UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

UNDP

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

GHANA

Report No. 1166

Issue Date: 29 October 2013

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Report on the audit of UNDP Ghana
Executive Summary

From 29 April to 13 May 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Ghana (the Office). The audit covered the activities of the Office during the period from 1 January 2012 to 8 February 2013. During the period reviewed, the Office recorded programme and management expenditures totalling $14 million. The last audit of the Office was conducted by OAI in 2008.

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 **satisfactory**, which means "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." There were no high priority issues or major control breakdowns identified. The Office had a high programme delivery for the review period. Ratings per audit area and sub-area are summarized below:

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				■
1.1 Organizational structure and delegations of authority	Satisfactory			
1.2 Leadership, ethics and values	Satisfactory			
1.3 Risk management, planning, monitoring and reporting	Satisfactory			
1.4 Financial sustainability	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 Applicable			
2.4 Harmonized Approach to Cash Transfers	Not Assessed			
3. Programme activities			■	
3.1 Programme management	Satisfactory			
3.2 Partnerships and resource mobilization	Satisfactory			
3.3 Project management	Partially Satisfactory			
4. Operations			■	
4.1 Human resources	Partially Satisfactory			
4.2 Finance	Partially Satisfactory			
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*	Satisfactory			
4.8 Leave management*	Satisfactory			
4.9 Global Environment Facility*	Not Applicable			

* Cross-cutting themes

Key issues and recommendations

The audit raised 7 issues and resulted in 7 recommendations, of which 1 (14 percent) was 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 recommendation is as follows:

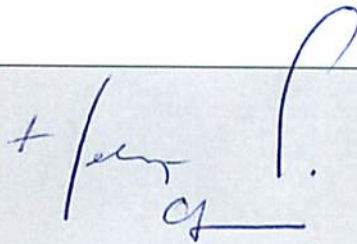|	
Human resources (Issue 2)	Inadequate supervision over recruitment. OAI noted, from the sample of cases reviewed, that the Office did not properly document the long and short listing of candidates, the processing of written tests, or the conducting of interviews. In addition, minutes of the Competency Review Panel meetings and details of cases discussed were not recorded. OAI recommends that the Office strengthen supervision over the recruitment process and ensure that the various steps and decisions in the selection process are duly completed, documented and kept on file.

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**. Satisfactory. No reportable issues noted.

- **Leave management**. Satisfactory. No reportable issues noted.

- **Global Environment Facility**. No reportable issues noted.

Management comments and action plan

The Resident Representative accepted all seven recommendations and is in the process of implementing them.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I.   Introduction

From 29 April to 13 May 2013, OAI conducted an audit of UNDP Ghana. 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 2012 to 8 February 2013. During the period reviewed, the Office recorded programme and management expenditures totalling $14 million. The last audit of the Office was conducted by OAI in 2008.

II.   About the Office

The Office, located in Accra, Ghana (the Country) had a total of 31 staff members with a portfolio of 30 projects and a total programme expenditure of $10.7 million. Project delivery stood at an average of 95 percent for the period under review. Development focus was on poverty reduction, climate change and governance. The major donors for the period reviewed included Norway, Japan, and the Cadbury Corporation.

The Country recently moved above the World Bank threshold to become a lower middle income country, and its imminent production of oil and gas will provide additional and much needed revenue to address the Country's many development challenges.

III.   Detailed assessment

1. Governance and strategic management	Satisfactory

The Office's senior management is comprised of the Resident Representative (who is also the Resident Coordinator), the Country Director and two Deputy Country Directors. The Office carried out a reorganization exercise between 2010 and 2012, which resulted in the creation of a Common Services Unit and the merger of the Programme Management Support Unit with the Finance Unit.

1.1 Organizational structure and delegations of authority	Satisfactory

OAI reviewed the Office structure, implementation of change management, staff planning, allocation of Atlas user roles and office learning. There were unclear reporting lines regarding the Administrative Analyst. Also, the Office had not segregated user roles between global payroll and human resource administration, as required by the Internal Control Framework. These issues were brought to management's attention by OAI and were rectified.

No other reportable issues were noted.

1.2 Leadership, ethics and values	Satisfactory

OAI reviewed the results of the Global Staff Survey, minutes of senior management meetings, the list of staff that have completed the Ethics and Legal Framework learning course, as well as senior management completion of mandatory corporate learning courses. The results of the Global Staff Survey, particularly on two elements, on top management and management intervention, showed a marked improvement compared to previous years and was higher than the regional average.

No issues were identified.

1.3 Risk management, planning, monitoring and reporting	Satisfactory

OAI reviewed the Integrated Work Plans for 2012 and 2013, the maintenance of risk logs in Atlas and the submission of the Results Oriented Annual Report. The Integrated Work Plans were submitted and accepted on time and risk logs were recorded in Atlas. Results reporting was also completed.

No reportable issues were identified.

1.4 Financial sustainability	Satisfactory

OAI reviewed the Office's extrabudgetary strategy against the report in Atlas during the preliminary risk assessment. Extrabudgetary reserves had increased from 34 to 43 months between 2011 and 2012. No further tests were conducted during fieldwork and no reportable issues were noted.

| 2. | United Nations system coordination | Satisfactory |

The United Nations system in the Country includes 21 agencies, comprised of FAO, IFAD, ILO, IMO, Institute for Natural Resources in Africa, IOM, UNAIDS, UNDP, UNEP, UNESCO, UNFPA, UNICEF, UNIDO, UN Habitat, UNHCR, UNODC, UNU, UN Women, the World Bank, WFP, and WHO.

In January 2011, the Government submitted an official letter to the United Nations Resident Coordinator, asking the United Nations to move towards system-wide coherence by adopting some of the principles and practices developed by Delivering as One pilot countries. In response to the request and based on the high-level consultations, the United Nations Country Team sought to combine and synthesize, as much as possible, the programmatic activities of all United Nations agencies, funds and programmes in the Country within a single document: the United Nations Development Assistance Framework Action Plan 2012-2016. The United Nations Development Assistance Framework and its Action Plan are closely aligned to the goals of the Ghana Shared Growth and Development Agenda and the achievement of the Millennium Development Goals. The Action Plan was signed by all 21 United Nations agencies represented in the Country.

| 2.1 | Development activities | Satisfactory |

The United Nations Country Team was in the process of implementing the United Nations Development Assistance Framework for the period 2012-2016. The Framework focused on four thematic areas: (a) food security and nutrition; (b) sustainable environment, energy and human settlements; (c) human development, productivity and employment; and (d) transparent and accountable governance. Within the Framework, special attention was to be provided on key Millennium Development Goals which run the risk of not being met by 2015. They include: a) food security and nutrition; b) maternal and child health; and c) sanitation.

The Office had only one joint programme which was operationally completed and was soon to be closed. At the time of the audit, the formulation of four new joint programmes had been completed and was pending donor review and approval. According to the Resident Coordinator and United Nations agency representatives with whom OAI met, the delay in launching new joint programmes was the result of two factors. First, United Nations agencies had focused more on pursuing joint programming through the United Nations Development Assistance Framework Action Plan, which provided for an integrated inter-agency approach to achieving related outcomes. Second, quality assurance processes were instituted for joint programmes at the level of the United Nations Country Team Inter-Agency Programming Group so as to ensure that the programming shortcomings of previous joint programmes were avoided. This resulted in protracted consultations for drafting the new joint programmes.

No reportable issues were noted.

| 2.2 | Resident Coordinator Office | Satisfactory |

OAI reviewed the Resident Coordinator's Annual Reports, Annual Work Plans, budgets and staffing in the Resident Coordinator Office. Additionally, OAI met with a number of United Nations agency heads, government and donor representatives to assess the quality of services provided in terms of United Nations coordination.

No reportable issues were noted.

| 2.3 | Role of UNDP - "One UN" | Not Applicable |

This area was not applicable to the audit, as the Office had still not formally commenced working under the One UN provisions.

| 2.4 | Harmonized Approach to Cash Transfers | Not Assessed |

This area has not been assessed.

| 3. | Programme activities | Partially Satisfactory |

| 3.1 | Programme management | Satisfactory |

The Office operated according to a Country Programme Document covering the period 2012-2016. The Country Programme focuses on three main areas, including: (a) poverty reduction; (b) climate change and disaster risk reduction; and (c) governance. According to the Country Programme Document, a funding of $80 million needed to be secured to achieve the Country Programme outcomes.

The Office did not have in place outcome boards, but rather used outcome groups – including government and other partners - which existed at the United Nations Country Team level to perform the functions of outcome boards.

OAI reviewed the Office programme portfolio and existing programming priorities, monitoring and evaluation systems in place, programme management oversight, and the alignment of the existing Country Programme with government priorities.

No reportable issues were noted.

| 3.2 | Partnerships and resource mobilization | Satisfactory |

The Office had set a resource target of $80 million for the 2012-2016 programme cycle - $30 million from core resources and $50 million from other resources. At the time of the audit, the Office had commenced with resource mobilization initiatives and had mobilized a total of $1.9 million. Discussions were underway with respective donors for the mobilization of an additional $4 million. The Office had completed a resource mobilization plan and had developed a system to be able to track resource mobilization initiatives and donor reporting.

No reportable issues were identified.

| 3.3 | Project management | Partially Satisfactory |

The Office had 30 projects at the time of the audit, with a total programme expenditure of $10.7 million. Average project delivery stood at 95 percent for the period under review. The Office's projects were implemented under the national implementation modality.

OAI reviewed: the alignment of projects with the Country Programme Document; project reporting; the timeliness in the formulation of project Annual Work Plans; use of results based management principles in project formulation, work planning and reporting; controls for project appraisal; project oversight by project boards; use of Atlas for project management and reporting; and field monitoring by Programme Officers. One issue, as indicated below, was noted.

Issue 1   <u>Weaknesses in project oversight and reporting</u>

According to the UNDP Programme and Operations Policies and Procedures, each project is required to have a project board that meets on a quarterly basis. Project boards provide oversight and steering functions. Furthermore, the Programme and Operations Policies and Procedures provide that "In this process, Atlas shall be used for both financial management and substantive monitoring. This will enable the production of reports that are part of UNDP Country Office central oversight and monitoring" and for "periodic reviews and communications with stakeholders."

OAI observed the following:

(a) Lack of project boards - Project boards did not exist for four of the six sampled projects (Project Nos. 65055, 60002, 65229, and 65118). In the case of another project (58391), the Project Board met irregularly even though according to the Project Document it was supposed to meet quarterly.

Without project boards, there were no formal systems in place for project oversight and steering functions, approval of annual work plans, or review of the expenditures and progress by projects. In discussions with senior management, it was explained that the Office did not establish project boards for each project as it would have been impractical and difficult to manage.

(b) Inadequate project reporting - Four of the six projects sampled did not provide adequate reporting on activities, expenditures and outputs (65055, 60002, 65229, and 58391). The reports did not provide the specific nature of the activities and consequently could not explain the expenditures incurred. Senior management explained that the Office does not have full control over the reporting quality of Implementing Partners, which depends to a large extent on the available capacities of the government counterparts.

Without well-functioning project boards in place, adequate project control, monitoring and steering functions cannot be assured. As a result, there is a risk that the project may lose accountability, miss its targets, and underutilize its resources. Detailed progress reports are a key control mechanism in allowing for the timely identification and resolution of issues.

Priority	Medium (Important)
Recommendation 1: The Office should improve project oversight and reporting by ensuring that: (a) project boards are established and that they exercise effective oversight over a project's activities; (b) Programme Officers properly review reporting by Implementing Partners for completeness and adequate level of information; and (c) Atlas is duly used and updated for financial and substantive monitoring of projects.	

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

The following actions will be taken:

(a) Separate project boards will be established for the Annual Work Plans. In order to limit transaction costs, several work plans dealing with the same thematic area can fall under one project board, or different projects sharing the same Implementing Partner can also have one project board only. The Office together with its Executing Agency is aiming at having the new programme board established in January 2014 (please note that for Award 60002, the project board has been re-established by the new Minister of Health in the second quarter of 2013).

 (b) Compliance with quarterly reports will be a standing item from now on in quarterly programme review meetings and the Country Office is tracking them already. Quality issues will be addressed by additional capacity development measures of Implementing Partners and Responsible Parties in terms of "reporting for results" from January 2014 onwards

4. Operations	Partially Satisfactory

4.1 Human resources	Partially Satisfactory

The Human Resources Unit had one General Service staff member reporting directly to the Deputy Country Director – Operations. OAI reviewed recruitments, separations and maintenance of human resources data in Atlas. The vacancy report in Atlas was not up to date and the data in Atlas reflected the contract status for some agencies' staff members as expired. The Office agreed to request that the agencies concerned submit documentation to validate that the contracts had been renewed to permit updating of the records in Atlas. There were no reportable issues raised with respect to leave administration and separations. However, out of 16 recruitment cases between 2011 and 2013, 5 were reviewed and 1 issue was noted.

Issue 2   Inadequate supervision over recruitment

Offices are required to follow the screening and selection guidelines set out in the UNDP Programme and Operations Policies and Procedures and to ensure a transparent and fair recruitment process through adequate and complete documentation. For all five cases reviewed, OAI noted that:

(a) The long and short lists of candidates, processing of written tests and interviews were not sufficiently documented. Lists of candidates were not referenced with the position name and were not signed by the hiring manager for approval. There were also no sign-off lists of candidates who were interviewed and took written tests.
(b) Copies of education certificates and personal identification were not validated.
(c) Individual interview reports were not consistently filed and Compliance Review Panel submission forms for presentation of cases were not completed as required by the guidelines.
(d) Minutes of the Competency Review Panel meetings were not sufficiently documented. There were no signed attendance logs for Competency Review Panel meetings and details of cases discussed were not recorded. OAI could not confirm whether meetings were actually held or not.

The lack of adequate documentation to validate that recruitments are conducted through a fair and competitive process in compliance with the Programme and Operations Policies and Procedures may expose the Office and UNDP to possible reputational or legal damage.

Priority	High (Critical)

Recommendation 2:

The Office should strengthen supervision over the recruitment process and ensure that the various steps and decisions in the selection process are duly completed, documented and kept on file.

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

The following actions have been initiated to implement the recommendation: To strengthen supervision over recruitment, the Country Office has since June 2013 put in place new mechanisms whereby all recruitments require a first review by the Operations Analyst, before final approval by the Deputy Country Director –Operations. To further streamline the recruitment process:

(a) A recruitment and selection checklist has been developed that guides the review process to ensure that the relevant Programme and Operations Policies and Procedures processes are followed for each recruitment action. This checklist is signed by both the reviewer and the approver and filed as part of the recruitment file for each position. The checklist ensures that long listing is now done through Atlas, and the long list report is exported into an excel spreadsheet and signed off by the hiring manager.

The short list is done outside Atlas but is also signed off. An attendance sheet has been designed and is in use for both the written test and oral interview sessions.

Additionally, the Human Resource Assistant has been tasked to file electronic copies of all the recruitment documentation. Effective immediately, the Operations Analyst will perform quarterly reviews of the electronic filing system to ensure correctness.

(b) The recruitment checklist ensures that copies of education certificates are verified and endorsed by the panel members.

(c) The checklist also makes provision for the individual interview reports to be filed as part of the recruitment documentation review and approval process.

(d) Minutes of Compliance Review Panel meetings and signed Compliance Review Panel attendance logs are also reviewed and approved as part of the recruitment documentation.

The vacancy report in Atlas and all expired contracts administered for agencies are now updated and will continue to be monitored periodically to ensure that it remains up to date.

A Standard Operating Procedure for recruitment and selection is currently being developed that captures the respective actions, roles and responsibilities and timelines to ensure that processes are adhered to and the recruitment is completed within reasonable time limits.

4.2 Finance	Partially Satisfactory

OAI reviewed accounts payable and disbursement procedures, petty cash, cash receipts, safety and security controls and management of receipts and cheque books. Petty cash replenishments were not recorded through the cash control account and petty cash levels were not monitored by the Operations Manager as required by the Programme and Operations Policies and Procedures section regarding petty cash fund management. This issue was raised and management agreed to take corrective action.

The Office processed 5,300 payment vouchers for a value of $15.1 million during the audit period. OAI reviewed 77 non-purchase order payment vouchers for a value of $2.3 million (representing 15 percent of the total value of all payment vouchers) and raised the following issue:

Issue 3   Inadequate segregation of duties

The Internal Control Framework requires a segregation of duties between first and second level authorities in the approval of payment vouchers. Adequate segregation of duties reduces the probability that errors, whether intentional or unintentional, go undetected.

OAI noted that seven of the payment vouchers reviewed with a combined total value of $763,000, (or 5 percent of the total value of payment vouchers processed during the period under review) had been approved in Atlas by the same staff member who had certified a Request for Direct Payment outside Atlas, which is inconsistent with the Internal Control Framework. These payments included second quarter advances to Implementing Partners for nationally implemented projects. The Office workflow for approval of national implementation advances did not clearly segregate roles for certifying and approving officers.

Inadequate segregation of duties may not allow for an appropriate level of checks and balances being undertaken on tasks performed and may lead to errors or improprieties not being detected in a timely manner.

Priority	Medium (Important)

Recommendation 3:
The Office should establish a direct payment processing work flow with regard to advances to nationally implemented projects that clearly defines roles and responsibilities and ensures adequate segregation of duties between the certifying and approving roles.

Management comments and action plan: __√__ Agreed   ____ Disagreed
The following actions have been initiated to implement the recommendation: To ensure adequate segregation of duties on the approval in Atlas and certification of Request for Direct Payment outside the system, the respective Advisors to the Resident Representative/Resident Coordinator including the Deputy Country Director/Programme have been maintained as Officers to approve the national implementation modality vouchers in Atlas whilst the Programme Cluster Heads and/or Officers are tasked to certify all Request for Direct Payments. This has been communicated and is in practice.

4.3 Procurement	Partially Satisfactory

The review of this area focused on the Office's compliance with procurement policies and management of procurement contracts.

Issue 4   Weaknesses in procurement processes

The Programme and Operations Policies and Procedures recommend that all steps of the procurement process be thoroughly documented to maintain an adequate audit trail on decisions made.

OAI selected a sample of 31 purchase orders with a total value of $529,239 which represents 14 percent of the total value of purchase orders processed during the period under review, which was $3.8 million. Out of the 31 purchase orders selected, the following weaknesses were noted:

- There were four cases (with a total value of $77,100, representing 15 percent of the selected sample) that involved direct contracting with weak justification. All four cases were noted as being urgent due to a government's request or exigency. The justification given for direct contracting was that the services performed were similar to services performed by the selected consultant previously, and that the need for the consultant was urgent. However, none of the four cases included all the steps required for direct contracting, such as: an evaluation of previous services rendered; and a comparison of tasks to show that there was no substantive change in the terms of reference. In no case did the consultants, once selected, submit proposals for the work to be done.
- The Office had incorrectly created purchase orders to process requests for direct payments. A total of 15 of the purchase orders reviewed (with a total value of $266,730, representing 50 percent of the selected sample) were direct payments that should not have been processed through the purchasing system. The payments were for consultants and equipment bought for projects and other United Nations agencies.
- There were four purchase orders reviewed (with a total value of $66,730, representing 13 percent of the selected sample) for which the actual procurement of the goods or services had been completed by other units and agencies without having been verified by the Procurement Unit for compliance with UNDP Programme and Operations Policies and Procedures. In these cases, the Procurement Unit had merely processed the purchase orders as a formality.

Ineffective supervision and a lack of adherence to the Programme and Operations Policies and Procedures, if left unaddressed, may result in: (a) not receiving value for money; (b) overstated purchases; and (c) inaccurate corporate procurement data.

Priority	Medium (Important)
Recommendation 4:	
The Office should strengthen controls in procurement by ensuring that purchase orders are used in accordance with established policies and procedures, specifically not using the purchasing system for direct payments and having all purchase orders thoroughly reviewed by the Procurement Unit.	

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

The following actions have been initiated to implement the recommendation:

Direct contracting checklists have been developed to ensure adequate justification for direct contracting. The Country Office put in place new requirements which must be met before endorsing any sole sourcing. Those pre-conditions are as follows: Terms of Reference, performance assessment of previous work done, consultants proposal and evaluation of proposals. It was also agreed that with immediate effect, no further direct contracting will be processed without adequate justification.

Processing of purchase orders is now being reviewed by the Procurement Unit to ensure compliance. A Circular has been issued to all Programme Associates to discontinue the practice of processing direct payment through Purchase Order.

All procurement related activities are now planned and implemented with the involvement of the Procurement Unit.

4.4 Information and communication technology	Satisfactory

The Information and Communication Technology Unit had two staff members and additional support from university students studying information technology and who were participating in a national service programme. The Regional Bureau for Africa conducted a systemic and infrastructure assessment at the request of the Office in March 2013 and the Office was in the process of implementing the recommendations. OAI reviewed the Disaster Recovery Plan and back-up procedures and no issues were identified.

4.5 General administration	Partially Satisfactory

OAI reviewed the administration of common services, travel, and, vehicles and fuel management. No deficiencies were noted with regard to the authorization of travel.

Issue 5   Weak management of common services

For effective management of common services, there should be a signed memorandum of understanding between participating agencies that details the services that will be performed and describes how the common costs will be apportioned.

The following weaknesses were noted:

- The memorandum of understanding for common services had yet to be signed.
- The 2013 Atlas budgets for all common services did not properly reflect the activities that had been agreed upon with the participating agencies. For example, a budget of $185,600 had been agreed upon to cover all common premises costs. This amount included, common premises costs ($81,500), pouch services ($20,000) and the operations management group costs ($84,100). However, a corresponding budget of $185,600 was recorded in Atlas under one activity – gardening. Similarly, a budget of $185,300 was set for dispensary costs and comprised of five different cost components. However, the

corresponding budget of $185,300 was recorded in Atlas under one activity - communication equipment.

Tracking budgets and the corresponding expenditures at a level other than that at which they were developed and agreed upon creates a lack of accountability. It also increases the risk of cost overruns at the activity level, of errors in account coding, or of improper expenditures if any, going undetected.

Priority	Medium (Important)

Recommendation 5:
The Office should follow up with agencies to ensure that the memorandum of understanding is signed and that budgets are revised in Atlas to accurately reflect the cost components that were agreed to by the participating agencies.

Management comments and action plan: __√__ Agreed   ____ Disagreed
The following actions have been initiated to implement the recommendation: The Memorandum of Understanding has been developed and is going through signature procedures of individual UN agencies.   All the activities under each of the four budgets (common premises, dispensary, satellite communications and security) have already been created in Atlas. They will however be used effective the beginning of 2014 to ensure consistency in the recording of expenditures.

Issue 6   Inadequate controls over travel completion reporting

Organizational guidelines stipulate that after all official travel, staff should submit proof of travel and account for organizational funds paid out as daily subsistence allowance.

OAI selected 10 purchase orders relating to travel for a total amount of $38,445 and noted that in all 10 cases, staff had not completed travel expense claim forms after the travel had been completed. Staff indicated that their understanding was that the completion of travel expense claim forms was only required when making a claim for additional travel expenses.

The travel expense claim form provides accountability for the funds expended and provides the necessary confirmation that travel has been duly completed as initially approved.

Priority	Medium (Important)

Recommendation 6:
The Office should ensure that travel claims are systematically completed, reviewed and filed, after travel has been completed.

Management comments and action plan: __√__ Agreed ____ Disagreed
The following actions have been initiated to implement the recommendation: The F10 claim form has been sent out to all staff requesting them to comply with the audit recommendation. Additionally, a monitoring system has been put in place where a monthly report will be submitted by the Finance Unit to senior management detailing staff members who went on mission but have not submitted their F10 claims.

Issue 7 Weak controls in vehicle and fuel management

Good office practice requires adequate segregation of duties and adequate controls for the management of vehicles and fuel.

The following weaknesses were noted:

- There was no segregation of duties in the management of vehicles and fuel. One staff member was responsible for the allocation of vehicles, and had custody of fuel cards and personal identification numbers for the fuel cards. The same staff member was also responsible for authorizing fuel card limits, reconciling the fuel account and requesting payments to be made to the fuel company.
- Fuel cards were being used interchangeably between vehicles, thus making the monitoring of vehicle usage against fuel consumption difficult.
- Cost recovery from projects for vehicle usage was weak. There were no established procedures for cost recovery for the use of vehicles, and the cost recovery of fuel charges was inconsistent.
- Vehicle log books were not consistently completed and there was no requirement for passengers to sign off as proof of travel.

Weaknesses above were the result of a lack of effective oversight by management. If left unaddressed, the weaknesses may lead to inefficiencies and/or misappropriation of fuel resources.

Priority Medium (Important)
Recommendation 7:
The Office should strengthen controls in vehicle and fuel management to ensure effective segregation of duties, improved monitoring of fuel consumption and proper recovery of costs relating to fuel and vehicle usage.
Management comments and action plan: __√__ Agreed ____ Disagreed
The following actions have been initiated to implement the recommendation: To ensure effective segregation of duties, the Procurement Assistant is now responsible for the allocation of vehicles through the use of a newly designed gate pass, custody of personal identification numbers for the fuel cards, reconciliation of the fuel account and requesting payments to be made to the fuel company. Custody of fuel cards, however, still remains with the Operations Analyst. The Operations Analyst is responsible for the initial review of the reconciliation and request for payment to the fuel company before final approval by the Deputy Country Director - Operations.

Regarding the use of fuel cards interchangeably between vehicles, this practice has been discontinued since May 2013.

Cost recovery from projects for vehicle usage has been improved significantly since May 2013 with the appointment of the Procurement Clerk as the focal person to ensure that projects pay back the cost of fuel immediately upon return from mission. It is worth noting that all usage of official vehicles for private purposes are now charged at current vehicle rental market rates.

Vehicle log books are now completed consistently. A notice has been issued to all staff to sign off in the vehicle log book as proof of trips since May 2013 and this is being complied with. The Procurement Associate signs off in the log book after a thorough review. Final review and sign off of the log book is done once a week by the Operations Analyst, the custodian of the fuel cards, at the point where the driver requests for the fuel card to refuel the vehicle.

4.6 Safety and security	**Satisfactory**

A security risk assessment that was conducted in September 2011 and July 2012 showed notable weaknesses in security at the southern entrance of the Office premises. These weaknesses included: the lack of metal detectors; use of the same entrance by staff and visitors; and a lack of barricades and necessary repairs to the Office's perimeter wall and gate. A total of 41 recommendations were made that would improve security within the Office premises. OAI reviewed the progress that the Office had made in implementing the recommendations detailed in the 2012 assessment report and noted that the Office had implemented 40 out of the 41 recommendations.

No issues were raised in this area.

4.7 Asset management	**Satisfactory**

OAI reviewed the Office's compliance with International Public Sector Accounting Standards (IPSAS) requirements in relation to the reporting of assets and the physical verification of assets. OAI noted that the Office had adhered to the stipulated deadlines in relation to the reporting of assets and inventory, but had not taken into account the UNDP portion of the United Nations Clinic inventory that is required to be included in the quarterly reports in order to comply with IPSAS. Pharmaceuticals had not been procured in over one year and the UNDP portion was immaterial, however, the issue was brought to management's attention in order to ensure compliance with the IPSAS requirement. Management agreed to do a physical verification of the Clinic inventory to be accounted for in the second quarter of 2013.

No further issue was raised in this regard.

4.8 Leave management	**Satisfactory**

OAI reviewed annual leave and home leave. OAI noted that the leave balances recorded in Atlas had been manually updated for 23 staff members between January and February 2013. The issues were discussed with management and were addressed.

No other issues were identified.

4.9 Global Environment Facility	Not Applicable

OAI reviewed project formulation and initiation, project oversight, financial management, project closure and knowledge management for Global Environment Facility projects.

No reportable issues were noted.

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 not included in this report.