.

d) Lapses in contract monitoring

Procurement processes were not initiated timely or managed efficiently to avoid contract gaps, which led to multiple contract extensions with unnecessary process burden. This planning weakness was also reported by the ACP and RACP through different procurement submissions. The procurement process for the LTA for travel services was only initiated several months after the initial agreement had expired, leading to inefficiencies as the Office was required to request multiple quotations from at least three suppliers to demonstrate a competitive process. The LTA for telecommunication services was extended twice due to inadequate planning and late initiation of the procurement process.

These issues were caused by a lack of effective contract management, which did not trigger the initiation of a timely procurement process to avoid gaps in contract validity.

Not complying with the conditions for the establishment of the LTAs could lead to inadequate contract management and to not providing value for money for the organization. Failure to adequately manage contracts could lead to discontinued services or procuring services with a supplier without a contract, which is a breach of UNDP procurement principles.

<b>Priority</b>	High (Critical)
<b>Recommendation 11:</b>	
The Office should strengthen procurement management by:	
<ul style="list-style-type: none"> <li>(a) ensuring that project activities are adequately planned and budgeted to avoid frequent negotiations;</li> <li>(b) ascertaining that bid requirements are not restrictive or remain within the local practices or international standards to provide value for money; and</li> <li>(c) following up on recommendations from the procurement review committees regarding lapses in contract monitoring.</li> </ul>	
<b>Management action plan:</b>	
<ul style="list-style-type: none"> <li>(a) Verification of cost estimates to be undertaken by the Procurement Team prior to initiating any procurement activity – mechanism put in place as of July 2018. To be continuously applied as a strategic planning measure.  Negotiations will only be conducted when objectively justified (e.g. cost components in a proposal which are higher than market rates and there is evidence to prove it, etc.). A detailed negotiation strategy and justification will be presented to the DPA/O for review and signature every time negotiation is required. Statistics on negotiations conducted in the second half of 2018 (if any) will be shared with OAI in February 2019, along with the relevant negotiation strategy documents.</li> <li>(b) The Office will implement this recommendation.</li> <li>(c) The recommendations of the contract review committees will be closely monitored and consolidated in a tracking Excel table. An updated tracking table with all recommendations, the status of its implementation, and supporting documents will be shared with the audit team within six months, showing the progress made.</li> </ul>	

The ad-hoc price checks conducted by the Procurement Team to prove that LTAs continue being the source of best value for money will be recorded in a file, which will be shared with the audit team in February 2019.

The solicitation documents and Service Level Agreements for upcoming LTA contracts will clearly indicate the reporting mechanisms and the key performance indicators, as recently done for the new Internet LTA.

A detailed project chronogram in MS Project format has been developed by the Procurement Team to efficiently plan strategic procurement activities, primarily LTAs. The chronogram for the development of each LTA will be shared in advance with the participating agencies to allow them to plan upfront and allocate resources during the necessary stages (i.e. evaluation). The adherence to the timelines will be closely monitored by the Procurement Team Leader.

The validity of the contracts will be monitored through the new Contract Management Module in Atlas. The migration of files is ongoing. Moreover, the Office has a contract monitoring tool on SharePoint which will be configured to notify the LTA focal points and the Procurement Team 12, 6, 3 and 1 month before expiration.

PROMPT will be implemented as a primary planning tool as of 2019, to achieve an optimal distribution of the workload throughout the year, avoid concentration of activities in the second half of the year, and make sure unforeseen circumstances do not jeopardize strategic procurement activities. In 2018, PROMPT is being used as a pilot for the "NEW DEAL" project. A workshop on the correct use of PROMPT and its benefits is planned for November 2018, for project managers and project administrative focal points.

**Estimated completion date:** September 2019

#### **OAI response:**

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

## **4. Human Resources**

### **Issue 12**      Weaknesses in human resources management

An effective and efficient recruitment process is critical to ensure that the project is able to employ the right people with the correct skills on a timely basis in order to meet strategic objectives.

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

The following weaknesses were noted following the review of the human resources processes:

a) Weaknesses in recruitment processes

The audit team reviewed a sample of 14 recruitments completed between 2017 and 2018 and noted that for five of them, there was no rationale on why candidates were excluded from or included in longlists or shortlists. Additionally, in three international recruitments, at least four applicants who met the minimum criteria required in terms of qualifications and experience, were not longlisted.

b) Low completion of UNDP mandatory training courses

As at 6 June 2018, not all staff members had completed the UNDP mandatory training courses as follows:

- 20 percent had not completed the Ethics and Integrity at UNDP course;
- 22 percent had not completed the UNDP Legal Framework course;
- 33 percent had not completed the Advanced Security in the Field course;
- 48 percent had not completed the United Nations Course on Prevention of Harassment, Sexual Harassment and Abuse of Authority course.

Four other staff in the Finance Unit and in the CAP Committee had not obtained the mandatory finance and procurement certificates required in order to effectively perform their duties.

These issues were caused by ineffective oversight.

Delays and inefficiencies in the recruitment process increase the risk of losing competent candidates. Also, failure to complete mandatory trainings may negatively impact capacity of staff to deal with issues and complex situations.

<b>Priority</b>	Medium (Important)
<b>Recommendation 12:</b>	
The Office should strengthen human resources management by:	
(a) putting in place an oversight process for shortlisting and longlisting candidates; and	
(b) requiring all staff to complete the mandatory training in due time.	
<b>Management action plan:</b>	
The Office will take the following actions:	
(a) The Office noted and implemented a new mechanism to document rationale of why candidates were excluded from or included in longlists or shortlists. This mechanism includes a clear comment during longlisting and shortlisting processes and a detailed report of each stage of the recruitment process (longlisting/shortlisting, written test, interviews).	
(b) A new monitoring mechanism will be set up to ensure completion of mandatory training, including usage of Performance Management Development, service contract holder performance evaluation and other special measures.	
<b>Estimated completion date:</b> December 2018	

## 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.