

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

EQUATORIAL GUINEA

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Report on the audit of UNDP Equatorial Guinea Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Equatorial Guinea (the Office) from 14 to 25 October 2013. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance and strategic management (organizational structure and delegations of authority, leadership, ethics and values, risk management, planning, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator office, Harmonized Approach to Cash Transfers [HACT]);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security).

The audit covered the activities of the Office from 1 January 2012 to 31 August 2013. The Office recorded programme and management expenditures totalling \$6.54 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*.

Overall audit rating

OAI assessed the Office as **partially satisfactory**, which means that “Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.” This rating was mainly due to HACT not implemented, weaknesses in management of service contracts, and the incorrect use and monitoring of project cash advances.

Key recommendations: Total = 12, high priority = 3

For high (critical) priority recommendations, 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. All high (critical) priority recommendations are presented below:

HACT not implemented (Issue 2)	The Office had not made any progress towards full implementation of HACT. At the time of the audit, future implementation of HACT was not agreed with the Government, as it was not mentioned in any documents signed by the Government, such as UNDAF. As a result, neither macro-assessment nor micro-assessment had been conducted.
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Recommendation: Pursue the implementation of HACT and comply with all relevant requirements.

Non-compliance with rules regarding service contracts (Issue 5)

In 2013, the Office signed 22 service contracts without having been involved in the selection process, which was done solely by the implementing partner. Further, the information of these service contracts was not included in the Atlas Human Resource Module and, therefore, the service contracts were not part of the payroll process. Pension funds and medical insurance certifications were never requested for verification purposes or were not included in the payment calculation.

Recommendation: Comply with UNDP policies and procedures with regard to the management of service contracts by: (a) signing contracts only if recruitment was carried out by the Office; (b) using the service contract standard template and recording all the required information; (c) meeting pension funds and medical insurance requirements; and (d) uploading service contract information in the Atlas Human Resource Module.

Incorrect use and monitoring of project cash advances (Issue 6)

OAI identified during the audit period, two instances of payments to individuals (other than staff and contractors) who were paid at the request of the project amounting to approximately \$200,000 and \$96,000. Also, the Office did not keep track of the outstanding payments or the amounts that had been reimbursed. Furthermore, OAI identified cash in the Office amounting to approximately \$2,000 still pending to be deposited and recorded in the system, some since 2011.

Recommendation: Implement a system for the appropriate use of cash advances by: (a) refraining from issuing payments to individuals other than staff and contractors with the purpose of paying for project activities; instead issuing cash advances; (b) closing the remaining payments granted to individuals; and (c) avoiding receiving cash in the Office and depositing any advance returned to the bank account in a timely manner.

Management comments and action plan

The Resident Representative accepted all the recommendations in this report and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Ostveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Malabo, Equatorial Guinea (the Country) had 11 staff members, 3 service contract holders and 1 individual contractor. Two years ago, the United Nations received a new building from the Government and the Office was in the process of finalizing the details to move. Although the new premises are better and much more secure than the current offices, maintenance and other costs (for example, there was no electrical connection to the public grid) may be more expensive as analysed by the Office.

The programme for the period 2013-2017 had a focus on three main areas: (a) socio-economic wellbeing; (b) democratic governance; and (c) sustainable environment, with one project contributing to the Government's national development plan called Horizon 2020.

The Country has two parts, an insular and a mainland region. The Government is located in the capital city of Malabo, on the island of Bioko. The Country is one of sub-Sahara's biggest oil producers and ranked medium (136 out of 187 countries) on the most recent Human Development Index which situates it above the regional average for the Sub-Saharan.

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance and strategic management. The organizational structure of the Office was adequate and the delegation of authority was aligned with roles and responsibilities. There were no reportable issues regarding the financial disclosure policy, the policy on reporting of outside activities, and the mandatory ethics training. The Office was financially stable with enough extrabudgetary reserve and in compliance with the applicable cost recovery policies.
- (b) United Nations system coordination. The United Nations Development Assistance Framework for the period 2013-2017 was found to be aligned with the development results stipulated in the National Development Plan Horizon 2020. OAI reviewed the minutes of the United Nations Country Team and the work plans of the Resident Coordinator's Office for 2012 and 2013 and found the work to be adequate.
- (c) Programme activities. OAI reviewed the Country Programme Document for 2013-2017 approved by the UNDP Executive Board during its second regular session of 2012 and no reportable issues were identified. OAI met with government counterparts and implementing partners, who expressed their appreciation of the Office as a development partner. OAI also reviewed the resource mobilization and partnerships strategies contained in the Country Programme Action Plan which were found to be adequate.

OAI proposes 12 recommendations that are ranked high (critical) and medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

High priority recommendations, arranged according to significance:

- (a) Implement a system for the appropriate use of cash advances (Recommendation 6).
- (b) Comply with policies and procedures with regard to the management of service contracts (Recommendation 5).
- (c) Pursue the implementation of Harmonized Approach to Cash Transfers and ensure that all requirements are duly adhered to (Recommendation 2).

Medium priority recommendations, arranged according to significance:

- (a) Strengthen the monitoring and evaluation function (Recommendation 1).
- (b) Comply with the provisions in the "National Implementation by the Government of UNDP Supported Projects: Guidelines and Procedures" for all new and extended projects (Recommendation 3).
- (c) Improve the procurement function of the Office (Recommendation 9).
- (d) Prepare and implement a Disaster Recovery Plan in line with the latest template issued by the Office of Information Systems and Technology, and test the plan regularly (Recommendation 10).
- (e) Update the information in the Business Continuity Plan and test the Plan regularly (Recommendation 12).
- (f) Improve asset management by requesting assistance from Global Shared Service Centre to reflect accurate asset information of the Office (Recommendation 11).
- (g) Improve the vendor creation process in Atlas (Recommendation 7).
- (h) Raise purchase orders for all relevant procurement activities in compliance with the Programme and Operations Policies and Procedures and for the full amount of the contractual obligation when contracts are signed (Recommendation 8).
- (i) Improve use of Atlas for project management (Recommendation 4).

The detailed assessment is presented below, per audit area:

A. Governance and strategic management

Issue 1 Weak monitoring and evaluation function

Monitoring and evaluation are driven by the need to account for the achievement of intended results and provide a factual base to inform proper decision making. They are an essential management tool to support UNDP's commitment to accountability for results, resources entrusted to it, and organizational learning. Monitoring and evaluation always relate to pre-identified results in the development plan.

OAI noted that, although the United Nations Development Assistance Framework and the Country Programme Document had monitoring and evaluation frameworks, it was not completely translated into actions at project level, for instance:

- risk assessments for projects were not carried out as required;
- baselines and indicators found on the project sample were not "SMART" (i.e., Specific, Measurable, Attainable, Relevant, and Time-bound) ;
- field visit and project progress reports were activity oriented rather than results oriented; and
- projects were not using the indicators to measure the progress towards the agreed targets.

Without effective monitoring and evaluation, the Office would be exposed to reputational risks with its partners as it would be difficult to know if intended results are being achieved as planned, what corrective action may be

needed to ensure delivery of the intended results, or whether initiatives are making positive contributions towards human development.

Priority	Medium (Important)
Recommendation 1:	
<p>Strengthen the monitoring and evaluation function by:</p> <ul style="list-style-type: none"> (a) having all projects carry out a risk assessment at least once per year; (b) using "SMART"(Specific, Measurable, Attainable, Relevant, and Time-bound) baselines and indicators; (c) improving results reporting by presenting project results (achievements) that demonstrate the effectiveness of UNDP intervention; and (d) having projects use indicators and updating the results of assessment at least once per year. 	
Management action plan:	
<p>Over the last two years, the Office has taken actions to improve the capacity of the programme team. As part of the new Country Programme Document 2013-2017 greater attention has been placed on a thorough monitoring and evaluation plan. Furthermore management has proposed, as part of its Financial Sustainability Plan, a roving Monitoring and Evaluation officer to provide necessary (although ad-hoc) services to the Office which will consequently strengthen the monitoring and evaluation function.</p>	
Estimated completion date: December 2014 – dependent on HQ decision	

B. United Nations system coordination

Issue 2 HACT not implemented

The Harmonized Approach to Cash Transfers (HACT) is an integral part of the common country programming processes. HACT implementation involves a series of steps, taken with partners, to assess financial management risks, identify capacity development needs, and build assurance mechanisms into the design of country programme at the planning stage. HACT compliance is achieved when the following four steps have been completed: (a) macro-assessment of the public financial system; (b) micro-assessments of implementing partners; (c) agreement with the Government on HACT implementation; and (d) an assurance and audit plan concerning implementing partners has been developed and implemented.

The Office had not made any progress towards full implementation of the HACT. At the time of the audit, HACT was not implemented and future implementation of HACT was not agreed upon with the Government as it was not mentioned in any documents signed by the Government, such as UNDAF. As a result, neither the macro-assessment nor micro-assessment had been conducted.

The objectives of harmonizing practices among United Nations agencies and lessening the burden of using multiple procedures will not be achieved unless HACT is implemented.

Priority	High (Critical)
Recommendation 2:	
Pursue the implementation of Harmonized Approach to Cash Transfers and ensure that all requirements are duly adhered to.	
Management action plan:	
UNDP has raised the matter of HACT both at the last UNCT Retreat and at several UNCT meetings. It has been agreed that a technical expert will be brought to the country to guide agencies (including UNDP) on an implementation plan for the introduction of HACT in the country.	
Estimated completion date: March 2015	

C. Programme activities

Issue 3 Corporate guidelines for nationally implemented projects not fully adhered to

According to the Programme and Operations Policies and Procedures, a nationally implemented project can have one of two possible scenarios: (a) full national implementation, in which the national implementing partners directly assume responsibility for the related output(s) and carry out all activities towards the achievement of those output(s); and (b) national implementation, in which the national implementing partner assumes full responsibility for the related output(s) but where, at the request of the Government through a standard Letter of Agreement for support to national implementation, UNDP undertakes specific, clearly defined activities for the implementing partner. Furthermore, with regard to procurement services, both the Government and UNDP must ensure that every procurement activity is undertaken by the same entity (Government or UNDP) from sourcing to contract signing and contract management.

The Office failed, in some instances, to implement the corporate guidelines regarding Country Office support to national implementation, specifically:

- The Office was using a non-standard Letter of Agreement signed with national implementing partners which was not cleared by the Legal Support Office as required. Nearly all the project activities were delegated to the Office, going beyond the Country Office support to national implementation. Thus, the implementation modality was changed from the agreed-upon national implementation to direct implementation. In addition, the letter included a clause for settling disputes which was in contradiction with the Standard Basic Assistance Agreement.
- Recruitment of project personnel for nationally implemented projects was not under full control of the Office nor the implementing partner.
- Project equipment was being used by the Office.

Failure to implement the corporate guidelines results in non-compliance and creates issues of accountability as the roles and responsibilities are not clearly defined for either the Office or the implementing partner and there is no clarity as to which regulations, rules, policies and procedures govern the processes.

Priority	Medium (Important)
Recommendation 3:	
Comply with the provisions in the “National Implementation by the Government of UNDP Supported Projects: Guidelines and Procedures” for all new and extended projects	
Management action plan:	
Management has taken steps to inform and raise staff’s attention of the need to follow the NIM Corporate Guidelines. Furthermore, the Office, in areas such as recruitment and procurement activities, is now strictly adhering to the segregation of responsibilities with the government.	
Estimated completion date: June 2014	
OAI Response	
OAI acknowledges the actions reported by the Office. Since no supporting documentation was provided, the implementation status will be assessed as part of a standard desk follow-up by OAI.	

Issue 4 Weaknesses in the use of Atlas for project management

Atlas is used in reporting activities to donors and other stakeholders and, hence, Atlas users need to have proficient knowledge of the system in order to be able to record and update necessary information in a correct and timely manner.

OAI noted the following deficiencies in the Office’s use of Atlas with regard to project management:

- The number of outputs specified in project documents/annual work plans did not correspond to the number of outputs (Project IDs) recorded in Atlas, as prescribed in the UNDP Programme and Operations Policies and Procedures.
- The Risks, Issues and Monitoring items were not entered consistently in Atlas for all projects.
- Key documents were not uploaded in Atlas.
- Output and deliverable information was not consistently entered/updated.
- Duplicate projects were created and outputs added without being linked to a project.
- Project total amount was not updated causing the budget cover page for budget revisions to reflect inaccurate information.

The deficiencies noted above highlighted the limited knowledge by Office staff in the use of Atlas for project management, which not only affected reporting at the Office level but also at the UNDP corporate level. The Office runs the risk of basing its decision on erroneous information. If the deficiencies are not addressed, UNDP is at risk of not being able to provide reliable information to donors, government counterparts and other stakeholders.

Priority	Medium (Important)
Recommendation 4:	
<p>Improve use of Atlas for project management by:</p> <ul style="list-style-type: none"> (a) training staff members on the correct use of Atlas; (b) updating and correcting erroneous Atlas data, particularly regarding project information; and (c) aligning project documents/annual work plan outputs to Atlas structure. 	
Management action plan:	
<p>Atlas training is intended to take place in the third quarter of 2014 by bringing an expert to update Country Office staff on the latest developments of the Enterprise Resource Planning.</p>	
Estimated completion date: October 2014	

D. Operations

1. Human resources

Issue 5 Non-compliance with rules regarding service contracts

The Service Contract User Guide establishes that UNDP Offices must comply with UNDP standards for competitive selection and transparent processes to ensure that the person recruited is the best-qualified candidate to perform the job functions in a fully satisfactory manner. In relation to social security, the UNDP Office must ensure that individuals engaged under service contracts are covered under a pension age plan as appropriate. The Office is also responsible for verifying that individuals have adequate medical insurance coverage.

The Office is signing service contracts without having been involved in the selection process, since this was done by the Implementing Partner. In 2013, the Office was not involved in the selection process for 22 contractors.

OAI reviewed a sample of 10 service contracts and identified the following weaknesses:

- The template used for all the contracts did not adhere to the corporate template per applicable policy.
- Seven contracts were signed for a period shorter than six months, not in line with policy.
- Seven contracts were prepared and signed after the date of commencement.
- Three contracts did not mention any designated beneficiary, even if requested.
- Terms of reference, which specifies what is expected of the contract holder, were not included in the contracts reviewed.
- Pension funds and medical insurance certifications were never requested for verification purposes or were not included in the payment calculation.
- In one instance, a contract was terminated based on a letter sent from the project coordinator requesting to stop paying the contractor on 1 July 2013. However, the Office continued paying until August 2013. No evidence of recovery of the overpayment was found.

Lastly, service contract information was not included in the Atlas Human Resource module and, therefore, not part of the payroll process. In order to pay service contractors, the Office was raising purchase orders and the payments were processed by the Finance Associate based on a letter sent by the project representative.

Lack of transparency and non-compliance with applicable rules and regulations in the selection process might affect selection of the best suitable candidate and might cause reputational damage to the Office and UNDP. The signing of non-standard UNDP contracts and the lack of monitoring of social security benefits significantly increase the risk of legal actions against the Office.

Priority	High (Critical)
Recommendation 5:	
<p>Comply with policies and procedures with regard to the management of service contracts by:</p> <ul style="list-style-type: none"> (a) signing contracts only if recruitment was carried out by the Office; (b) using the service contract standard template and filling all required information; (c) meeting pension fund and medical insurance requirements; and (d) uploading service contract information in the Atlas Human Resources Module. 	
Management action plan:	
<p>Following the audit, and with the support of the audit team who provided guidance in Spanish, standard agreements (particularly for service contracts) are now implemented by the Office. The Office will ensure that all service contracts are signed before their commencement date and that they contain beneficiary information. Furthermore, the Office is now strictly reviewing pension and medical insurance plans to comply with the appropriate procedures.</p> <p>The Office is no longer signing service contracts which it was not involved in the selection process of and is now compliant with policies and procedures.</p> <p>The Office has begun including information relating to the Office service contracts in Atlas and will soon do the same for information regarding project service contracts.</p>	
Estimated completion date: June 2014	
OAI Response	
<p>OAI acknowledges the actions reported by the Office. Since no supporting documentation was provided, the Implementation status will be assessed as part of a standard desk follow-up by OAI at a later stage.</p>	

2. Finance

Issue 6 Incorrect use and monitoring of project cash advances

UNDP implements projects in different locations and, in many instances, in remote areas where bank facilities are inexistent. To facilitate project activities in remote locations, Offices might have to issue cash advances.

According to the UNDP Programme and Operations Policies and Procedures, project cash advances can only be granted to UNDP staff or service contract holders up to an amount of \$1,000 for a specific project activity. The project cash advances must be closed (claimed and/or returned) within seven days after the last day of the activity.

The Office raised purchase orders to process payments to individuals, not only staff and contractors but also other individuals appointed by the implementing partner) based on a budget calculation for project activities expenses (e.g., workshops). OAI identified during the audit period, two instances of payments to individuals (other than staff and contractors) who were paid at the request of the project amounting to approximately \$200,000 and \$96,000.

When the activity finished, individuals were supposed to present justification of expenses and return the cash that was not expended, if any. This process was not properly monitored since it was not formally followed up by the Office. OAI was not able to identify the related claim for every single payment.

OAI found that the deficiency lies with the Office's inability to use the advance account in Atlas, therefore, the funds disbursed continue to be recorded as expenses when they should be accounted for as cash advances. In the process of matching payments to individuals and related claims, OAI identified approximately \$2,000 in cash still pending to be deposited and recorded in the system. Some returns were pending to be cleared and deposited since 2011.

Improper granting and insufficient monitoring of project advances can lead to incorrect payments and loss of funds.

Priority	High (Critical)
Recommendation 6:	
Implement a system for the appropriate use of cash advances by: <ul style="list-style-type: none"> (a) refraining from issuing payments to individuals other than staff and contractors with the purpose of paying for project activities; (b) closing the remaining payments granted to individuals; and (c) avoiding receiving cash in the Office and depositing any advance returned to the bank account in a timely manner. 	
Management action plan:	
The Office has ensured that all payments to Government individuals for project activities have been duly recovered and recorded as such. The Office has stopped issuing payments to individuals other than staff and service contract holders. Furthermore, procedures have been put in place to ensure that no further cash is received at the office and that all returns are deposited directly into UNDP's bank account.	
Estimated completion date: June 2014	
OAI Response	
OAI acknowledges the actions reported by the Office. Since no supporting documentation was provided, the implementation status will be assessed as part of a standard desk follow-up by OAI.	

Issue 7 Incorrect and incomplete vendor information

An integral part of the payment process is ensuring that vendors meet the requirements of UNDP. In order for a vendor to be qualified to submit an offer and potentially be awarded a contract, it must demonstrate, and in certain cases certify, that it can meet certain criteria among: technical capability to satisfactorily meet the contract requirements; adequate financial resources to perform the contract; the necessary organization, facilities, experience, accounting or operational controls; adequate insurance and technical skills.

OAI observed that when a local vendor entry was created in the system, the Office did not fill-in a form nor request supporting documentation to validate the vendor’s information. As a result, some vendor information in Atlas was incorrect and/or incomplete, such as:

- Errors in the classification of vendors led to incorrect reporting, e.g. several suppliers were incorrectly classified as service contract holders and service contract holders were identified as individual contractors.
- Out of 480 active vendors, 401 had no bank information in the system since bank account details were not requested from local vendors. About 62 percent of the payment during the period was done by checks (\$2.5 million), indicating that most suppliers/consultants hold bank accounts.
- Other information, such as contact details, was also missing for several vendors.

Improperly created vendor profiles may result in illegal vendors being included in UNDP’s system and inaccurate reporting. Without verifying vendors’ bank information, there was no assurance of paying to the correct account.

Priority	Medium (Important)
Recommendation 7:	
Improve the vendor creation process by requesting vendors to complete the form with required details including banking information; and by regularly reviewing and updating vendor information in Atlas.	
Management action plan:	
The Office has expended tremendous effort to contact the majority of its vendors to update or acquire their banking information. In light of this the Office has updated the required vendor information in Atlas (as well as clean-up those that are no longer relevant) and has also started to process a much larger quantity of payments directly to the vendors’ bank accounts including all project staff.	
Estimated completion date: June 2014	
OAI Response	
OAI acknowledges the actions reported by the Office. However, OAI identified more vendors (427) with incomplete information. Since no supporting documentation was provided, the implementation status will be assessed as part of a standard desk follow-up process of OAI.	

3. Procurement

Issue 8 Incorrect use of purchase orders

Purchase orders are required to be raised for the full amount of a contract at the time the contract is signed. Only by doing this can the contractually obligated amounts be fully encumbered to ensure that funds are available when payment has to be made. Furthermore, the Programme and Operations Policies and Procedures prescribe that purchase orders be raised for all procurement exceeding \$5,000.

The following deficiencies in the use of purchase orders were noted:

- In various instances the Office raised a purchase order for each payment in situations where contracts were paid in multiple installments. Furthermore, purchase orders were raised at the time a payment was to be made and not at the time the contract was signed. By not raising a purchase order at the time of contract signing and/or for the full contractual amount, the total funds needed to honor the obligation had not been encumbered, creating a risk that the Office might not have sufficient funds at the time of payment. As the amount of the partial purchase order was less than the total value of the contract, the approval level for the purchase order could be lower than the required level. This practice also created additional administrative workload for the Office as well as obscured the audit trail.
- Out of the 23 purchase orders reviewed, 7 cases (or 30 percent of the sample) were transactions which purchase orders were not necessary. All these were for requests for disbursement from nationally implemented projects; six of them for advance payments to project staff for conducting project activities (refer to issue 6) and one for a direct payment request, none of which entailed any procurement activity for the Office. Raising unnecessary purchase orders created an additional administrative burden for the Office and distorted corporate procurement reporting.
- The Office used non-purchase order vouchers for all payments below \$2,500 regardless of the nature of the purchase. As a result of this, assets with a value lower than \$2,500 were recorded as expenditure and therefore not included in the Atlas Asset Module. For the audit period, OAI identified six non-purchase order vouchers used to purchase assets amounting to \$5,000, none of which appeared in the Atlas Asset Module year-end Certification of Asset.

In response to the draft report, Management explained that the instances where the Purchase Order was not created for the full amount of the contract was because of a lack of knowledge in the process on how to create multiple/recurring Purchase Orders due to the staff's lack of training in Spanish.

Priority	Medium (Important)
Recommendation 8:	
Raise purchase orders for all relevant procurement activities in compliance with the Programme and Operations Policies and Procedures and for the full amount of the contractual obligation when contracts are signed.	

Management action plan:

With the guidance provided in Spanish by the audit team, this issue has been fully resolved and the procurement process is now properly undertaken. Also the Office is now processing all direct payment requests from projects through a non-purchase order voucher.

Estimated completion date: June 2014

OAI Response

OAI acknowledges the actions reported by the Office. Since no supporting documentation was provided, the implementation status will be assessed as part of a standard desk follow-up by OAI.

Issue 9 Weaknesses in procurement

According to the Programme and Operations Policies and Procedures, all procurement cases valued at \$30,000 or more, but below the delegated procurement authority of the Resident Representative, need to be submitted to the Contracts, Assets and Procurement Committee of the Office for review. Furthermore, minutes should provide a sound basis for the Committee recommendations. All procurements above the delegated procurement authority granted to the Office's management need to be submitted to the Regional Advisory Committee on Procurement / Advisory Committee on Procurement as applicable.

OAI noted that not all procurement cases valued at \$30,000 or more, but below the delegated procurement authority of the Resident Representative, were submitted to the Contracts, Assets and Procurement Committee for review. Furthermore, the minutes of meetings on procurement cases reviewed did not always provide sufficient information regarding the process underlying the recommendations. In one case, the minutes did not include any recommendation at all. OAI noted that the Advisory Committee on Procurement regarded the cases submitted to the committee as weak and considered the Office to have insufficient capacity to conduct procurement processes above \$100,000.

An inadequately documented review process does not contribute to the improvement of quality of future procurement submissions, and may result in unnecessary delays in the procurement process.

Priority Medium (Important)

Recommendation 9:

Improve the procurement function of the Office by:

- (a) submitting all procurement cases valued at \$30,000 or more, but below the delegated procurement authority of the Resident Representative, to the Contracts, Assets and Procurement Committee for review;
- (b) documenting the review process and reasons for recommendations with sufficient level of detail; and
- (c) improving the quality of submission of procurement processes to the Advisory Committee on Procurement, seeking corporate support to strengthen the Office's procurement capacity if need be.

Management action plan:

The Office will strive in 2014 to build the local capacity in the management of these processes. This will include the recruitment of a new procurement associate in the second half of 2014 as well as Atlas training.

Estimated completion date: October 2014

4. Information and communication technology

Issue 10 Outdated and untested Disaster Recovery Plan

According to the UNDP Programme and Operations Policies and Procedures, the Disaster Recovery Plan should include information about business requirements, back-up arrangements, and recovery procedures. In addition, Country Offices need to ensure that the plan is kept up-to-date and is regularly tested.

OAI noted that the Office's Disaster Recovery Plan was based on a template issued by the Office of Information Systems and Technology in 2008 and was last updated in July 2012. Furthermore, the Plan had never been tested. In addition, the Office did not have a shared drive or a centralized back-up nor had instructions for de-centralized back-up, which could mitigate this issue, been provided to Office staff.

Without an up-to-date and regularly tested Disaster Recovery Plan, it would be difficult for the Office to recover its information systems in the event of a systems failure or disaster.

Priority	Medium (Important)
Recommendation 10:	
Prepare and implement a Disaster Recovery Plan in line with the latest template issued by the Office of Information Systems and Technology, and test the plan regularly.	
Management action plan:	
The Office has been in contact with the Information Communication Technology team in the Regional Service Centre in Panama to receive guidance on the preparation of a Disaster Recovery Plan in part due to the lack of a current Information Communication Technology staff member. This guidance has been provided and the Country Office will strive to include the preparation of this plan as one of its key results for this year.	
Estimated completion date: December 2014	

5. General administration

Issue 11 Deficiencies in asset management

The Programme and Operations Policies and Procedures require all assets under use and control of UNDP to be capitalized. For this purpose, offices need to maintain complete and accurate records of all assets bought from the biennium support budget or institutional budget, as well as assets acquired for directly implemented projects, which must be tagged and recorded in the Atlas Assets Module and subsequently disposed of in case of sale, obsolescence, damage or theft.

OAI's review of the Office's asset management identified the following deficiencies:

- Three vehicles had not been recorded in the Atlas Asset Module.
- Land belonging to the Office was sold in January 2013 for a value of XAF 192,558,300 (\$389,327). However, at the time of audit the land still appeared in the Atlas Asset Module as an asset.
- Freight containers recorded in the Atlas Asset Module with a value of \$120,225 were non-existent. According to the Office, these containers had not been recorded by them, but suddenly appeared at the beginning of the year in their Asset in Service report. OAI could not find any evidence that the Office had undertaken any action to redress this erroneous entry.

Priority	Medium (Important)
Recommendation 11:	
Improve asset management by requesting assistance from the Global Shared Service Centre to update assets previously acquired but not yet recorded, or disposed of but not yet removed, and to remove assets erroneously recorded as belonging to the Office.	
Management action plan:	
The Office has undertaken a comprehensive effort not only to regularize the recording and disposal of assets from previous periods but also to institute and adhere to the proper procedures relating to the assets register. The 2013 year-end certification now includes updated and correct asset register information. The Office has now corrected the issues relating to the sale of the land and the freight containers. The Office is in the process of disposing/transferring the project vehicles and regularizing the Office vehicle.	
Estimated completion date: October 2014	

6. Safety and security

Issue 12 Inaccurate and untested Business Continuity Plan

To ensure the continued performance of essential operations under all conditions, offices must have a Business Continuity Plan that should be complete, kept up to date and tested regularly to ensure that offices retain the capability to properly and efficiently execute the Plan.

The Business Continuity Plan of the Office was dated January 2013. The Plan listed a shared drive (Z: drive) as one of the locations where the vital records of the Office were stored and could be accessed in case of an emergency. However, OAI's review of the Office's information and communication technology showed that the Office did not have a shared drive (refer to Issue 10) and, as such, reference to the shared drive was incorrect. Furthermore, the Plan had never been tested.

An inaccurate and untested Business Continuity Plan would negatively affect the Office's ability to perform essential operations under disaster and/or emergency conditions.

Priority	Medium (Important)
Recommendation 12:	
Update the information in the Business Continuity Plan and test the Plan regularly, to improve the Office's preparation for disasters and/or emergencies and its ability to maintain essential services and operations.	
Management action plan:	
The Office will be testing its Business Continuity Plan before the end of the fourth quarter of 2014	
Estimated completion date: December 2014	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **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.
- **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.
- **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.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **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.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to 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.