UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

ZIMBABWE

Report No. 1237

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Report on the audit of UNDP Zimbabwe
Executive Summary

From 16 September to 1 October 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Zimbabwe (the Office). The audit covered the activities of the Office during the period from 1 January 2012 to 31 July 2013. During the period reviewed, the Office recorded programme and management expenditures totalling $40 million. The last audit of the Office was conducted by OAI in 2010.

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				Satisfactory
1.1 Organizational structure and delegations of authority	Satisfactory			
1.2 Leadership, ethics and values	Partially satisfactory			
1.3 Risk management, planning, monitoring and reporting	Satisfactory			
1.4 Financial sustainability	Satisfactory			
2. United Nations system coordination				Satisfactory
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	Satisfactory			
3. Programme activities				Satisfactory
3.1 Programme management	Satisfactory			
3.2 Partnerships and resource mobilization	Satisfactory			
3.3 Project management	Satisfactory			
4. Operations			Partially Satisfactory	
4.1 Human resources	Satisfactory			
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*	Partially Satisfactory			
4.8 Leave management*	Satisfactory			
4.9 Global Environment Facility*	Not Applicable			

* Cross-cutting themes

Key issues and recommendations

The audit raised four issues and resulted in four recommendations, all ranked medium (important) priority, meaning "Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address: the low rate of completing of mandatory courses; weak project management; late finalization of procurement plans and weak asset management.

The implementation status of previous OAI audit recommendations (Report No. 764, 28 February 2011) was also validated. All 14 recommendations were noted to be fully implemented.

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 corporate level, and thereafter, a consolidated report will be issued separately. For this particular audit, the following were noted:

- **Asset management.** Partially Satisfactory. Weak asset management with incorrect serial numbers and asset identification numbers; laptops bought for Global Fund project were incorrectly expensed and no inventory management system. (Refer to issue 4)
- **Leave management.** Satisfactory. No reportable issues noted.
- **Global Environment Facility.** No reportable issues noted.

Management comments and action plan

The Country Director accepted all four recommendations and is in the process of implementing them.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. Introduction

From 16 September to 1 October 2013, OAI conducted an audit of UNDP Zimbabwe. 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 31 July 2013. During the period reviewed, the Office recorded programme and management expenditures totalling $40 million. The last audit of the Office was conducted by OAI in 2010.

The implementation status of previous OAI audit recommendations (Report No. 764, 28 February 2011) was also validated. All 14 recommendations were noted to be fully implemented.

II. About the Office

The Office, located in Harare, Zimbabwe, (the Country) had a total staff complement of 53 at the time of the audit. The current Country Programme (2012-2015) focuses on two thematic areas, namely governance and poverty reduction, with a total of 30 operational projects. The Office is a Principal Recipient of several grants from the Global Fund to fight HIV/AIDS, Tuberculosis and Malaria. The management of these grants is covered in a separate audit report (Report No. 1238). Foreign direct investment and international donor aid to the Country are low and economic recovery remains fragile. The Country recently held peaceful presidential elections on 31 July 2013 and at the time of the audit the new government had recently been formed.

III. Detailed assessment

1. Governance and strategic management — Satisfactory

The Office's senior management comprised of the Resident Representative (who was also the Resident Coordinator), the Country Director and the two Deputy Country Directors for Programmes and Operations.

1.1 Organizational structure and delegations of authority — Satisfactory

OAI reviewed the organizational structure, staffing table, delegation of roles and allocation of Atlas user profiles. There were no reportable issues noted.

1.2 Leadership, ethics and values — Partially Satisfactory

Issue 1 Low rate of mandatory course completion

All staff members are required to complete mandatory training courses. A report downloaded from the Learning Management System showed that, the average completion rate by staff for mandatory courses was 44 percent. Courses that had the lowest completion rate were "Advanced Security" (24 percent), "UN Prevention of Harassment" (30 percent), and "Legal Framework" (49 percent). None of the senior management had completed the "UN Prevention of Harassment" course and only three out of five had completed the "Gender Journey" course.

Management commented that the completion of mandatory courses by staff was a priority, and a plan was put in place to have all mandatory courses completed by the end of November 2013.

Non-completion of mandatory training courses may lead to an unclear understanding of the conduct expected of staff members.

Priority	Medium (Important)
Recommendation 1: The Office, led by senior management, should ensure that staff members complete all mandatory training courses by the end of 2013.	
Management comments and action plan: __√__ Agreed ____ Disagreed Additional information provided by management has been reflected in the audit observation.	

1.3 Risk management, planning, monitoring and reporting — Satisfactory

OAI reviewed the procedures for the submission of integrated work plans and maintenance of risk logs. The Office completed the work plan and resource plan for 2012 and 2013 within the required timeframe. Management risks and project risks had been identified and recorded in the relevant risk logs and were being monitored. No issues were raised.

1.4 Financial sustainability — Satisfactory

The Office had extrabudgetary reserves of 28 months in 2012, which is more than double the required corporate minimum reserves. At the time of audit in September 2013, the Office had completed and submitted the results of the financial sustainability and effectiveness analysis to the Regional Bureau for Africa, as required by the Interim Change Management Policy. OAI reviewed the reasonableness of the analysis and no issues were raised.

2. United Nations system coordination — Satisfactory

The United Nations Country Team was made up of 17 resident agencies, (FAO, ILO, IOM, International Telecommunication Union, UNAIDS, UNDP, UNDSS, UNESCO, UNFPA, UNHCR, UNICEF, UNOCHA, UN WOMEN, UPU, WFP, WHO and World Bank) and 9 nonresident agencies (IAEA, IFAD, OHCHR, UNCTAD, UNEP, UN-HABITAT, UNIDO, UNODC and UNOPS).

2.1 Development activities — Satisfactory

The United Nations Development Assistance Framework for 2012-2015 focuses on seven priority areas. These areas are as follows: good governance; poverty reduction; food security; environmental management; access to social services; HIV/AIDS; and gender equality and empowerment. Thematic working groups have been established at the UN Country Team level, corresponding to each of the priority areas covered by the United Nations Development Assistance Framework.

OAI reviewed the alignment of the United Nations Development Assistance Framework to national priorities, consistency between the Results Matrix and Monitoring and Evaluation Framework, and joint programming. No reportable issues were noted.

2.2 Resident Coordinator Office — Satisfactory

OAI reviewed the Resident Coordinator's Annual Report for 2012, work plans, budgets and expenditure reports for 2012 and 2013. No reportable issues were noted.

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

The Country was not part of a "One UN" initiative and therefore this section was not applicable to the audit.

2.4 Harmonized Approach to Cash Transfers — Satisfactory

OAI reviewed the status of implementing Harmonized Approach to Cash Transfers. All four ExCom agencies, UNDP, UNFPA, UNICEF and WFP were participating in the implementation and UNICEF led the process for the period under review. Three stages of implementation had been accomplished; namely, obtaining government approval, use of Funding Authorization and Certificate of Expenditure forms, and audits of Implementing Partners. The joint assurance audits were planned for 2014 and a joint assurance plan had already been developed. The Office was still providing assurance of projects through national implementation audit exercise. No reportable issues were identified.

3. Programme activities — Satisfactory

3.1 Programme management — Satisfactory

The existing Country Programme Document, covering the period 2012-2015 focuses on two outcomes - governance and poverty reduction, with a total budget of $156 million. The review of this section focused on assessing the consistency between the Country Programme Documents, the Country Programme Action Plan and the Results and Resources Framework. The implementation of the monitoring and evaluation plan and programme oversight was also reviewed. No reportable issues were noted.

3.2 Partnerships and resource mobilization — Satisfactory

The Office had completed and approved a Resource Mobilization Strategy for the 2012-2015 programme cycle. The resource target for the existing programme cycle was $156 million with a focus on two areas: good governance ($46 million) and sustainable growth and economic development ($110 million). At the time of the audit, the Office had mobilized $18.3 million (representing 12 percent of targeted resources) and was in the process of negotiating an additional $65.4 million with donors. The Office, however, had successfully mobilized an additional $311 million for the HIV grant, which was expected to come into operation in January 2014. Due to the prevailing political conditions and declining donor interest, resource mobilization results have been limited, with the exception of the Global Fund. However, based on the overall achievements of the Office in the constrained environment, this area has been rated as satisfactory.

3.3 Project management — Satisfactory

At the time of the audit, the Office had 20 ongoing projects, of which 1 was directly implemented. The 19 projects were nationally implemented. The focus of the projects was mostly on governance and poverty reduction.

OAI reviewed project appraisal controls in place, the timeliness and quality of project documents and annual work plans, oversight by project boards, timeliness and quality of project progress reports, annual reports, financial reports and field monitoring, certification of combined delivery reports, project set-up in Atlas, issue and risk logs, and letters of agreement in place with partners.

Issue 2 Weaknesses in project oversight and reporting

Progress on project activities and outputs should be recorded through project progress Reports and annual project reports. Project monitoring should be planned and include field visits with reports completed and filed at the end of each monitoring visit for future reference.

OAI selected nine projects to assess project management controls, three of which were funded by Global Environment Facility (see section 4.9 below). The projects selected for the review were as follows: Accelerating MDGs Attainment and MTP Implementation (62465); Crisis Prevention and Recovery (62461); Capacity Building in Local Government (67543); Support to Democratic Governance (56887); Poverty Reduction and HIV/AIDS Mainstreaming (56938) and Capacity Building for Justice and Law (67538). The following weaknesses in two reports were noted:

- Project 67538: all the outputs and activities planned for the given quarter were not included in the progress report.
- Project 56938: all the outputs and activities planned for the given quarter were not inclouded in the progress report. In addition, all the outputs and activities planned for the given year were not included in the annual report and did not have a monitoring and evaluation framework.

In both cases, it could not be established if progress had been made for these projects. Senior management had organized a training for national counterparts on results based management and project reporting which was to be held in November 2013 to address some of the weaknesses noted above.

Management commented that the Office would ensure full adherence to organizational regulations governing project management and oversight.

Weaknesses in reporting and monitoring remove a key control on project management and may hinder the opportunity to identify and remedy constraints in a timely manner.

Priority Medium (Important)
Recommendation 2: The Office should ensure that: (a) project management reports include all outputs and activities for the given period; (b) annual project reports produced are complete, including both substantive and financial information; and (c) all projects have project monitoring plans.
Management comments and action plan: __√__ Agreed ____ Disagreed The additional information provided by management has been reflected in the audit observation.

4. Operations — Partially Satisfactory

4.1 Human resources — Satisfactory

During the period under review, the national officer position of Human Resources Analyst was upgraded from salary grade A to B, in order to strengthen human resources management in the Office. A selection process was completed and the recruited Human Resources Analyst was hired in April 2013. In addition, OAI reviewed the recruitment, Review Competency Assessment and separation processes. Job descriptions for five posts were not adequately documented, contained unclear reporting lines and were not approved by the Head of Office. Subsequent to the audit, the Office amended the job descriptions, which were all approved and signed by the Head of Office. No other reportable issues were identified.

4.2 Finance — Satisfactory

OAI reviewed 43 payment vouchers with a total value of $4.5 million (approximately 11 percent of the Office's total expenditure of $40 million) in order to assess payment and disbursement procedures. The Office had paid audit fees of $88,000 on behalf of the Global Fund programme in June 2012, on the condition that the funds would be reimbursed when the Global Fund programme received funding. As of September 2013, the funds had not yet been paid back since this expenditure item was not included in the budget. Subsequent to the audit, the Global Fund Programme Unit committed to reimbursing the funds at the beginning of 2014, from savings obtained from the HIV/AIDS grant, and in the future would ensure that the Global Fund programme included audit fees in its budget. No reportable issues were noted.

4.3 Procurement — Partially Satisfactory

The review of this area focused on the Office's compliance with procurement policies. OAI reviewed 44 procurement cases with a total value of $2.7 million, representing 11 percent of the value of 1861 purchase orders (total value of $23.7 million) processed during the period under review. No reportable issues were noted in the review of compliance to procurement policies.

Issue 3 Delayed finalization of 2013 Procurement Plan

The Programme and Operations Policies and Procedures require offices to consolidate procurement planning in order to obtain best value-for-money and the timely supply of goods and services. Procurement planning also allows for economies of scale through bulk purchasing.

The Office was not able to finalize the 2013 Procurement Plan until June 2013. This was due to the delayed submission of procurement plans from the respective programme units. The Office was therefore not able to plan properly for procurement activities.

Management commented that programme units had been advised that for the 2014 programme cycle, all annual work plans had to include a procurement plan to be approved and signed off on before the beginning of the cycle.

Lack of procurement planning could lead to inefficient procurement processes and the Office may not be able to take advantage of bulk purchasing and obtain best value-for-money.

Priority	Medium (Important)
Recommendation 3: The Office should ensure that programme staff incorporate procurement planning as part of finalization of annual project work plans and that programme units submit their procurement plans as soon as annual work plans are signed with the national counterpart.	
Management comments and action plan: __√__ Agreed ____ Disagreed The additional information provided by management has been reflected in the audit observation.	

4.4 Information and communication technology — Satisfactory

OAI reviewed the Office's disaster recovery plan, equipment replacement plan and back-up procedures. No reportable issues were raised.

4.5 General administration — Satisfactory

The review of this section focused on the administration of common services, management of common service contracts and administration of vehicle and fuel usage. No reportable issues were noted in administration of common services or the administration of vehicles and fuel usage. The Office has made great strides to enhance controls in the area of fuel management, a which were found to be severely deficient in the past.

4.6 Safety and security — Satisfactory

The Office was located in a secure office park. OAI noted that additional security features had been established, namely a guard house with a scanner for all pedestrian visitors. Additionally, search procedures were conducted on visitors' vehicles before entry into the UN section of the office park. Discussions with the Security Focal Point showed that no notable security incidents had been recorded for the period under review. No reportable issues were noted.

4.7 Asset management — Partially Satisfactory

A review of this section focused on controls over recording and reporting of the Office's fixed assets and inventory.

Issue 4 Weak management of assets and inventory

Offices are required to maintain systems that ensure safeguarding, accurate recording, and timely reporting of assets and inventory. In addition, with the introduction of the International Public Sector Accounting Standards, assets purchased for projects that are for direct implementation, must be capitalized.

(a) From a random selection of 32 assets (valued at $140,693 – representing 11 percent of capitalized assets) the following weaknesses were noted:

- In verifying the completeness of the physical count undertaken, a total of 13 items (out of a total of 28 selected items that should have serial numbers) did not have serial numbers and were not included in the asset records. Out of the remaining 15 items, there were 4 assets where the serial numbers on the actual asset were different from that captured in the Asset Management Register.

- OAI was not able to trace to the Asset Management Register any of the items that were physically counted, as the tag numbers attached to the actual assets were different than those detailed in Atlas.

(b) There were 10 laptops (total value of $19,900) that had been bought for the Global Fund Programme Management Unit that were not included in the Asset Management Register. These laptops were incorrectly expensed in the Global Fund project. The capitalization of assets of directly implemented projects is a new requirement with the adoption of International Public Sector Accounting Standards.

(c) From the review of the Office's inventory, the following issues were noted:

- There was no established stock control system for inventory, and stock cards for recording the number of items received and issued were not accurately maintained.
- Five out of six inventory items randomly sampled for test count had notable discrepancies with the recorded balances.

Management indicated that they were working with the Administrative Services Division to update the relevant asset information and had already developed and implemented a more robust inventory management system.

Weak management of assets and inventory may lead to errors not being detected, which in turn may lead to the misstatement of the Office's balance sheet accounts.

Priority	Medium (Important)
Recommendation 4: The Office should: (a) update the Asset Management Register in Atlas to ensure that tag numbers listed on actual assets agree with the tag numbers stated in Atlas, which will allow for ease of reference and tracing of assets; (b) reverse the expensing of the laptops purchased from the Global Fund and capitalize these in order to adhere to direct implementation modality asset capitalization policy. In relation to inventory management, the Office should: (c) develop an inventory management system that will record movement of inventory and balances. These book balances should then be verified against balances established through the physical verification exercise; (d) develop an inventory request form that separately shows details of all stock items to allow specific identification of items requested.	

Management comments and action plan: __√__ Agreed ____ Disagreed
The additional information provided by management has been reflected in the audit observation.

4.8 Leave management — Satisfactory

OAI reviewed leave balances in Atlas. In addition to using Atlas to record leave balances, the Office maintained a manual record of leave balances outside of Atlas. At the end of each year, manual records were reconciled with Atlas records, and staff members were required to confirm their leave balances were correct. No issues were identified.

4.9 Global Environment Facility — Not Applicable

At the time of the audit, the Office had three Global Environment Facility projects with a total value of $1.3 million. OAI found that the management of these projects was satisfactory and no reportable issues were identified.

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>.