



AUDIT

OF

UNDP COUNTRY OFFICE

IN

SUDAN

Follow-up of OAI Report No. 821 dated 20 December 2011

Report No. 1070
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**Report on follow-up of UNDP Sudan
(Previous OAI Report No. 821, 20 December 2011)
Executive Summary**

From 23 September to 4 October 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an on-site follow-up audit of the UNDP Country Office in Sudan (the Office). This on-site follow-up audit was undertaken, in addition to regular desk reviews, in view of the 'unsatisfactory' audit rating assigned by OAI as a result of an audit per Report No. 821 dated 20 December 2011. The follow-up audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit scope and objectives

The follow-up audit reviewed the implementation of 21 audit recommendations. Specifically, the follow-up audit determined if the recommended corrective actions were properly taken to address the issues noted in the previous audit and assessed those recommendations that remained outstanding and obtained from the Office a revised timeframe for full implementation. The follow-up audit also aimed at providing UNDP with an overall assessment of the implementation status, as well as providing advice and support to the Office should there be any issues arising from the implementation process.

Approach

The follow-up audit reviewed the latest updates provided by the Office in CARDS (Comprehensive Audit Report and Recommendations Database System), action plans and status reports, and other documents supporting the reported actions. OAI also conducted appropriate tests of transactions and activities by the Office from 1 January to 4 October 2012 and interviewed management and staff concerned to determine whether the reported corrective actions were indeed implemented.

Conclusions

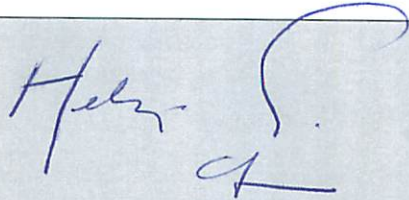
The on-site follow-up showed that of the 21 audit recommendations, the Office had fully implemented 19 and initiated action on one, while one recommendation was withdrawn. The recommendation withdrawn by OAI pertained to the Offices preparedness, prior to 1 January 2012, for the implementation of the International Public Sector Accounting Standards (see Section II of this report).

The detailed implementation status of the 21 recommendations has been reflected in CARDS.

Section I summarizes the recommendation which has yet to be fully implemented. OAI encourages the Office to continue to take appropriate actions to address this remaining recommendation. OAI will continue to monitor the progress of the implementation of this recommendation as and when updates are provided by the Office in CARDS.

Section II summarizes the recommendation that has been withdrawn by OAI, as the implementation thereof is no longer feasible or warranted.

Section III presents a statistical summary of the implementation status.

A handwritten signature in blue ink, which appears to read 'Helge S. Ostveiten', is written over a light blue rectangular background.

Helge S. Ostveiten
Director
Office of Audit and Investigations



I. Details of recommendations not yet implemented

Recommendation no.	Recommendation	Implementation status reported by UNDP Sudan	OAI assessment recommended action
8	<p>The Office should enhance its management of advances to locally-recruited staff by:</p> <ul style="list-style-type: none"> (a) ensuring all advances are recovered fully and on time; (b) recovering overdue advances totalling \$93,000 or requesting write-off if unrecoverable; and (c) regularly reviewing the Atlas open item account (#14020) to monitor recovery of advances. 	<p>The Office has been monitoring the progress of advance recovery.</p>	<p>In Progress</p> <p>OAI verified the process of granting salary advances and the related oversight by the Office. However, three categories of advances with a net balance of \$16,000 were still open, compared to \$93,000 at the time of the original audit as follows:</p> <ul style="list-style-type: none"> ▪ Advances referring to UNDP Sudan amounting to \$70,000 which were not adequately identified: the Office needs to further analyze and assess recoverability of these advances. ▪ Excess recovery for advances referring to UNDP South Sudan (separate entity as from July 2011) totalling \$64,000: UNDP Sudan Office needs to analyze the unidentified excess payments and match them with existing outstanding advances. ▪ Advances referring to United Nations Volunteers totalling \$10,000: the Office needs to clear the advances with the United Nations Volunteers headquarters in Bonn. <p>Finally, after completing the matching of advances with unidentified payments, the Office needs to determine advances where the recovery is doubtful, and escalate the issue to UNDP headquarters with a request for write-off.</p> <p>Thus, OAI assessed the recommendation as being in progress.</p> <p><u>Agreed revised implementation date:</u> 30 June 2013</p>



II. Details of recommendations withdrawn

Recommendation no.	Recommendation	Implementation status reported by UNDP Sudan	Justification for withdrawing the recommendation
19	<p>The Office should ensure that the International Public Sector Accounting Standards (IPSAS) Team undertake the following tasks:</p> <ul style="list-style-type: none"> (a) Prepare and monitor work plans and address issues affecting the implementation of the IPSAS transition plan. (b) Follow up on the IPSAS training plan. (c) Monitor the data collection and cleansing effort to establish accurate opening balances and ensure the integrity, accuracy, and completeness of data created for IPSAS. (d) Prepare a communication plan to inform local counterparts and stakeholders about IPSAS and explain their implications for the national Government, donors and other stakeholders. <p>Monitor the IPSAS readiness dashboard and inform the Office Senior Management of their readiness for IPSAS implementation and other tasks as identified by the IPSAS focal point.</p>	<p>In an effort to make the Office fully compatible with IPSAS implementation, a number of staff attended IPSAS training held in Cyprus, in October 2011. The IPSAS training was organized by headquarters. The Office further organized training on IPSAS for the staff members who did not attend the mentioned IPSAS training in an effort to transmit knowledge on IPSAS to the other staff. Since 1 January 2012, the Office has been managing its business effectively following the IPSAS implementation.</p> <p>The Office has identified the IPSAS focal point, including the areas needed to be addressed for proper implementation.</p>	<p>OAI withdrew the recommendation as it refers to IPSAS preparedness activities relevant for the period up to 31 December 2011, i.e. prior to adoption of IPSAS by UNDP from 1 January 2012.</p>

III. Summary of implementation status

Implementation status	Number of recommendations	Recommendation no.
Implemented	19	1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 21
In progress	1	8
Not implemented	-	-
Withdrawn	1	19
Total	21	

ANNEX Definitions of audit terms – implementation status, ratings and priorities

A. IMPLEMENTATION STATUS

OAI independently assesses and validates the action done by the Office and categorizes the implementation status, as follows:

- **Implemented** The audited office has either implemented the action as recommended in the audit report or has taken an alternative solution that has met the original objective of the audit recommendation.
- **In progress** The audited office initiated some action to implement the recommendation or has implemented some parts of the recommendation.
- **Not implemented** The audited office has not taken any action to implement the recommendation.
- **Withdrawn** Because of changing conditions, OAI considers that the implementation of the recommendation is no longer feasible or warranted or that further monitoring efforts would outweigh the benefits of full implementation. A recommendation may also be withdrawn when senior management has accepted the residual risk of partial or non-implementation of recommendation.

B. AUDIT RATINGS

In providing the auditors' assessment, the Internal Audit Services of UNDP, UNFPA, UNICEF and WFP use the following harmonized audit rating definitions. UNDP/OAI assesses the country office or audited HQ unit as a whole as well as the specific audit areas within the country office/HQ unit.

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity. *(While all UNDP offices strive at continuously enhancing their controls, governance and risk management, it is expected that this top rating will only be achieved by a limited number of business units.)*
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity. *(A partially satisfactory rating describes an overall acceptable situation with a need for improvement in specific areas. It is expected that the majority of business units will fall into this rating category.)*
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised. *(Given the environment UNDP operates in, it is unavoidable that a small number of business units with serious challenges will fall into this category.)*

C. PRIORITIES OF AUDIT RECOMMENDATIONS

The audit recommendations are categorized according to priority, as a further guide to UNDP management in addressing the issues. The following categories are used:

- **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 and may affect the organization at the global level.

- **Medium (Important)** Action is required to ensure that UNDP is not exposed to significant 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.