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AUDIT

OF

UNDP COUNTRY OFFICE

IN

REPUBLIC OF THE CONGO

Report No. 1140

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United Nations Development Programme
Office of Audit and Investigations

Report on the audit of UNDP Republic of the Congo
Executive Summary

From 18 February to 1 March 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in the Republic of the Congo (the Office). The audit covered the activities of the Office during the period from 1 January to 31 December 2012. During the period reviewed, the Office recorded programme and management expenditures totalling $18.4 million. The last audit of the Office was conducted by OAI in 2007.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

OAI assessed the Office as **partially satisfactory**, which means "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." This rating was mainly due to weaknesses in the project management and finance areas.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				
1.1 Organizational structure and delegations of authority	Partially Satisfactory			
1.2 Leadership, ethics and values	Satisfactory			
1.3 Risk management, planning, monitoring and reporting	Satisfactory			
1.4 Financial sustainability	Partially Satisfactory			
2. United Nations system coordination				
2.1 Development activities	Satisfactory			
2.2 Resident Coordinator Office	Satisfactory			
2.3 Role of UNDP – "One UN"	Not Assessed			
2.4 Harmonized Approach to Cash Transfers	Not Applicable			
3. Programme activities				
3.1 Programme management	Partially Satisfactory			
3.2 Partnerships and resource mobilization	Satisfactory			
3.3 Project management	Unsatisfactory			
4. Operations				
4.1 Human resources	Partially Satisfactory			
4.2 Finance	Unsatisfactory			
4.3 Procurement	Partially Satisfactory			
4.4 Information and communication technology	Satisfactory			
4.5 General administration	Partially Satisfactory			
4.6 Safety and security	Satisfactory			
4.7 Asset management*	Partially Satisfactory			
4.8 Leave management*	Partially Satisfactory			

* Cross-cutting themes

Key issues and recommendations

The audit raised 14 issues and resulted in 16 recommendations, of which 6 (38 percent) were ranked high (critical) priority, meaning "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."

The high priority recommendations are as follows:

Financial sustainability (Issue 2)	Declining extrabudgetary reserves. The Office's extrabudgetary reserves declined from 27 months at the end of 2011 to a reported 12 months at the end of 2012. Furthermore, the extrabudgetary income was overstated by $211,000. As a result, the extrabudgetary reserves at the end of 2012 were actually only 10 months. OAI recommends that the Office maintain a minimum of 12 months of extrabudgetary reserves by: (a) exploring opportunities for generating additional extrabudgetary income; and/or (b) implementing stricter cost control measures and adjusting its cost structure.
Project management (Issue 4)	Weak project design and planning. OAI noted the following: the absence of a Local Project Appraisal Committee; the unauthorized use of non-standard donor agreements for projects; an infrastructure project launched without the prior approval of the Regional Bureau for Africa; and the absence of a project document. OAI recommends that the Office improve project planning and design by ensuring that: (a) a Local Project Appraisal Committee is duly appointed and meetings are held for all projects and that all stakeholders are involved; (b) the standard UNDP donor agreement template is used for projects and that any deviations from the standard template are reviewed and authorized by the Bureau for External Relations and Advocacy and/or the Legal Support Office prior to signature by the relevant parties; (c) authorization is sought from the Regional Bureau for Africa prior to initiating infrastructure projects; and (d) a project document is developed and approved prior to committing and spending resources.
Human resources (Issue 5)	Weak management of service contracts. As of 31 December 2012, the Office had 64 individuals hired on service contracts. OAI noted the following weaknesses in regard to the management of service contracts: (a) payment to service contract holders was not made through the payroll module in Atlas; (b) service contract holders were not enrolled in a social security/pension scheme; (c) service contract holder attendance records and performance certificates were signed in advance; and (d) inconsistency in the pay rates used for service contract holders. OAI recommends that the Office strengthen its management of remuneration for service contracts by ensuring that: (a) payment of salaries for service contract holders are made through the payroll module of Atlas; (b) the social security/pension coverage for service contract holders is managed by researching the existence of local social security/pension schemes of adequate quality and reliability in which service contract holders can enroll, and by verifying that the service contract holder is enrolled and participating in a plan; (c) remunerations to service contract holders are based on attendance and performance records that are signed once the work period is completed; and (d) service contract holder pay rates are aligned and applied consistently for personnel working at the same level.
Finance (Issue 6)	Lack of monitoring and control of cash advances. OAI noted: (a) the use of large cash advances when lower risk alternatives existed; (b) cash advances that were not liquidated in a timely manner; (c) the absence of regular monitoring and incorrect use of accounts; (d) the improper payment of overtime; and (e) the questionable and inadequate

supporting documentation. OAI recommends that the Office adhere to the newly introduced policies for the management of project cash advances and strengthen its monitoring and oversight of these types of transactions.

(Issue 7) Lapses in the management of bank accounts. OAI noted several weaknesses in the management of bank accounts. They included: (a) signatory panel not being updated; (b) weak bank reconciliations; and (c) unauthorized write-off of a book balance of $1,500. OAI recommends that the Office strengthen its management of bank accounts by: (a) updating the signatory panel for the Zero Balance Account and communicating it to the corresponding bank; (b) ensuring that the bank reconciliations are performed and reviewed on a regular basis and include proper analysis, follow-up and review of any unreconciled items; and (c) formally reporting to the Office of Financial Resources Management the write-off of $1,500 and seeking guidance on appropriate actions to be taken in this respect.

(Issue 8) Weak payment processes. OAI noted the following: (a) weaknesses in controls over cheque processing; (b) a high number of cancelled payments; and (c) a high number payments on hold. OAI recommends the Office strengthen controls over the payment process by: (a) ensuring that bank transfer is used over cheque payment whenever possible; (b) improving overall control and management of cheques by using software such as 'cheque printer', analysing the cancelled payments and ensuring that funds are properly credited back to the corresponding projects, and ensuring adequate controls over physical cheques; and (c) reviewing the list of payment vouchers that are on hold and cancelling those that are no longer necessary.

Cross-cutting themes

As part of the 2013 OAI Annual Work Plan, all Country Office audits will include specific areas to be reviewed in more depth. Results from all audits will be compiled and analysed at the corporate level and thereafter a consolidated report will be issued separately. For this particular audit, the following were noted:

- **Asset management**. Partially satisfactory. Assets for directly implemented projects were not yet recorded and managed in Atlas. As of 1 January 2012, assets for directly implemented projects that comply with the principle of "used and controlled by UNDP" must be managed in Atlas. Refer to Issue 13.

- **Leave management**. Partially satisfactory**.** As a result of weaknesses in leave monitoring and lack of monthly attendance records, yearly attendance records were not accurate and were not consistent with Atlas records. There were also weaknesses in the management of home leave travel, as some staff members failed to take home leave during the approved period and kept the lump sum payment. The staff members subsequently took their home leave at a later date without having submitted a revised request for approval of the change of travel dates. Refer to Issue 14.

Management comments and action plan

The Acting Resident Representative of UNDP Republic of the Congo accepted all recommendations and the Office is in the process of implementing them.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. Introduction

From 18 February to 1 March 2013, OAI conducted an audit of UNDP Republic of the Congo. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit scope and objectives

OAI audits assess the adequacy and effectiveness of the governance, risk management and control processes in order to provide reasonable assurance to the Administrator regarding the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with legislative mandates, regulations and rules, policies and procedures. They also aim to assist the management of the Office and other relevant business units in continuously improving governance, risk management and control processes.

Specifically, this audit reviewed the following areas of the Office: governance and strategic management, United Nations system coordination, programme activities and operations. The audit covered relevant activities during the period from 1 January to 31 December 2012. During the period reviewed, the Office recorded programme and management expenditures totalling $18.4 million. The last audit of the Office was conducted by OAI in 2007.

II. About the Office

The Office, located in Brazzaville, Republic of the Congo (the Country), has 34 staff members, including 4 international staff members. The Office was implementing the Country Programme covering the period from 2009 to 2013, and the main outcomes were: (a) improving governance and peace consolidation; and (b) strengthening access to quality basic social services. The Country ranked 142 out of 166 on the Human Development Index.

III. Detailed assessment

1. Governance and strategic management	Partially Satisfactory
1.1 Organizational structure and delegations of authority	**Partially Satisfactory**

Issue 1 Inadequate segregation of duties and lack of delegation of authority

According to the Internal Control Framework, the Head of Office has overall responsibility for establishing and maintaining adequate internal controls in the office and for ensuring that internal control procedures are documented. It further states that there must be adequate segregation of duties in order to implement an appropriate level of checks and balances over the activities of individuals to minimize or prevent the risk of error or fraud. OAI noted the following:

(a) There were no formal delegations of authority for staff members holding the project manager profile in Atlas. The Internal Control Framework states that for each management or development project directly implemented by UNDP, the Head of Office must formally designate a project manager and ensure that the project manager is aware of his/her responsibilities. A total of 18 staff members held the project manager profile in Atlas, however, no written delegations of authority had been issued by the Resident Representative.

(b) There was a lack of segregation of duties relating to approval of financial transactions. To achieve adequate segregation of duties, staff members with the authority to approve vendors must not also be granted the authority to create vendors, initiate purchase orders or vouchers, or prepare the bank reconciliation. OAI noted that one Finance Associate was able to approve vendors, create vouchers and perform bank reconciliations.

(c) One staff member had both human resources administrator and global payroll administrator profiles in Atlas, which increases the risk of creating fictitious employees and making payments to them. The Office took corrective actions during the field audit; therefore, no recommendation has been made.

(d) Four staff members had buyer profiles in Atlas. According to the Internal Control Framework, only two staff members per office can have buyer profiles. The Office did not seek authorization from the Office of Financial Resources Management prior to creating the two additional profiles, as required by the Internal Control Framework. The Office took corrective actions during the field audit; therefore, no recommendation has been made.

(e) There was a lack of segregation of duties for directly implemented projects. The Internal Control Framework states that a staff member designated as a project manager (first authority) and an approving manager must not act as the second authority for transactions charged to his/her project (i.e. approving both the purchase order and/or the payment voucher for a single transaction instead of only approving the requisition). Two staff members acting as project managers approved both vouchers and/or purchase orders (instead of requisition) for transactions totalling $98,000 (Projects 71300 and 73799).

Lack of segregation of duties increases the risk of unauthorized transactions being processed, resulting in the loss of financial resources. In addition, absence of delegation of authority may create confusion and dilution of responsibility and accountability.

Priority	Medium (Important)
Recommendation 1: The Office should ensure that adequate segregation of duties is maintained and address any deviations from or conflicts with the standard Atlas authorities. Specifically, the Office should: (a) issue a formal delegation of authority to each project manager clearly identifying their role and responsibilities; (b) ensure adequate segregation of the rights to approve vendors, create vendors, create vouchers and prepare bank reconciliations; and (c) ensure that for directly implemented projects, staff members designated as project managers do not approve purchase orders or vouchers.	
Management comments and action plan: __√__ Agreed ____ Disagreed (a) Subsequent to the audit field work, the delegation of authority has been given to each project manager and each has been trained, through Friday learning sessions, on how they should perform their roles and responsibilities. (b) Due to the limited number of staff in the Office, the Resident Representative a.i. sent e-mail on 24 September 2013 to the Chief, Policy and Compliance Unit, requesting exceptional approval for this non-compliance with the Internal Control Framework (segregation of duties). The Office is waiting for approval. (c) The Office took appropriate actions after the audit mission and systematic monitoring is conducted to ensure that project managers respect this mandatory segregation of tasks. This element of concern has been settled.	

1.2 Leadership, ethics and values — Satisfactory

OAI interviewed the Office management and representatives of the Staff Association and noted that there were good communications and working relationships within the Office.

As no reportable issues were noted, this area was rated as "satisfactory."

1.3 Risk management, planning, monitoring and reporting — Satisfactory

The Office identified four major risks and was monitoring them on a regular basis. The Office determined that none of the risks required escalation to Headquarters.

No reportable issues were identified.

1.4 Financial sustainability — Partially Satisfactory

Issue 2 Declining extrabudgetary reserves

The Programme and Operations Policies and Procedures require Country Offices to maintain a minimum of 12 months of extrabudgetary reserves.

The Office's extrabudgetary reserves declined from 27 months at the end of 2011 to 12 months at the end of 2012. OAI further noted that extrabudgetary income had been inflated as follows:

(a) Cost recovery fees amounting to $113,000 for support services to other United Nations agencies were collected in error and had to be returned. This was mainly caused by a mistake in the method of calculating the cost recovery fees for providing payroll services. Instead of charging a yearly fee, the Office charged a monthly fee per staff member (the fee for processing payroll per staff members from other United Nations agencies is $128 per staff member per year; however, the Office had charged $128 per staff member per month). Following the audit mission, the Office contacted all United Nations agencies to inform them about the over-recovery and was negotiating the best way forward.

(b) Government cost-sharing contributions totalling $80,000 were kept in the extrabudgetary reserves. These need to be applied to the appropriate project budgets or returned to the Government.

(c) Unspent donor resources amounting to $18,000 were transferred to the Office's extrabudgetary reserve instead of being returned to the original donor (donor code 038 – Project No. 14518).

Consequently, the extrabudgetary reserve had been overstated by $211,206 at the end of 2012 (the closing balance for 2012 was reported as $853,389, instead of $642,183). Removing this amount from the calculation of the extrabudgetary reserve results in an actual reserve of 10 months compared to 12 months as reported in the Office snapshot.

Inaccurate calculation of cost recovery may negatively affect the accounts of other United Nations agencies and inflate the Office's extrabudgetary reserve.

Priority	High (Critical)
Recommendation 2: OAI recommends that the Office maintain a minimum of 12 months of extrabudgetary reserves by: (a) exploring opportunities for generating additional extrabudgetary income in order to meet its financial obligations; and/or (b) implementing stricter cost control measures and adjusting its cost structure in line with its resource base and funding environment.	
Management comments and action plan: __√__ Agreed ____ Disagreed (a) The current Country Office Programme cycle will end in 2013 and the closing of several important projects will negatively impact the extrabudgetary reserves due to the corresponding reduction of income generated through General Management Support recovery. The Country Office programme pipeline for the new cycle calls for the development of resource mobilization opportunities partnering with relevant government	

ministries to accelerate the achievement of the MDGs in rural areas and with the Global Environment Facility to address environment and climate change challenges through UNREDD and the local private sector.
(b) The Financial Sustainability and Effectiveness (FSE) review conducted by the Country Office has considered relevant structural adjustments to ensure workforce alignment with delivery needs and an appropriate management ratio. The Country Office's efforts resulted in securing a minimum of 13 months of extrabudgetary reserves as stated in the last report of the Bureau of Management.

Priority Medium (Important)

Recommendation 3:

The Office should ensure the accuracy of its reported extrabudgetary reserves by: (a) ensuring that relevant staff members are adequately trained and knowledgeable in regard to the policies and methodologies relating to support service fees, government cost-sharing and unspent donor fees; and (b) ensuring there is adequate managerial oversight and review of the calculations and transactions which impact the reserves.

Management comments and action plan: __√__ Agreed _____ Disagreed

(a) Under the direct supervision of the Assistant Resident Representative in charge of Operations (ARR-O) internal staff trainings on relevant policies and methodologies has been conducted during our learning sessions of the "Ecole du Vendredi"and (b) the Assistant Resident Representative in Charge of Operations will ensure continued oversight by reviewing calculations and transactions impacting our extrabudgetary reserves with regular reporting during the Senior Management Meeting held on a weekly basis.

2. United Nations system coordination — Satisfactory

The United Nations Country Team in the Country included the following agencies: FAO, ILO, UNAIDS, UNDP, UNESCO, UNFPA, UNHCR, UNICEF, WFP, WHO, the World Bank and IMF. Subsequent to the departure of the former Resident Coordinator, the Head of UNICEF was chairing and coordinating the United Nations Country Team.

2.1 Development activities — Satisfactory

The current United Nations Development Assistance Framework is valid until 31 December 2013, and a new United Nations Development Assistance Framework will come into effect in 2014 for the 2014-2018 cycle. At the time of the audit, a draft United Nations Development Assistance Framework document had been prepared, but had yet to be approved by the Government and signed by all partners in the Country.

The current United Nations Development Assistance Framework addresses three thematic areas:

(a) improving governance, peace building and security;
(b) access to quality basic social services for the population; and
(c) food and nutrition security.

According to United Nations Development Assistance Framework guidelines, the United Nations Country Team and the Government shall conduct annual, mid-term and final reviews of the United Nations Development Assistance Framework. Reviews are conducted to measure progress in achieving the outcomes outlined in the United Nations Development Assistance Framework and to assess the effectiveness of development cooperation in the Country.

OAI noted that no annual reviews of the United Nations Development Assistance Framework (2009-2013) took place; however, a mid-term review was conducted by the United Nations Country Team at the end of 2012.

The lessons learned from the mid-term review, including the need to improve the quality of the Monitoring and Evaluation Framework should provide significant assistance to the United Nations Country Team in finalizing the upcoming United Nations Development Assistance Framework (2014-2018).

2.2 Resident Coordinator Office — Satisfactory

The former United Nations Resident Coordinator left in September 2012. Starting in October 2012, the Resident Representative of UNICEF acted as the Resident Coordinator ad interim. At the time of the audit, the recruitment process for a new UNDP Resident Representative/Resident Coordinator for the United Nations agencies in the Country was being conducted.

The United Nations agencies had 8 internal thematic groups and an additional 13 thematic groups open to the donor community and other partner agencies.

As no reportable issues were noted, this area was rated as "satisfactory."

2.3 Role of UNDP - "One UN" — Not Assessed

The United Nations agencies in the Country were considered as a 'One UN Self-Starter' (the decision was made during the annual retreat of the United Nations Country Team in January-February 2012). At the time of the audit, the United Nations Country Team was considering adopting the principle of the 'United Nations House', but no decisions had been made.

2.4 Harmonized Approach to Cash Transfers — Not Applicable

The United Nations Country Team had not adopted the Harmonized Approach to Cash Transfers system.

3. Programme activities — Partially Satisfactory

3.1 Programme management — Partially Satisfactory

Issue 3 Weak outcome/project evaluations

According to the UNDP Handbook on Planning, Monitoring and Evaluating for Development Results, Country Offices are required to conduct outcome evaluations during the programme cycle. It also requires Country Offices to commission project evaluations of pilot programmes and projects of more than five years in duration.

Evaluations allow the Office to identify changes in the development environment and to update the Country Programme Document and the Country Programme Action Plan, as required, in order to obtain the desired development results.

The Office planned a total of six evaluations (two outcomes and four projects) for the 2009-2013 programming cycle. However, OAI noted that the Office had only conducted three of these evaluations (three project evaluations). The remaining planned evaluations were not carried out. In addition, the Office had not uploaded the completed evaluation reports into the Evaluation Office's database. Although the Office provided no specific reason for this oversight, the absence of a monitoring and evaluation function may have contributed to this weakness. The Office stated that it had succeeded in identifying a United Nations Volunteer who would be in charge of monitoring and evaluation.

The Office stated that during the Programme Cycle 2009 -2013, the Office had conducted four project evaluations (one additional to the Evaluation Plan elaborated in 2008, for the Africa Adaptation Project). It was decided not to conduct the planned project evaluation "Réinsertion socio-économique des femmes et filles impliquées et affectée par les conflits armés", since the project was already part of the evaluation conducted in 2011 of the "Project for the Collection of Arms for Development 2".

Failure to carry out planned evaluations precludes the ability to make timely adjustments to project plans to address any identified issues or deficiencies, and places the Office's reputation at risk with the host Government and counterparts.

Priority	Medium (Important)
Recommendation 4: The Office should strengthen its project oversight by conducting outcome/project evaluations as planned and uploading all reports of the results into the Evaluation Office's database.	
Management comments and action plan: __√__ Agreed ____ Disagreed For the two outcome evaluations it was decided to integrate them in the Country Program Action Plan evaluation planned for 2013. The reasons are that for both outcomes, the main projects would be evaluated in project evaluations. For the outcome "Le renforcement des capacités des institutions et l'établissement d'une gouvernance démocratique, transparente et responsable sont assurés aux niveaux national et local" the main project is the Electoral Project (planned evaluation at the end of 2013) and for the outcome "Les capacités de planification et de gestion coordonnées des questions environnementales et des énergies à moindre coût sont renforcées" the main project is the Africa Adaptation Project, which was evaluated in January 2013. The Office agrees that it could have been more proactive in uploading the evaluations and the modified Evaluation Plan 2009-2013 to the Evaluation Resource Center site. The corrective actions were taken in the beginning of 2013. For the new programmatic cycle (2014-2018), a Monitoring and Evaluation Analyst will be hired (expected to start during the first quarter of 2014) to strengthen this important area of the Office. Additional information provided by management has been added to the audit observation above.	

3.2 Partnerships and resource mobilization — Satisfactory

The Office had partnerships with the Government and with other United Nations agencies. Its donor portfolio included the World Bank, the African Development Bank and the European Union.

It seems that the Office has developed a constructive relationship with the Government and this helped mobilize over $12 million in cost-sharing contributions.

OAI noted that constructive relationships were also established between the Office and the World Bank and the African Development Bank, which helped the Office to mobilize and deliver on several loans totalling $25 million. This was done in close coordination with the Government, which requested both the World Bank and African Development Bank to channel these resources through the Office.

OAI met with the government counterpart and the European Union who indicated their satisfaction with their collaborations with the Office.

3.3 Project management — Unsatisfactory

Issue 4 Weak project design, planning and monitoring

(a) Weak project design and planning

- *Absence of a Local Project Appraisal Committee* - The Programme and Operations Policies and Procedures require that all projects must be appraised by a Local Project Appraisal Committee established by the Resident Representative. OAI noted that the Resident Representative did not appoint a Local Project Appraisal Committee and therefore, 13 out of 19 ongoing projects had not been submitted for review. For the other six projects, the committee was chaired by either national partners or UNDP project managers.

- *Unauthorized use of non-standard donor agreements for projects* - For two ongoing projects, Award ID 46219 initiated in 2005 and funded by the World Bank, and Award ID 46774, initiated in 2007, funded by the African Development Bank with a combined budget of $25.5 million, the donor agreements signed by the Office were not in line with UNDP standard templates. Further, the required clearance for the deviations from the standard templates had not been sought from the Bureau for External Relations and Advocacy and/or the Legal Support Office.

- *Infrastructure project launched without prior approval of the Regional Bureau for Africa* - The Resident Representative does not have authority to approve a project document in support of an infrastructure project, including projects with large equipment components, unless specific authorization to do so has been received from the Director of the Regional Bureau for Africa. The Office could not provide a written clearance from the Regional Bureau for Africa to support initiation of project "Projet d'appui aux Initiatives d'Urgence" (Award ID 00047825), yet $1.83 million or 90 percent of the total project expenditures in 2012 were devoted to agricultural machinery (e.g. tractors). In addition, $10.4 million or 93 percent of the project expenditures since the project started in 2008 were for equipment and machinery. Further, in two additional instances (Award IDs 46219 and 46774 with a total budget of $25.5 million), the Office was involved in construction projects but had failed to request an authorization from the Regional Bureau for Africa.

- *Absence of project document* - The Office was implementing a project titled "Projet d'appui aux Initiatives d'Urgence" (Award ID 00047825) without an approved project document. The Office was using this project for ad-hoc requests from the Government. The total expenditures incurred in 2012 were $2.1 million. No annual project report was prepared for 2012.

(b) Weak project monitoring

- *Deficient financial control over project expenditures* - Project managers were not involved in the financial management of their project budgets. As a result, transactions were charged without authorization by project managers. For example, under Project 74951, journal entry ID 4485886 dated 16 July 2012 was used to charge the project for an amount of $236,606 instead of the proper amount of $448. This mistake was not detected by the Project Team or Finance Team and was included in the Combined Delivery Report that was certified by the Acting Resident Representative. Under Project 82059 (Gestion de catastrophes), the Office had mistakenly charged the project twice via journal entry 4580296 for an amount of $49,560, which was not detected by the Finance Unit.

- *Charging unbudgeted expenses to humanitarian funds* - The Office received $758,000 from the Central Emergency Response Fund to build shelters for the victims of a massive explosion. The funds were to be used before the end of September 2012. OAI noted that at the end of December 2012, the Office had only used $152,000 (or 20 percent). Out of this amount, OAI noted that expenditures not included in the work plan had been charged to the project funds, as follows:

    - payment of $15,000 to a consultant for the evaluation of the United Nations Development Assistance Framework;
    - payment of $20,000 for support provided by the Coordination Office; and
    - double charging through a journal entry (ID 4580296) for an amount of $49,560. This was partly due to the Office's lack of restriction on which staff are authorized to approve General Ledger Journal Entries.

  Unbudgeted expenses charged to project funds may be considered ineligible and disallowed, which may result in the Office having to return the disallowed funds and to cover the expenditures from other funding sources.

- *Project status not updated in a timely manner* - Country Offices are required to regularly update the status of their projects in Atlas. As of 31 January 2013, the status of several projects had not been updated as indicated below:

    - 31 projects had end dates prior to 2012, but were listed as ongoing;
    - 59 projects were supposed to have been operationally closed; and
    - 4 projects we supposed to have been financially closed.

The Office took corrective actions during the audit. As of 7 March 2013, three projects (14518, 14535 and 59581) still needed to be updated and the Office was in the process of taking measures to address the issue.

Without regular review of the status of projects, appropriate and timely actions to close them may not be taken.

Priority	High (Critical)
Recommendation 5: The Office should improve project planning and design by ensuring that: (a) a Local Project Appraisal Committee is duly appointed and meetings are held for all projects and that all stakeholders are involved; (b) the standard UNDP donor agreement template is used for projects and that any deviations from the standard template are reviewed and authorized by the Bureau for External Relations and Advocacy and/or the Legal Support Office prior to signature by the relevant parties; (c) authorization is sought from the Regional Bureau for Africa prior to initiating infrastructure projects; and (d) a project document is developed and approved prior to committing and spending resources.	
Management comments and action plan: __√__ Agreed ____ Disagreed (a) The Local Project Appraisal Committee was appointed and the Office has held meetings involving all stakeholders for all new projects ensuring the requested signatures. (b) All projects in the Country Office are using the standard UNDP donor agreement template. The only exceptions are the two projects of PRAEBASE and PARSGD, which date back to 2005 and 2007. At that time it was agreed that the two projects should be managed by the rules and regulations of the World Bank and the African Development Bank. (c) Authorization should have been obtained from the Regional Bureau for Africa prior to initiating infrastructure projects - this will be done for future projects. (d) All projects have project documents developed and approved prior to committing and spending resources. The only case reported on is the one related to "Projet d'Appui aux Initiatives d'Urgences" set up on an ad hoc basis to mobilize the various different government cost sharing agreements dedicated to specific equipment and vehicle procurements. This project was managed and monitored by the previous Service Centre (CEDAP) and has been closed.	

Priority	Medium (Important)
Recommendation 6: The Office should enhance its project monitoring by ensuring that: (a) transactions charged to projects are initiated and/or reviewed by project managers and are in accordance with the project work plan; (b) the number of staff members authorized to approve General Ledger Journal Entry is limited to senior managers in the area of operations/finance with adequate knowledge and understanding of key accounting principles and concepts; and (c) the status of projects in Atlas is reviewed and updated regularly. More specifically, actions need to be taken to update the status of Projects 14518, 14535 and 59581 in the Atlas system.	
Management comments and action plan: __√__ Agreed ____ Disagreed (a) Project managers are involved in the financial management of their project budgets, and all transactions are charged with the authorization of project managers. The two problematic projects highlighted (Project 74951 and Project 82059) are managed by the same team leader, which underpins the fact that	

the project managers are managing the financial management and efforts have been undertaken to strengthen the capacity of financial control by the concerned colleagues. Based on the two errors, measures have been taken to ensure closer supervision by the financial unit.

(b) The authorization to approve General Ledger Journal Entry is now limited to senior managers in operations/finance and the Country Office Manager.

(c) The Office acknowledges that improvement should be made to ensure that the project status is updated in a timely manner. The current Financial Sustainability and Effectiveness exercise has been used to review and correct the status of projects in Atlas (started during the audit mission) and the Assistant Resident Representative in Charge of Programme will ensure regular monitoring. He now reports on this issue during the Senior Management Meeting on a weekly basis.

In order to improve the project monitoring, all development projects will be placed under the Programme Section. As such, no development projects will be initiated, managed or monitored by the previous Service Centre (CEDAP).

4. Operations — Unsatisfactory

4.1 Human resources — Partially Satisfactory

As of 31 December 2012, the Office had 34 staff members and 64 individuals on service contracts. Up until August 2012, the Human Resources Unit consisted of a Human Resources Associate and a Human Resources Assistant. However, since September 2012, the Unit has been staffed by only the Human Resources Associate. The Human Resources Unit was also responsible for recruitment, contract management, payroll and separations for UNFPA, WFP and FIDA.

Issue 5 Weak management of service contracts

OAI noted the following weaknesses in relation to the management and processing of payments for service contracts:

(a) Payment to service contract holders not made through the payroll module in Atlas

In preparation for the adoption of the International Public Sector Accounting Standards, as of 1 January 2012, Country Offices were required to migrate the payment of salaries for all service contract holders into the global payroll module of Atlas, and to discontinue the use of purchase orders for such payments. As of February 2013, the Office had not migrated the payment of salaries for service contract holders into the Atlas payroll system. Instead, the Office had continued to pay the salaries of service contract holders through the use of purchase orders.

Salary payments for service contract holders that are paid through purchase orders are deemed to be part of procurement activities and thus erroneously inflate the Office’s procurement volume.

(b) Service contract holders not enrolled in a social security/pension scheme

According to the Programme and Operations Policies and Procedures, the UNDP office must ensure that individuals engaged under service contracts are covered under a pension plan, as appropriate. For the service contract holders in the Office, the remuneration consisted of a base salary and a contribution toward a social security/pension scheme for the individual service contract holder which amounted to 12 percent of the base salary. Both parts of the remuneration were paid directly to the service contract holder; however, no verification was conducted by the Office to ensure that the service contract holder was making contributions to a social security/pension scheme.

If the Office does not ensure that service contract holders are enrolled in a pension scheme with adequate coverage, there is a risk that the service contract holders will not have adequate pension benefits when they retire. This may also negatively affect the reputation of UNDP, giving the appearance that it is an organization which pays limited attention to the welfare of its personnel.

(c) Service contract holder attendance records and performance certificates signed in advance

According to service contract guidelines, individuals under service contracts are to be remunerated according to their performance and attendance during the month and that certification of the performance and attendance must be attached to each payment request.

OAI reviewed a sample of 15 payments to service contract holders and noted that for 10 of the payments reviewed, support documentation submitted was either a payment request (certifying the staff member's performance during the month) and/or a monthly attendance record which had been signed 10 to 20 days before the end of the month for which payment was being requested. Thus, the supervisor was certifying the performance and the attendance of the individual in advance.

This practice increases the risk of paying service contract holders for services not performed and time not in attendance.

(d) Inconsistency in pay rates used for service contract holders

The Programme and Operations Policies and Procedures on service contracts state that pay ranges for individual service contracts should be established on an objective and analytical basis.

OAI noted inconsistencies in the pay rates of the service contract holders. For example, some project personnel at the SC-4 and SC-6 levels were being remunerated at the same rate of pay. The Office explained that the standardized salary scales for service contracts had only been developed in 2012, and that prior to that, there was no real standardized reference for setting a service contractor's pay rate.

Inconsistency in pay rates may create frustration among employees and negatively affect morale, performance and the reputation of UNDP.

Priority	High (Critical)
Recommendation 7: The Office should strengthen its management of remuneration for service contracts by ensuring that: (a) payment of salaries for service contract holders are made through the payroll module of Atlas; (b) the social security/pension coverage for service contract holders is managed by researching the existence of local social security/pension schemes of adequate quality and reliability in which service contract holders can enroll, and by verifying that the service contract holder is enrolled and participating in a plan; (c) remunerations to service contract holders are based on attendance and performance records that are signed once the work period is completed; and (d) service contract holder pay rates are aligned and applied consistently for personnel working at the same level.	
Management comments and action plan: __√__ Agreed _____ Disagreed (a) The Office is making progress concerning this issue. The new service contract salary scale has been accepted by HQ, and shared with other United Nations agencies. The Office is in the final step of integrating service contract payroll into Atlas and will complete this task before December 2013. (b) On 9 April 2013, the Office sent a letter to a national security company inquiring about the modalities of enrollment for our service contract holders to the local social security scheme. Everything is ready for implementation of service contract participation at this stage and the Office is only waiting for the service contract enrollment in the payroll to finalize it. (c) Based on the slow nature of bank processing and considering that all contracts do not have the same beginning and end dates (1-30), management decided to sign service contract attendance records on the 25th of each month to ensure that salaries are paid at the end of the month. (d) This situation has been corrected as the new salary scale is determined by the corresponding post level.	

4.2 Finance — Unsatisfactory

The Office processed 5,517 vouchers during the period under review for a total of $19 million. OAI selected a sample of 44 vouchers totalling approximately $4.7 million (25 percent) for review and testing.

Issue 6 Lack of monitoring and control of cash advances

UNDP implements projects in different locations, including remote areas where bank facilities are non-existent. To facilitate project activities in remote locations, Country Offices at times need to provide cash advances. However, prior to July 2013, there were no clear corporate guidelines to deal with such cash advances to projects. As per the Programme and Operations Policies and Procedures, the only cash advances that could be granted by offices related to the petty cash fund (which is limited to a total of $1,000), with advances limited to a maximum of $100 for individual payments.

While acknowledging the lack of adequate guidance for the period under audit, OAI nonetheless noted weaknesses in internal controls on the management of cash advances made by the Office to projects. Specifically, OAI reviewed eight project advances and noted the following:

(a) Use of large cash advances when lower risk alternatives existed

The project advances account 16007 recorded advances amounting to $138,000 in 2012. Individual advances of as much as $32,000 had been given to staff members to carry out project activities. OAI noted instances in which the Office could have paid the service provider directly by cheque instead of in cash, for example, to pay for hotels. In another instance, the auditors were informed that the activities for which the advance was used had been carried out within a one-hour drive of the capital city; thus, the justification for use of a large cash advance was questionable.

(b) Cash advances not liquidated in a timely manner

Advances were not promptly liquidated after the activity being financed took place. In one instance, an advance was liquidated three months after its disbursement and in another instance it was not liquidated until seven months after disbursement.

(c) Absence of regular monitoring and incorrect use of accounts

The Office was unable to demonstrate effective monitoring and control over the use of cash advances for projects. For instance, the Office was not able to provide the auditors with the status of outstanding advances as of a specific date during the audit. Further, in some instances, advances had been incorrectly recorded in expense accounts, and, therefore, were not being tracked. During the audit, the Office identified 18 additional cash advances for 2012 totalling $130,000 which had been recorded in expense accounts.

(d) Improper payment of overtime

In one instance, advances for projects were inappropriately used to pay overtime instead of processing overtime through payroll.

(e) Questionable and inadequate supporting documentation

Among the advances included in the sample, OAI noted one instance where all attached supporting documents were dated after the activity dates (Voucher ID 43400 for $10,000). The Office explained that the activities were postponed, but no documentation was attached to validate this statement. In addition, the beneficiaries did not date when they received their Daily Subsistence Allowance. Therefore, OAI could not confirm that the allowances were provided in a timely manner.

Deficient controls over cash advances could lead to fraud and cash not being used for an approved activity.

Priority High (Critical)
Recommendation 8: The Office should adhere to the newly introduced policies for the management of project cash advances and strengthen its monitoring and oversight of these types of transactions.
Management comments and action plan: __√__ Agreed _____ Disagreed Since the new Programme and Operations Policies and Procedures for Cash Arrangements was published on

1 July 2013, the Office has issued a Memorandum to staff and has trained the staff concerned on the new guidelines for cash management. The Office has also set-up a mechanism to strength monitoring and oversight of cash advances through the regular checking of the cash advance status, which is linked to the staff index.

Issue 7 Lapses in the management of bank accounts

The Programme and Operations Policies and Procedures provide guidance on the opening and closing of bank accounts, as well as on keeping the signatory panel current. According to Financial Rule 125.10, all bank accounts shall be reconciled on a regular basis, at least monthly, using the statements submitted by the banks. Bank reconciliations shall be reviewed by senior management. Additionally, Financial Rule 126.17 states that write-offs are to be authorized by the Assistant Administrator, Bureau of Management. OAI noted the following weaknesses:

(a) Signatory panel not updated

The signatory panel for the Zero Balance Account (account in euro) was not updated after the departure of two staff members who had been signatories in September 2012.

(b) Weak bank reconciliations

OAI could not obtain evidence that the bank reconciliations were prepared and reviewed adequately. The Office did not analyse the detail of items in the reconciliations. For example, the Office was not aware of three transactions totalling $2,200 dated July and December 2012 which remained unreconciled for cancelled payments; the items remained in the bank reconciliation as their cancellation had not been processed correctly.

(c) Unauthorized write-off

The Office wrote-off a book balance of $1,500 on a closed bank account without requesting authorization from the Assistant Administrator, Bureau of Management. OAI was informed that this account was with BNP Paribas but it had been closed for several years. The year of closure could not be confirmed by the Office and the last bank statement could not be found.

Weak management of bank accounts may result in errors, financial losses and fraud.

Priority	High (Critical)

Recommendation 9:

The Office should strengthen its management of bank accounts by:
(a) updating the signatory panel for the Zero Balance Account and communicating it to the corresponding bank;
(b) ensuring that the bank reconciliations are performed and reviewed on a regular basis and include proper analysis, follow-up and review of any unreconciled items; and
(c) formally reporting to the Office of Financial Resources Management the write-off of $1,500 and seeking guidance on appropriate actions to be taken in this respect.

Management comments and action plan: __√__ Agreed ____ Disagreed (a) The bank signatory panel for the Zero Balance Account was updated 6 March 2013. (b) Since the end of the audit mission, the Office has improved the bank reconciliation system: the unreconciled items are reviewed in a timely manner and the exceptions are fully investigated. (c) The Office is still working with the Office of Financial Resources Management to seek appropriate guidance to write off this amount as it happened several years ago.

Issue 8 Weak payment processes

The Internal Control Framework states that an effective internal control system shall provide reasonable assurance to UNDP regarding the achievement of its objectives, which includes promoting orderly, economical, efficient and effective operations as well as meeting accountability obligations by making available reliable and relevant information. OAI noted the following:

(a) Weaknesses in controls over cheque processing

Numerous payments were made using manually written cheques rather than through bank transfers, which resulted in errors and subsequent cancellations. Cheque stubs were not properly completed and cheques were not always issued in sequential order. Moreover, several chequebooks were used at the same time, making control difficult.

On 5 March 2013, management of the Office issued internal memorandums aiming to implement rigorous controls over cheque processing. Specifically, the memos requested staff members to complete cheques properly, ensure chequebooks are safeguarded and use bank transfers for payments over $500.

(b) High number of cancelled payments

The local currency bank account recorded a high number of cancelled payments. Specifically, in 2012, there were 342 cancelled payments totalling about $0.7 million. OAI could not obtain assurance that cancelled funds were credited back to the respective projects.

(c) High number of payments on hold

As of 31 December 2012, the Office had 508 payment vouchers that had not been fully processed relating to transactions originating from 2005 to 2012 and totalling approximately $58,000. OAI could not obtain assurance that the Office was reviewing payments on hold on a regular basis in order to determine whether these were obligations the Office would have to honor.

Inadequate controls over the payment process may result in inefficiency of operations, errors and undetected fraud.

Priority	High (Critical)

Recommendation 10:

The Office should strengthen controls over the payment process by:
(a) ensuring that bank transfer is used over cheque payment whenever possible;
(b) improving overall control and management of cheques by using software such as 'cheque printer', analysing the cancelled payments and ensuring that funds are properly credited back to the corresponding projects, and ensuring adequate controls over physical cheques; and
(c) reviewing the list of payment vouchers that are on hold and cancelling those that are no longer necessary.

Management comments and action plan: __√__ Agreed _____ Disagreed

(a) A memo was signed on 5 March 2013 to ensure the physical maintenance of the checkbook and the sequential use of checks.
(b) The Office has the 'cheque printer' option and is awaiting response from the local bank regarding their readiness concerning their system.
(c) All cancelled payments are cleaned.

The Office has already implemented appropriate actions.

4.3 Procurement — Partially Satisfactory

The Office issued 817 purchase orders amounting to approximately $4.7 million during the period under review. OAI reviewed a sample of 16 purchase orders with a value of approximately $2.5 million or 53 percent of all purchase orders and 28 procurements with a value of $3.4 million which were made without purchase orders. Five professional service contracts amounting to $461,279 and six individual contracts totalling $432,805 were also reviewed.

Issue 9 Weak procurement processes

Offices are required to comply with the Programme and Operations Policies and Procedures by submitting all procurement cases with a value greater than $30,000 to the Contracts, Assets and Procurement Committee for review and submitting procurements over $100,000 to the Regional Advisory Committee on Procurement for review. Additionally, a purchase order must be raised for all individual purchases over $2,500. The Programme and Operations Policies and Procedures further state that a service contract holder not be involved in Contracts, Assets and Procurement Committees. Finally, adequate supporting documents are required prior to making payments. OAI noted the following:

(a) Procurement made without raising a purchase order

For the period under review, the Office processed 385 non-purchase-order procurements for transactions over $2,500, totalling $7 million, contrary to established policy and procedures.

(b) Lapses in submission to appropriate procurement committees

In the sample reviewed, OAI noted four instances of post facto submissions to the Contracts, Assets and Procurement Committee and Regional Advisory Committee on Procurement, with a combined value of $331,000. Furthermore, requests for waiver of competitive selection for procurement over $30,000 totalling $107,500 were made to the Local Contracts, Assets and Procurement Committee and not the Regional Advisory Committee on Procurement, contrary to established guidelines.

(c) Clearance by the Legal Support Office had not been obtained for a contract

A civil works contract amounting to $141,000 was sourced using a non-standard UNDP solicitation document without obtaining clearance from the Legal Support Office, as recommended by the Regional Advisory Committee on Procurement.

(d) Composition of the Contracts, Assets and Procurement Committee not in compliance with policies

The Contracts, Assets and Procurement Committee included a service contract holder as an alternate member, contrary to the requirements of the Programme and Operations Policies and Procedures.

(e) Inadequate supporting document and receiving process

In the aftermath of the explosion of 4 March 2012 in Brazzaville, the Office committed to purchasing 87 tents for the victims. No competitive selection was undertaken. The Office selected a supplier based on the recommendation of the national counterpart. The Office paid the supplier's invoice of €49,777 even though the invoice did not include the number of tents or their unit price (instead, the invoice included just the total amount). Furthermore, this detailed information was not included on the delivery note and other shipping documents provided to the auditors.

(f) Inadequate procurement capacity

The Programme and Operations Policies and Procedures state that the Level 2 procurement certificate is required for staff members involved in the management of procurement. It further states that the Contracts, Assets and Procurement Chairperson shall have passed the Level 1 procurement certification for managers, and, while this is not mandatory for the rest of the committee members, it is highly recommended. OAI noted that of the four staff members who had a buyer profile, only two had completed level 1 and 2 procurement certifications. The Contracts, Assets and Procurement Chairperson, the Contracts, Assets and Procurement members and other personnel involved in procurement did not have the required certification.

(g) Deficiencies in vendor creation

As per the Programme and Operations Policies and Procedures, the vendor approver must verify that the vendor is authentic by checking alternate sources of information and seeking direct confirmation from banks for banking information. Key supporting documents include duly signed originals or certified copies showing the complete name, address and banking details of the vendor.

OAI noted deficiencies in the vendor creation and approval process as many of the vendor forms had not been fully completed. Address and banking information were missing and proof of legal status for companies was not requested. The Office did not always check whether the vendor already existed in the database prior to creating a new vendor. The audit team identified 17 duplicate vendors and the Office took corrective actions during the audit mission.

The Office stated that the mentioned procurement issues concerned two large projects, PARSEGD and PRAEBASE, which were following the rules and procedures of the donor funds (World Bank and African Development Bank), and that these projects were an exceptional situation which was justified in the aftermath of the civil wars in the Country in 1997 and 1999. The Government had requested the assistance of UNDP in managing these two projects for rehabilitation, which required agreement to apply the rules of procurement of the donors. UNDP had agreed to assist them by putting in place an ad hoc mechanism, which did not encroach on the ordinary rules of UNDP. In addition, all goods and services provided were subject to mechanisms of technical and provisional approvals by independent experts and by the beneficiaries. The Office also indicated that the 2007 OAI audit had interpreted this situation correctly. Further, these two projects are being closed and the Office will not renew this type of assistance/agreement in the future.

Deficiencies in procurement processes may result in paying for unsatisfactory goods and services, financial losses, procuring unallowable items, or legal issues.

Priority Medium (Important)

Recommendation 11:

The Office should strengthen its procurement management by:
(a) fully adhering to procurement procedures, including raising purchase orders, ensuring proper supporting documents, and submitting procurements to the relevant contract committees, as applicable;
(b) ensuring that the Contracts, Assets and Procurement Committee includes staff members only (excludes personnel under individual contracts and service contract holders) and ensuring that all personnel involved in procurement, including all members of the Contracts, Assets and Procurement Committee, complete procurement certifications as appropriate; and
(c) ensuring adequate controls in vendor management, including adequate supporting documents, completeness of forms, and avoiding duplication of accounts for the same vendor.

Management comments and action plan: __√__ Agreed ____ Disagreed

(b) Based on the memo signed on 5 April 2013, the one service contractor concerned was replaced by a FTA staff member for the Contracts, Assets and Procurement Committee.
(c) The Office has already taken the appropriate action.

Additional information provided by management has been added to the audit observation above.

Issue 10 Weak contract management

The contract management process allows a business unit to track and manage the clauses, terms, conditions, commitments and milestones throughout the life of its contracts to maximize business benefits and minimize associated risks. Contract management includes monitoring performance (i.e., quality standards, delivery), effecting acceptance and payment, initiating amendments and resolving any disputes that may arise in the overall process. OAI noted the following relating to the procurement of professional service contracts:

(a) Weaknesses in monitoring of contract guarantees

The Office had usually obtained bank guarantees from contractors for high value contracts, in particular for civil works projects PRAEBASE and PARSEGD. An electronic list of guarantees obtained was provided to the audit team; however, the file was not well maintained and was difficult to read due to the format and content. For example, the information on the date the guarantee was returned to the supplier was repeated in more than one place, while other important information, such as the due date, was missing in other cases. Therefore, there was no assurance that the file was kept up to date or that the Office did not miss important milestones and deadlines. In addition, the guarantees were kept in envelopes in a drawer instead of the office safe.

(b) Lack of monitoring

Two contracts of $43,000 each for well rehabilitation with duration of 30 days were signed and a down payment of 20 percent was paid to the vendor in August 2012. No subsequent payments took place. Although the Office had not visited the project site as of 25 February 2013, it stated that the contractor had not completed the work as agreed.

OAI further reviewed six individual contracts and noted the following:

(c) Inadequate terms of reference

For one contract amounting to $65,000, the terms of reference of the contract did not include: (i) monitoring and progress controls, including reporting requirements delineating the frequency, format and deadlines; and (ii) a clear and unequivocal definition of the final product/s or deliverables (e.g., survey completed, workshop conducted, data collected, reports written, etc.), the timeframe for their completion or payment milestones.

Lapses in contract management may result in the inability to achieve programme objectives, and may further result in financial losses.

Priority	Medium (Important)
Recommendation 12: The Office should strengthen its contract management by ensuring: (a) adequate monitoring and safeguarding of contract guarantees; (b) adequate and complete terms of reference and proper monitoring of contract performance; and (c) adequate contract terms of reference.	
Management comments and action plan: __√__ Agreed _____ Disagreed The Office takes note on the audit recommendations and will improve the contract management module through: (a) monitoring and safeguarding of guarantees; and (b) the use of complete and adequate terms of reference for related contracts.	

4.4 Information and communication technology — Satisfactory

Issue 11 Disaster Recovery Plan and Business Continuity Plan not tested

The information and communications technology policies provide standards and requirements to implement, maintain and improve disaster recovery arrangements in UNDP offices.

The Office had prepared a Disaster Recovery Plan and a Business Continuity Plan; however, they had not been tested, signed by senior management and validated by the Office of Information and Communications Technology, as required.

Priority	Medium (Important)
Recommendation 13: The Office should ensure that the Disaster Recovery Plan and the Business Continuity Plan are tested, signed by senior management and submitted to Office of Information Systems and Technology.	
Management comments and action plan: __√__ Agreed _____ Disagreed Subsequent to the audit field work, both the Disaster Recovery Plan and the Business Continuity Plan documents have been finalized. The testing exercise is planned with UNICEF. A radio liaison with UNICEF is being implemented. The Country Office IT team and UNICEF are working together to operationalize the tests. For the moment, UNICEF, before advancing with UNDP, has expressed a need to migrate first to another internet provider. For the Office, everything was done: purchase of four additional laptops, five desktops, hard disks (external drives) and USB (pen drive). The Office has also migrated to another internet provider which has significantly improved the bandwidth by multiplying it by three (bandwidth). This allowed the Office to have an external site with UNICEF (External Backup Site) instead of a slow link. The radio liaison will be in effect before the end of October 2013. Finally, a direct telephone link between the two agencies was prepared. On both sides, Disaster Recovery Plan and the Business Continuity Plan Focal Points will be able to switch from the telephone network of UNICEF to that of UNDP and vice versa without any problems. By the end of October 2013, the Office will have tested, signed and sent both plans to the Office of Information and Systems and Technology.	

4.5 General administration — Partially Satisfactory

OAI reviewed general administration activities, including travel, common services and vehicle and fuel management. The premises that UNDP occupied were donated by the Government and no issues were noted in terms of premises management. OAI reviewed vouchers for 15 travels and minor issues were noted, which were discussed with management, but did not result in any reportable observation. For some of the issues, the Office took immediate corrective actions.

Issue 12 Weak fuel management and recording

OAI noted the following weaknesses in fuel management and recording:

(a) Average fuel consumption not recorded

According to the Programme and Operations Policies and Procedures, offices shall maintain monthly records of the average fuel consumption for each car in use by the office and that the Head of Office shall be alerted on any deviations in fuel consumption.

At the end of every month, the quantity of fuel consumed by each car was recorded. However, the mileage of each car was not recorded and there was no reconciliation between the fuel consumption and the mileage to obtain the average fuel consumption for each car. Thus, analysis of fluctuations in fuel consumption could not be performed.

Without monitoring the average fuel consumption for each car, there is a risk that the Office does not capture potential fuel mismanagement which may result in financial losses for UNDP.

(b) Inadequate management of petrol advance account

Year-end closure instructions require Country Offices to analyse account 14057 – petrol advance, to explain remaining balances and upload the explanation to SharePoint. The Office did not perform the analysis as required. As of 31 December 2012, this account had a balance of $213,244, which was too high for year-end. An analysis of the account showed cumulative transactions dating back to 2005. The Office explained that the balance might have been the result of fuel consumption by the Office's vehicles and generator which had not been recorded or sales to third parties which had not been recovered. Starting in 2012, the Office's fuel consumption was recorded in Atlas.

Weaknesses in management of the petrol account may result in financial losses for UNDP.

Priority	Medium (Important)
Recommendation 14: The Office should improve fuel management and recording by: (a) maintaining a mileage log for each car, and analysing on a monthly basis the average fuel consumption; and (b) analyse the outstanding balance in account 14057 and charge any unexplained balance to the extrabudgetary account.	
Management comments and action plan: __√__ Agreed ____ Disagreed Right after the audit mission, the Office decided, through a memorandum dated 18 March 2013, that every driver would be responsible for one single vehicle/car and that the driver would monitor and record: (a) the registration of the mileage in the log book for his vehicle on a daily basis; (b) analysis of the fuel consumption by vehicle on a monthly basis; and (c) reconcile fuel consumption and mileage for the average fuel consumption of the vehicle. Every month, the Chiefs/Heads of Transport and General Services meet with the Assistant Resident Representative/Operations to ensure that the directives are fully followed.	

4.6 Safety and security — Satisfactory

The security level in the Country was 1 and 2, depending on the geographical area. OAI met with the Acting Designated Official as well as with representatives of the United Nations Department for Safety and Security to discuss staff member security and measures in place to enhance safety of the UNDP compound.

As no reportable issues were noted, this area was rated as "satisfactory."

4.7 Asset management — Partially Satisfactory

At 31 December 2012, the value of assets in use by the Office was $3,502,800. This includes the land occupied by UNDP for a value of $1,210,000 and the compound buildings for a value of $1,760,000. In 2012, the Office acquired assets for a value of $166,600.

The procedures related to asset management, including acquisition of assets, asset maintenance, asset disposal as well as physical verification were reviewed.

Issue 13 Assets for directly implemented projects not managed in Atlas

According to the International Public Sector Accounting Standards implemented in UNDP, assets for directly implemented projects that fall under the "used-and-controlled" principle are to be recorded and managed in Atlas.

At the time of the audit, no assets for directly implemented projects were registered and managed in Atlas.

The Office started the process for recording the assets of directly implemented projects in Atlas in December 2012. Some assets procured in 2012 had also been registered in the Document Management System and were yet to be registered in Atlas by the Assets Focal Point. However, OAI could not obtain assurance that the list of assets registered and extracted from Atlas was exhaustive, since OAI was not provided with a complete list of assets by the Office.

Not ensuring that all assets for directly implemented projects that are "used-and-controlled" by UNDP are managed in Atlas results in a lack of control, accountability and oversight, which may further result in theft, loss and inaccurate financial reporting.

Priority	Medium (Important)
Recommendation 15: The Office should ensure that assets for directly Implemented projects that are under UNDP custody and control are entered into Atlas.	
Management comments and action plan: __√__ Agreed ____ Disagreed During the Audit mission, some directly implemented project assets were not yet well integrated in Atlas. However, subsequently, after an intensive review with the physical count committee, the Office has integrated, as required, in Atlas, all assets for directly implemented projects which are under the custody and	

control of UNDP. Many training sessions have been provided to Atlas users to allow them to ensure that: - they know the difference between the UNDP catalog and non-UNDP catalog; - the uploading of supporting documents in the Document Management System; - they insert the links in Atlas to allow the Asset Focal Point to verify.

4.8 Leave management — Partially Satisfactory

The Human Resources Associate was responsible for leave management in the Office. Leave was partly managed in the Atlas e-Service module, but also manually through manual annual leave requests.

Issue 14 Weak oversight of staff member entitlements and leave

Weaknesses were noted in leave management and oversight of staff member entitlements relating to home leave travel.

(a) Weaknesses in leave management

In 2012, the Office appointed six leave monitors to manage the staff attendance and leave in the Office. OAI reviewed the attendance records of 11 staff members and compared them to the Atlas records. In the majority of cases, the yearly attendance records and the Atlas records did not reconcile. Examples of issues included: attendance records not being signed by a supervisor and/or leave monitor; discrepancies noted in number of reported days on official missions, annual leave and home leave; and an absence of monthly attendance records.

Without proper management of the yearly attendance records, it is difficult for the Office to have a proper overview of the attendance/absence situation and of leave entitlements in the Office.

(b) Weaknesses in oversight of staff member entitlements: home leave management

According to the home leave travel guideline, international staff members can choose to receive a lump sum amount equivalent to 75 percent of the cost of the full economy class fare by the least-costly scheduled air carrier through the most direct route. The staff member must make travel arrangements as early as possible to obtain the lowest applicable airfare for the trip. After the travel has taken place, it is the responsibility of the staff member to certify within 30 days through the e-Services module in Atlas that home leave has taken place.

Six international staff members submitted requests for home leave in 2012. A total sum of $27,000 was paid to the staff members in the form of lump sum payments. In two cases, travel arrangements for home leave were submitted two weeks prior to the travel, leaving little time for the Operations Section to request price quotes from travel agencies, which may have resulted in higher ticket prices.

From the review of the documents supporting the travel, OAI noted that two staff members had actually travelled on home leave on much later dates than the requested leave dates. No request for approval of the revised travel dates had been submitted specifying reasons for the delay. One staff member had planned to travel on home leave in December 2012, but as of March 2013 the staff member had not yet travelled.

Finally, OAI noted that for all cases reviewed, staff members had not certified through the e-Services module in Atlas that the home leave had taken place.

Without a process in place in the Office to ensure adherence to UNDP policies on staff member entitlements, there is a risk that the Office approves and pays home leave entitlements for trips that may not take place or that the organization pays excessive home leave lump sums to staff members.

Priority	Medium (Important)
Recommendation 16: The Office should improve leave management by: (a) ensuring that monthly leave reports and yearly attendance records are duly prepared and signed, and that they are regularly reconciled with Atlas; and (b) ensuring that staff duly comply with the home leave policy.	
Management comments and action plan: __√__ Agreed ____ Disagreed In response to the audit observations, attendance record cards for service contract holders and fixed-term contracts have been corrected, are accurate and match Atlas leave balances. On a quarterly basis, the Office now certifies annual leave and home leave for international and local staff; the leave certification is then posted in SharePoint.	

ANNEX Definitions of audit terms - ratings and priorities

A. 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.)*

B. 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 <u>not included in this report</u>.