UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

GAMBIA

Report No. 1213

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United Nations Development Programme
Office of Audit and Investigations

Report on the audit of UNDP Gambia
Executive Summary

From 22 July to 2 August 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Gambia (the Office). The audit covered the activities of the Office during the period from 1 January 2012 to 30 June 2013. During the period reviewed, the Office recorded programme and management expenditures totalling $6.8 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." Ratings per audit area and sub-areas 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	Partially Satisfactory			
2. United Nations system coordination				
2.1 Development activities	Satisfactory			
2.2 Resident Coordinator Office	Not Assessed			
2.3 Role of UNDP – "One UN"	Not Applicable			
2.4 Harmonized Approach to Cash Transfers	Satisfactory			
3. Programme activities				
3.1 Programme management	Satisfactory			
3.2 Partnerships and resource mobilization	Satisfactory			
3.3 Project management	Satisfactory			
4. Operations				
4.1 Human resources	Unsatisfactory			
4.2 Finance	Satisfactory			
4.3 Procurement	Partially Satisfactory			
4.4 Information and communication technology	Satisfactory			
4.5 General administration	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 3 issues and resulted in 3 recommendations, of which 1 (33 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)	Non-compliance with recruitment policies. The Office did not comply with recruitment policies relating to the minimum academic and experience requirements when hiring two national professional staff members. This non-compliance may adversely affect the Office's operational capacity, especially in the financial management area. OAI recommends that the Office (a) re-visit the recruitment of the Finance Specialist and ensure that the post is filled by a candidate with the required qualifications, based on the Finance Specialist's terms of reference. In the absence of a qualified Finance Specialist, the Office should ensure sufficient supervisory controls over the Finance Unit by senior management; and (b) ensure that the Compliance Review Panel members exercise fully their due diligence obligations.

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 three recommendations and is in the process of implementing them.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. Introduction

From 22 July to 2 August 2013, OAI conducted an audit of UNDP Gambia. 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 30 June 2013**.** During the period reviewed, the Office recorded programme and management expenditures totalling $6.8 million. The last audit of the Office was conducted by OAI in 2008.

II. About the Office

The Office, located in Banjul, Gambia (the Country), had 24 staff members comprised of 21 national and three international staff members. The Office had 21 active projects in 2012 and 14 in June 2013. All projects were being nationally implemented and were largely funded from programme core resources and the Global Environment Facility resources. The delivery rate of the Office for the past two years (2011 and 2012) was 78 percent and 77 percent, respectively.

The Country has a population of approximately 1.6 million and its economy depends largely on agriculture and tourism. It had a gross domestic product growth of one percent in 2012. According to the African Human Development Report of 2012, the Country had a Human Development Index of 0.42, which was below the African average of 0.46. In 2012, the Government implemented a new poverty reduction strategy called the Program for Accelerated Growth and Employment (PAGE) 2012-2015, which aimed at improving employment and accelerating growth.

III. Detailed assessment

1. Governance and strategic management — Satisfactory

The Office's senior management was comprised of the Resident Representative/Resident Coordinator, and one Deputy Resident Representative responsible for both programme and operations. For the period from December 2012 to July 2013, the Deputy Resident Representative served as the Acting Resident Representative, pending the appointment of the new Resident Representative. The new Resident Representative was expected to assume duties by the end of August 2013.

1.1 Organizational structure and delegations of authority — Satisfactory

OAI reviewed the organizational structure, staffing tables, delegation of authority and allocation of Atlas user profiles. No reportable issues were noted.

1.2 Leadership, ethics and values — Satisfactory

OAI reviewed the results of the Global Staff Survey and the status of completion of the mandatory Ethics and Legal Framework courses by staff members. No issues were raised on the Global Staff Survey. However, out of a total of 24 staff members, 16 had completed the Ethics course and only 8 had completed the Legal Framework course. This issue was raised with Office management and immediate action was taken requiring the remaining staff members to complete the two courses. No further issues were raised in this regard.

1.3 Risk management, planning, monitoring and reporting — Satisfactory

The Office completed both the Integrated Work Plan and the Resource Plan for 2013. The Integrated Work Plan for 2013 had been approved by the Regional Bureau for Africa. Operational and programmatic risks had been identified and recorded, and were being monitored by the respective heads of units. No reportable issues were noted.

1.4 Financial sustainability — Partially Satisfactory

OAI reviewed the Office's extrabudgetary income report and Government Contributions to Local Office Costs and raised one issue.

Issue 1 Decline in extrabudgetary reserves

Offices are expected to plan for and generate extrabudgetary income and to ensure that costs incurred by the Office do not exceed the available resources.

The Office's extrabudgetary reserves had declined from $177,000 to $153,000 (from 17 months of reserves at the beginning of 2012, to 10 months of reserves at the end of 2012). This was below the organizationally required minimum of 12 months of reserves. As of 31 March 2013, extrabudgetary income generated was $12,000 against expenditures of $18,000, resulting in a deficit of $6,000. The Office had a forecast of 12 months of reserves by the end of 2013. Additionally, outstanding Government Contributions to Local Office Costs have accumulated to a total of $722,000 over the period from 2009 to 2013. Subsequent to the OAI audit mission and follow-up by the Office, the government counterpart settled an equivalent of $103 000 (or 14 percent) of the outstanding contributions and committed to settling the remaining balance in 2014.

The Country's donor funding environment had limited the opportunities for resource mobilization and for generating income. A sharp decline in extrabudgetary income in a difficult funding environment might negatively affect the Office's ability to meet its operational expenses in the long term.

Priority	Medium (Important)
Recommendation 1: The Office should continue communicating with the government counterpart regarding the collection of the outstanding Government Contributions to Local Office Costs; and (b) review financial commitments funded through extrabudgetary reserves and monitor them to ensure that they are within the available level of income.	
Management comments and action plan: __√__ Agreed ____ Disagreed Actions to collect Government Contributions to Local Office Costs were ongoing and had resulted in the partial payment of outstanding amounts. Extrabudgetary reserves were improving and as of the beginning of the last quarter of 2013, reserves were at 22 months. The Office's continuous efforts to improve resource mobilization resulted in additional $8.9 million which was expected boost non-core resources and extrabudgetary income. Financial commitments were being reviewed within the Financial Sustainability Plan submitted to the Regional Bureau for Africa.	

2. United Nations system coordination — Satisfactory

The United Nations Country Team was comprised of the following six resident agencies: FAO, IMF, UNDP, UNICEF, WFP and WHO. There were five additional agencies that were non-resident in the Country, as follows: ILO, UNAIDS, UNFPA, UNHCR and World Bank. There were three joint projects with a delivery of $127,000 in 2013.

2.1 Development activities — Satisfactory

The United Nations Country Team was operating according to the United Nations Development Assistance Framework 2012-2016. The United Nations Development Assistance Framework focused on poverty reduction and social protection, basic social services, governance and human rights. A total of $65.2 million was required to achieve the outcomes defined in the Framework document.

OAI reviewed the monitoring and evaluation systems for joint programmes, the application of results based management principles in joint programmes and the timeliness of evaluations. No reportable issues were noted.

2.2 Resident Coordinator Office — Not Assessed

At the time of the audit mission in July 2013, the position of Resident Coordinator was vacant and the FAO Resident Representative was the Acting Resident Coordinator as of December 2012. The position of Resident Coordination Specialist was also vacant following a reassignment in June 2013. As a result, this area was not assessed.

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

This area was not applicable to the audit as the Office has still not formally commenced working under One UN arrangements.

2.4 Harmonized Approach to Cash Transfers — Satisfactory

Four ExCom agencies (UNDP, UNFPA, UNICEF, and WFP) were participating in the implementation of the Harmonized Approach to Cash Transfers. The last desk review of the Country's public financial management system was completed in 2003. At the time of the audit, the United Nations Country Team was awaiting completion of a financial accountability assessment conducted by the World Bank, which to be used as the basis for a macroassessment in the existing programme cycle.

The last microassessment was completed in 2011 and covered 35 implementing agencies. There were 27 Implementing Partners that were yet to be assessed. The United Nations Country Team took a decision that all Implementing Partners that were yet to be assessed would be supported through direct payments. In relation to monitoring and assurance, the United Nations Country Team was still following the monitoring guidelines applicable for nationally implemented projects, where project audits are planned and conducted on an annual basis. No reportable issues were noted.

3. Programme activities — Satisfactory

3.1 Programme management — Satisfactory

The Office was working according to the Country Programme Document covering the period 2012-2016 and focused on two outcomes: (a) capacity development for poverty reduction, and environmental sustainability and disaster risk reduction; and (b) governance and human rights, including gender. A total of $14.2 million was required to achieve the Country Programme's outcomes.

OAI reviewed programme delivery, programming under the new Country Programme, alignment of projects with the existing Country Programme Document and systems in place for the oversight of the Country Programme, including the Country Programme Board and Outcome Boards. No reportable issues were identified.

3.2 Partnerships and resource mobilization — Satisfactory

There was no active donor presence in the Country and international financial institutions such as the World Bank were non-resident. The Office was in the process of drafting the strategy for resource mobilization, and was expected to be finalized by December 2013. OAI reviewed the resource mobilization plan and draft strategy. The draft strategy looked into potential areas of establishing partnerships with government counterparts and other United Nations agencies in the Country, as well as establishing innovative projects that could benefit from trust funds. For the programme cycle 2012-2016, the Office planned to mobilize $14.2 million ($12 million from regular resources and $2 million from other resources). In August 2013, the Office had received approximately $5.9 million, of which $5.6 million was from regular resources. It had pipeline resources of $19.4 million from other resources. A total of $8.9 had already been confirmed from Global Environment Facility and implementation was expected to start in 2014. No reportable issues were raised.

3.3 Project management — Satisfactory

OAI reviewed the project monitoring and evaluation frameworks, the use of baselines, indicators and outputs, field verification activities carried out by the Office, project reporting, project evaluations, selection of beneficiaries for micro-capital grant agreements, and project oversight. Project expenditure for the period under review was approximately $4.2 million. No reportable issues were noted.

4. Operations — Partially Satisfactory

4.1 Human resources — Unsatisfactory

OAI reviewed the recruitment and separation processes and salary advances granted to staff.

Issue 2 Non-compliance with recruitment policies

Organizational policy requires recruitment processes to be transparent, fair and competitive in order to ensure that the most suitable candidates are hired.

In two out of the five recruitment cases conducted between 2011 and 2012, the Office did not comply with recruitment policies.

- In the first case, the recruitment of a Finance Specialist, the Office hired a candidate that did not meet the required level and type of qualifications.
- Headquarters had allocated an Executive Board approved Finance Specialist post to some Country Offices including Gambia, specifically to support UNDP's implementation of the new International Public Sector Accounting Standards (IPSAS). When filling the post, the Office focused on hiring a candidate with a communications background instead of the requisite financial credentials required in the Finance Specialist terms of reference. This resulted in the following: (a) the unfair treatment of other shortlisted candidates with finance backgrounds; (b) the circumvention of a Headquarters directive with regard to this post
- In the second case, the recruitment of an Operations Specialist, the hired candidate did not meet the required level of education for the post. Furthermore, the Office did not seek a waiver of qualifications from the Office of Human Resources prior to the advertisement of the post, as required by policy. At the time of the audit mission, the staff member in question was pursuing studies toward the required level of education.

Further examination of the panel's meeting records indicated that members of the Compliance Review Panel did not thoroughly exercise their due diligence, as they failed to address the above-mentioned discrepancies when reviewing the shortlisting and selection process.

Not complying with recruitment policies and procedures will increase the risk of weakening the Office's operational capacity, especially in the financial management.

Priority	High (Critical)
Recommendation 2: The Office should: (a) re-visit the recruitment of the Finance Specialist and ensure that the post is filled by a candidate with the required qualifications, based on the Finance Specialist's terms of reference. In the absence of a qualified Finance Specialist, the Office should ensure sufficient supervisory controls over the Finance Unit by senior management; and (b) ensure that the Compliance Review Panel members exercise fully their due diligence obligations.	
Management comments and action plan: __√__ Agreed ____ Disagreed The Office indicated that the contract of the incumbent Finance Specialist (ending in January 2014) would not be renewed. The Office proposed the downgrading of the post from National Officer Level 'C' to National Officer Level 'A' in the Financial Sustainability Plan which was submitted in August 2013. To ensure proper recruitment processes, the Compliance Review Panel would undergo appropriate training and the Human Resources unit would be closely supervised by the Deputy Resident Representative.	

4.2 Finance — Satisfactory

The Finance Unit consisted of four staff members. During the period under review, 3,227 payment vouchers were processed for a total of $5.9 million. OAI reviewed controls over cash management, bank reconciliations, and the payment and disbursement processes. There were no reportable issues on bank reconciliations and cash management. OAI's review of 56 payment vouchers valued at $563,000 (10 percent of the total value of payment vouchers processed during the audit period), showed that the Finance Unit did not maintain a list of authorizing officers, and therefore verification of authorizing signatories for requests for direct payments was not done. Additionally, cheques were released without adequate proof of identification. Subsequent to the audit, the Office had obtained lists of authorizing officers from agencies and Implementing Partners and had implemented more stringent controls in the cheque release procedures, which included requiring proof of identification. No issue has been raised given the corrective actions taken.

4.3 Procurement — Partially Satisfactory

During the period under review, the Office processed 590 purchase orders valued at approximately $4 million. OAI reviewed a sample of 46 purchase orders with a value of $1.2 million (30 percent of total purchase orders processed in the audit period) for compliance with procurement policies and procedures, and the management of vendors. No compliance issues were noted but one issue on vendor management was raised.

Issue 3 <u>Inadequate vendor management</u>

Offices are required to perform background checks when creating vendors in Atlas and to maintain supporting documents for vendor profiles. The Office did not have standard procedures for creating and approving vendors in Atlas. Vendors were created by the Procurement Associate and approved by the Finance Associate. Vendor files were not maintained. Interviews with the responsible staff members highlighted the following weaknesses:

- No regulatory checks were done when creating and approving vendors. Prevailing office practice was such that the Procurement Associate created vendors and the Finance Associate approved them without performing verification procedures such as checking if the vendor already had an existing profile in Atlas.
- Vendor profile forms were not adequately completed and filed. They were completed by the Procurement Associate instead of by vendors, and forms were not signed by the vendor or the Finance Associate as the vendor approver.
- For vendors paid through the Electronic Funds Transfer system, banking details were not verified or authenticated with banks before approval.
- The Office had 38 vendors which appeared to be duplicate vendors and which could not be verified due to inadequate vendor information.

The Office was not aware of the organizational procedures for creating and approving vendors. Inadequate vendor management may lead to payments being made to the wrong vendor or a suspended vendor, and could result in payments being made more than once, without detection.

Priority Medium (Important)
Recommendation 3: The Office should establish and implement standard operating procedures for creating and approving vendors in Atlas. The procedures should include the following: (a) Performing adequate checks before creating or approving vendors, including regulatory checks against security and suspension lists and checks for existing or duplicate vendors in Atlas. (b) Ensuring that vendor profile forms are duly completed and signed by the vendor and approver, and that the completed documents are filed. (c) Verifying vendors' banking details with the relevant banks for authenticity before approval, with additional verification checks on vendors for which the Electronic Funds Transfer system will be used. (d) For already approved/existing vendors and those that appear to be duplicate vendors, the Office should review and regularise their details, archiving any duplicate vendors identified.
Management comments and action plan: __√__ Agreed ____ Disagreed The Office stated that the recommendations had already been implemented and that the continual monitoring of processes would be carried out semi-annually.

4.4 Information and communication technology — Satisfactory

OAI reviewed business continuity and disaster recovery plans, data backup and recovery procedures, as well as physical access controls to the server room. The Office had a Business Continuity Plan which was tested in June 2013. The server room had adequate access controls and fire detection and prevention systems. The Office performed a weekly back-up of data and the back-up tapes were kept offsite. No reportable issues were noted.

4.5 General administration — Satisfactory

The Office's general administration encompassed common services, travel, vehicles and fuel management. OAI reviewed the common services framework, the travel authorization process and fuel management. An issue raised regarding the segregation of custodianship of fuel coupons was accepted by management and immediate steps were taken to rectify it. No reportable issues were noted.

4.6 Safety and security — Satisfactory

All United Nations agencies were located in the United Nations House and shared security services. The Office's Resident Representative was also the Designated Safety and Security Officer. The FAO Resident Representative was the Acting Designated Officer from December 2012 to July 2013, pending the arrival of the new Designated Officer (also UNDP Resident Representative). The Deputy Resident Representative represented the Office in Security Management Team meetings which were held quarterly. OAI reviewed minutes of the security meetings and Minimum Operating Security Standards. No reportable issues were noted.

4.7 Asset management — Satisfactory

The total value of the Office's assets as of 30 June 2013 was approximately $231,000. OAI reviewed the year-end and mid-term reporting process. The Office had not maintained, outside of Atlas, a record of assets that had values below $500 for tracking purposes. This issue was brought to management's attention and immediate action was taken to record all such assets in a spread sheet. No reportable issues were noted.

4.8 Leave management — Satisfactory

OAI reviewed the management of annual leave and home leave. All leave was administered through the Atlas system and the Human Resources Associate reconciled balances reflected in Atlas with the manual records maintained by leave monitors. No reportable issues were raised.

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. The Office had three Global Environment Facility projects with a total expenditure of $17,000 for the period under review. 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 <u>not included in this report</u>.