



AUDIT

OF

UNDP COUNTRY OFFICE

IN

TUNISIA

Report No. 2205
Issue Date: 27 November 2020

(REDACTED)

Table of Contents

Executive Summary	i
I. About the Office	1
II. Audit results	1
A. Development activities	2
1. Country programme	2
2. Implementation modalities	3
B. Operations/Procurement	4
1. Goods and services	4
C. Operations/Finance	6
1. Office budget and cost recoveries	6
D. Operations/Administrative Services	7
1. Travel	7
E. Operations/ICT	7
1. ICT access management	7
Definitions of audit terms - ratings and priorities	9

Report on the Audit of UNDP Tunisia Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Tunisia (the Office) from 12 to 23 October 2020. 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
- (b) Development activities
- (c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

The audit covered the activities of the Office from 1 January 2019 to 31 August 2020. The Office recorded programme and management expenses of approximately \$24.7 million. The last audit of the Office was conducted by OAI in 2016.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

- (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team's understanding of the Office's working environment
- (c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted
- (d) A physical verification of assets was not performed
- (e) Safe and petty cash contents were not verified
- (f) The information communication and technology area was not reviewed on-site

Overall audit rating

OAI assessed the Office's performance as **partially satisfactory/some improvement needed**, which means "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." This rating was mainly due to weaknesses in development activities, procurement, finance, administrative services and ICT.

Key recommendations: Total = 6, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are six medium (important) priority recommendations, which means "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP."

The six 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	4	Medium
Effectiveness and efficiency of operations	3, 5	Medium
Safeguarding of assets	6	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	2	Medium

Management comments and action plan

The Resident Representative accepted all six 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, located in Tunis, Tunisia (the Country) and its Country Programme covered the period 2015–2020 with the following development priorities:

- a) Sustainable development pathways;
- b) Inclusive and effective democratic governance; and
- c) Resilience-building

During the period from January 2019 to August 2020, the Office spent \$23 million on development activities, an increase by 14 percent compared to the previous period.

The largest development projects in terms of expenses during the period covered by the audit were:

Title	Expenditure January- December 2019 \$million	Expenditure January- August 2020 \$million
Tunisia Electoral Assistance Project	1.9	0.5
Addressing coastal climate change vulnerabilities	1.18	0.17
Support to the formalization of the sectoral vision of youth in Tunisia	1.3	--
Support to Community Security and Institutional Reform of the Security Sector	0.9	--
Preventing Violent Extremism in Tunisia through Human Rights-Based Development Approaches	0.7	--
Total	5.98	0.67

The largest sources of funding of the Office's development activities for the period covered by the audit were:

Donor	Funding for the period \$million
Government of the Netherlands	12.0
Global Environmental Fund	6.0
Government of Norway	3.8
World Bank	3.1
European Union	3.0
Total	27.9

II. Audit results

OAI made 6 recommendations ranked medium (important) priority.

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

Medium priority recommendations, arranged according to significance:

- (a) Improve management of HACT (Recommendation 2).
- (b) Improve the implementation of Direct Project Costing (Recommendation 4).
- (c) Reinforce oversight over procurement activities (Recommendation 3).
- (d) Strengthen reporting of programme results (Recommendation 1).
- (e) Strengthen travel management (Recommendation 5).
- (f) Strengthen ICT security management (Recommendation 6).

The detailed assessment is presented below, per audit area:

A. Development activities

1. Country programme

The audit team reviewed a sample of three projects with expenses of \$3.9 million, which represented 19 percent of the ongoing development project expenses during the period covered by the audit.

Issue 1 Weak programme and project performance

The 'UNDP Programme and Operations Policies and Procedures' state that reporting on deliverables is an important accountability function. It draws on data and analysis collected through monitoring and communicates updates on results, risks, quality, learning and operational performance to oversight mechanisms, funding partners and other stakeholders.

From its review of the Office's programme and the sample of projects tested, the audit team noted the following:

- While the Office's programme delivery achieved 90.6 percent of what was budgeted in 2019, a total of 25 out of 42 Integrated Results and Resources Framework indicators were reported as not being achieved that year.
- For the three projects reviewed, 6 out of 19 output targets of one project were not achieved, and 2 out of 7 output targets for another project were not achieved. The Office explained that achievement of one of these project targets was beyond its control as it related to the passing of national legislation, while the unstable political environment impeded the achievement of the other project targets.
- In 2020, the management to project expenses ratio remained high for one project as the staff costs represented 67 percent of all project expenditure. This issue was also noted in the previous OAI Report No. 1740, issued in February 2017.

Unachieved project targets could adversely impact programme delivery. The lack of effective reporting may negatively impact decision-making and may prevent the Office from ensuring accountability.

Priority	Medium (Important)
Recommendation 1:	
The Office should strengthen its reporting of programme results by clearly aligning project outputs and Country Programme indicators.	
Management action plan:	
The Office will put in place a new monitoring system for the 2021–2025 Country Programme Document along with metadata to track the results chain and ensure the adequacy of project indicators, and their contribution to higher level results.	
Estimated completion date: June 2021	

2. Implementation modalities

Issue 2 Weaknesses with Harmonized Approach to Cash Transfers (HACT) implementation

According to the ‘UNDP Programme and Operations Policies and Procedures’, full compliance with the ‘Harmonized Approach to Cash Transfers (HACT) Framework’ is achieved when the following components are complete: (a) macro-assessment of the public financial system; (b) micro-assessments of implementing partners; and (c) an assurance plan that details the spot checks for each implementing partner, based on the results of the micro-assessment.

The audit team reviewed the Office’s HACT implementation and noted the following:

a) Weaknesses in the monitoring of assurance activities

- The Office did not prepare consolidated assurance plans for 2019 and 2020.
- The Office did not conduct spot checks during the period under review.
- Programmatic visits conducted were not reported in the HACT dashboard as required.

b) Cash advances not timely justified

During the period under review, the Office processed 12 advances to implementing partners of nationally implemented projects, amounting to \$298,372. The audit team noted the following weaknesses in the planning of activities to be implemented:

- 76 percent of advances amounting to \$227,566 given to implementing partners were not reported on for more than six months. One advance worth \$115,175 had been outstanding for 10 months. Advances should have been reported within three months.

c) Incorrect processing and recording cash transfers

- In four cases, expenses of \$84,203 (28 percent of cash transfers) were recorded under a generic code.

- Transactions were not recorded under the appropriate activities in the Funding Authorization and Certificate of Expenditures (FACE) form submitted by the implementing partners.
- Five micro-grants valued at \$86,901 were recorded as advances to implementing partners, while they should have been expensed.
- In 15 cases valued at \$456,666, the FACE forms did not include final balances, names and titles of UNDP signatories.

The situations described above were due to misinterpretation of UNDP guidelines and inadequate oversight over cash transfers to implementing partners.

Failure to fully implement the HACT Framework could result in the use of the inappropriate cash transfer modality, which could result in financial losses. Furthermore, the inadequate processing of cash advances to partners and incorrect recording of payments may lead to financial risks and inefficiencies.

Priority	Medium (Important)
Recommendation 2: The Office should improve the management of HACT by: <ul style="list-style-type: none"> (a) timely preparing and implementing the consolidated HACT quality assurance plan; (b) verifying that advances are timely reported and supported with proper documentation; and (c) processing and recording cash transfers in line with UNDP policies. 	
Management action plan: <ul style="list-style-type: none"> (a) Prepare a HACT quality assurance plan during the first quarter of 2021 for the new Country Programme Document. The HACT inter-agency group is following up on macro- and micro-assessments. (b) Plan quarterly control missions by operations and programme to avoid delays in reports submissions. (c) Process journal vouchers and reflect related project costs for 2020 and ensure that support to nationally implemented projects is clearly reflected in all Letters of Agreements with national partners at the project design phase. 	
Estimated completion date: March 2021	

B. Operations/Procurement

1. Goods and services

Issue 3 Weaknesses in procurement process

To procure goods and services effectively, the Office must adequately plan and ensure that the process is transparent, competitive and achieves the best value for money. Contract extension modifications shall be made well in advance of the proposed effective date of the amendment.

During the audited period, the Office processed 3,043 purchase orders for a total of \$18.4 million. The audit team reviewed a sample of 26 transactions amounting to \$2.5 million and noted the following:

Inadequate procurement planning:

- In 2019, out of 38 procurement cases submitted through the Advisory Committee on Procurement Online platform, 6 were not uploaded into Procurement Management Platform PROMPT (the corporate procurement planning tool).
- The procurement plan uploaded into PROMT showed a total of \$6.3 million and \$7.2 million for 2019 and 2020, respectively. However, the total procurement value was \$11.7 million for 2019, and \$7.2 million for the first eight months of 2020, respectively.

Deficiencies in contract management:

Out of 26 contracts reviewed, 10 contracts were amended, and the audit team noted the following:

- Seven amendments were signed by the vendor after the expiry date of the original contract.
- One contract was signed after the expiry date of the contract.
- The Office was not consistently using the Atlas Contract Management Module to add, update and manage vendors contracts, milestones and deadlines.

These weaknesses were caused by the lack of oversight over procurement activities.

Inadequate procurement planning and practices may prevent the Office from obtaining best value for money and from avoiding unnecessary costs.

Priority	Medium (Important)
Recommendation 3: The Office should reinforce oversight over procurement activities and processes by: <ul style="list-style-type: none"> (a) using the procurement plan as a strategic tool to streamline procurement activities and identify areas for economies of scale, and fully utilizing the PROMPT platform; and (b) systematically using the Atlas Contract Management Module for new contracts as well as for contract amendments and ensuring that amendments are signed by both parties prior to the expiry date. 	
Management action plan: The Office will take the following actions: <ul style="list-style-type: none"> (a) Roll out the mandatory use of PROMPT for procurement planning and monitoring. (b) Roll out the systematic use of the Atlas Contract Management Module. 	
Estimated completion date: April 2021	

C. Operations/Finance

1. Office budget and cost recoveries

Issue 4 Inefficiencies in the implementation of Direct Project Costing mechanism

Direct project costs (DPC) are organizational costs incurred in the implementation of a development activity or service that can be directly traced and attributed to that development activity (projects and programmes) or service.

A review of the implementation of DPC in the Office disclosed the following shortcomings:

- The workload survey supporting the calculation of the DPC to be recovered was not conducted for 2019 and 2020.
- At the time of the audit, the Office had not consistently performed and managed the quarterly reconciliations between budgeted and actual DPC amounts as required by the guidelines when using the standalone DPC project modality.
- The salaries of five staff members in the Operations Unit were not funded via the DPC, even though they were providing support to development projects.
- The salaries of 14 Operation Unit staff members were fully funded via the DPC project. The audit team noted that the Office had also recovered the costs for services provided by these staff to the Resident Coordinator Office and other United Nations agencies. Thus, the cost recovery represented a double collection of the salary costs.

Inadequate implementation of the DPC could negatively impact the Office's financial sustainability.

Priority	Medium (Important)
Recommendation 4: The Office should improve the implementation of Direct Project Costing by: <ul style="list-style-type: none"> (a) conducting the workload survey to determine and allocate the real portion of direct project costs; and (b) performing regular reconciliations between budgeted and actual amounts. 	
Management action plan: The Office will take the following actions: <ul style="list-style-type: none"> (a) Conduct a workload study in December to improve DPC calculation in 2021. (b) Apply pre-financing from fund 11888 in January to replenish the DPC stand-alone project and recover the funds at the end of the year and ensure quarterly DPC recovery for development projects. 	
Estimated completion date: March 2021	

D. Operations/Administrative Services

1. Travel

Issue 5 Weaknesses in travel management

Travel claims must be submitted to the authorizing unit within two weeks from the completion of travel. During the review of the timely submission of travel claims, the audit team noted the following:

- Travel claims were submitted, on average, 54 days after completion of travel.
- 177 travel claims (12 percent of travel requests) totalling \$160,509 with travel completed between September 2019 and August 2020 had not been submitted.

These weaknesses were caused by the lack of oversight mechanisms over travel management processes.

The Office started taking actions to tackle these issues at the time of the audit.

Priority	Medium (Important)
Recommendation 5:	
The Office should strengthen travel management by enhancing the monitoring of travel claim submissions following completion of travel.	
Management action plan:	
The Office will address the concerns raised in this recommendation.	
Estimated completion date: February 2021	

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

E. Operations/ICT

1. ICT access management

Issue 6 Exceptions in ICT security management

According to the UNDP 'Bring Your Own Device Policy', ICT managers perform technical routine monitoring of systems, including the compilation of aggregated data of systems usage. Automated monitoring is also performed to ensure compliance with this standard and the 'UNDP Information Security Policy'.

The audit team noted the following:

No evidence of formal reviews of user access rights

ICT security procedures state that offices should formally review, at least annually, user access rights to information systems and applications management.

The audit team was not provided with evidence of such formal reviews.

[REDACTED]

[REDACTED]

[REDACTED]

Disaster Recovery Plan template not used

The Disaster Recovery Plan template needs to be followed when creating/updating the ICT Disaster Recovery Plan to ensure completeness and alignment with ICT Headquarters standards.

The audit team noted that the Disaster Recovery Plan template was not used by the Office.

Insufficient ICT security monitoring might increase the risk of unauthorized accesses to UNDP and external resources. Not using the Disaster Recovery Plan template may hinder the disaster recovery activities of the Office.

Priority	Medium (Important)
Recommendation 6:	
The Office should strengthen ICT security management by:	
<ul style="list-style-type: none"> (a) formally reviewing users rights; (b) ensuring that ICT information and assets are appropriately classified; and (c) ensuring that the Disaster Recovery Plan template is used [REDACTED] 	
Management action plan:	
The Office will take the following actions:	
<ul style="list-style-type: none"> (a) Put in place and test a monitoring system to reduce the risk of ICT exceptions. (b) Perform a biannual spot check to ensure ICT information and assets are properly classified. (c) [REDACTED] 	
Estimated completion date: March 2021	

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.