UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

GUINEA

Report No. 1738

Issue Date: 6 January 2017

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Report on the Audit of UNDP Guinea
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Guinea (the Office) from 19 to 30 September 2016. 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, business continuity, monitoring and reporting, financial sustainability);

(b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – "One UN", Harmonized Approach to Cash Transfers);

(c) programme activities (programme management, partnerships and resource mobilization, project management); and

(d) operations (human resources, finance, procurement, information and communication technology (ICT), general administration, safety and security).

The audit covered the activities of the Office from 1 January 2015 to 31 July 2016. The Office recorded programme and management expenditures of approximately $48 million. The last audit of the Office was conducted by OAI in 2013.

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, "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 lapses in project monitoring and oversight, and weaknesses in the management of vendor and procurement activities.

Key recommendations: Total = **10**, high priority = **4**

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 2	Medium
	3	High
Reliability and integrity of financial and operational information	4	Medium
	5, 6, 7	High
Safeguarding of assets	10	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	8, 9	Medium

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 according to significance:

Weaknesses in management of procurement activities (Issue 6)	The audit noted weaknesses in the oversight of procurement activities, which included an inadequate procurement plan, purchase orders raised after the delivery of services or products, payment of activities without prior approval of the contract amendment, unjustified direct contracting, and inadequate safekeeping of bidding documents. Recommendation: The Office should improve controls over procurement processes by: (a) establishing a procurement plan that contains requests for all planned activities at the beginning of the year and updating it regularly; (b) requesting that purchase orders are issued before the service is provided or the product delivered; (c) issuing contracts based on a competitive process and obtaining reference checks before the contract signature and logging receipt of all vendors' offers and adequately locking the box used for the receipt of these offers.
Lapses in project monitoring and oversight (Issue 3)	The review of 9 out of 46 projects managed by the Office in the audit period noted weaknesses, such as the lack of systematic certification of Combined Delivery Reports on a quarterly basis, risk, monitoring and issue logs not systematically completed, gaps in field trip monitoring processes with missing data validation for project indicators, and inadequate monitoring of advances made to nationally implemented (NIM) projects. Specifically, in the case of NIM advances, these were not systematically liquidated within six months as required by UNDP policies. As of the time of the audit fieldwork, five implementing partners had outstanding advances of $500,000 for more than 10 months. Recommendation: The Office should improve its project monitoring by: (a) issuing Combined Delivery Reports (summarizing all expenditures) at the end of each quarter and year, signed by UNDP and certified by the designated authorized official of the implementing partner; (b) strengthening project risk management by maintaining issue, monitoring, risk logs and regularly updating their status; and (c) correctly recording and reconciling each NIM advance within six months.
Lapses in vendor management (Issue 5)	The review of vendor management identified the absence of oversight and lack of monitoring over vendor creation and file maintenance. Specifically, there were 43 vendors with two identification numbers, 1 vendor with three identification numbers, and 1 vendor with four identification numbers in Atlas. The audit team also noted 41 approved vendors with duplicate bank account numbers in Atlas. Lastly, there were cases where the creation of a vendor account in Atlas was not supported by adequate evidence. Recommendation: The Office should strengthen controls over vendor management by: (a) systematically verifying its vendor database prior to creating any new vendors in Atlas, and regularly verifying the vendor database in order to timely deactivate all duplicate vendors; and (b) making the completion of vendor forms mandatory and approving new vendors only when all required

documentation has been provided and due diligence verification has been completed in the database.

Weaknesses in management of individual contracts (Issue 7)

The audit noted weaknesses in the selection and contracting processes for 10 individual contract cases reviewed. Specifically, in three cases amounting to $96,000, $28,000 and $51,000, respectively, the Office shortlisted less than three candidates for desk review. For one contract over $50,000, the Office directly contracted the candidate without demonstrating adherence to UNDP Financial Regulations and Rules on direct contracting. Lastly, for two contracts amounting to $55,000 and $32,000, respectively, payments were based on several deliverables. However, management had not established a timeline for each intermediate deliverable that would have served to support the intermediate payments that were made.

Recommendation: The Office should improve individual contract management by: (a) adhering to the sourcing and selection requirements set by the organization's policies and procedures; and (b) establishing milestones for monitoring intermediate deliverables.

Implementation status of previous OAI audit recommendations: Report No. 1146, 20 February 2014.
Total recommendations: 9
Implemented: 9

Management comments and action plan

The Resident Representative accepted all of the recommendations 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. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Conakry, Guinea (the Country), comprised 66 staff members, 98 service contractors, and 17 United Nations Volunteers at the time of the audit. It was implementing the Country Programme Document/Country Programme Action Plan covering the period from 2013 to 2017, which focused on the following areas: (1) Promotion of Good Governance; (2) Development Acceleration and Promotion of Employment Opportunities and Income for All; (3) Vulnerability Reduction and Improvement of Living Conditions; and (4) Ebola crisis. The Programme was aligned with the United Nations Development Assistance Framework as well as with the Government's national development priorities.

II. Audit results

Satisfactory performance was noted in the following area:

(a) Partnership and resources mobilization. Overall, partners that OAI met with expressed their satisfaction with UNDP's support and collaboration.

OAI made 4 recommendations ranked high (critical) and 6 recommendations ranked 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) Improve controls over procurement processes (Recommendation 6).
(b) Improve project monitoring (Recommendation 3).
(c) Strengthen controls over vendor management (Recommendation 5).
(d) Improve individual contact management (Recommendation 7).

Medium priority recommendations, arranged according to significance:

(a) Improve oversight over financial transactions (Recommendation 4).
(b) Strengthen the control environment (Recommendation 1).
(c) Strengthen asset management (Recommendation 10).
(d) Strengthen the implementation of the assurance plan (Recommendation 2).
(e) Enhance ICT governance, improve disaster recovery readiness, and reduce operating costs (Recommendation 8).
(f) Reinforce travel management (Recommendation 9).

The detailed assessment is presented below, per audit area:

A. Governance and Strategic Management

1. Organizational structure and delegation of authority

Issue 1 Weaknesses in internal control environment

According to the UNDP Internal Control Framework, the heads of offices have overall responsibility for establishing and maintaining adequate internal controls in their offices, including issuing clear written delegations of authority to staff members. Furthermore, offices should institute proper segregation of duties and mitigating controls, including more adequate monitoring and oversight to prevent staff members from approving transactions for themselves. The review of the internal control environment in the Office revealed the following weaknesses:

(i) Lack of segregation of duties:

Two staff members approved transactions for which they were the beneficiaries. One approved the clearing of the balance of his own salary advance for $30. The second staff member approved one voucher related to the payment of daily subsistence allowances for $444, and also approved the liquidation journal voucher associated with a cash advance of $4,554, for which the staff member was also the beneficiary. The Office's management explained that some of these payments were inadvertently approved as part of mass approval processes, and were not detected until prompted by the audit. The Office had not regularly monitored such transactions to ensure that the associated risks were mitigated through proper segregation of duties.

(ii) Delays in issuing written delegations of authority:

At the time of the audit fieldwork, 10 staff members holding the Project Manager's profile in Atlas (enterprise resource planning system of UNDP) did not have a written delegation of authority from the Country Director. Furthermore, the delegations of authority to another 12 staff members holding the Project Manager profile were only issued in February 2016 (i.e., six months after the date of assignment of the Country Director to the duty station). Following the audit, the Office issued written delegations to all staff members with Project Manager profiles in Atlas. As such, the audit is not issuing a recommendation in this regard.

Non-compliance with the Internal Control Framework may lead to unauthorized processing of payments. Failure to establish a robust control environment and adequate segregation of duties could lead to an environment where errors and irregularities may not be detected and corrected in a timely manner.

Priority	Medium (Important)

Recommendation 1:

The Office should strengthen its control environment by establishing a mechanism to prevent staff members from approving transactions for which they are the beneficiaries.

Management action plan:

Management will send out a memo to all staff reiterating that staff members cannot approve transactions for which they are beneficiaries. The Programme Management Support Unit will run an Atlas query on a quarterly basis to ensure this requirement is adhered to.

Estimated completion date: February 2017

B. United Nations System Coordination

1. Harmonized Approach to Cash Transfers

Issue 2 Gaps in implementation of Harmonized Approach to Cash Transfers

The 'Harmonized Approach to Cash Transfer (HACT) Framework' requires that participating United Nations agencies agree on and coordinate HACT activities, to reduce the burden that the multiplicity of United Nations procedures creates for its partners. Compliance is achieved when the following components have been completed: (a) macro-assessment of the public financial system; (b) micro-assessments of implementing partners and (c) an assurance plan which details the spot checks for each IP based on the result of the micro-assessment.

The audit reviewed the implementation of the assurance plan, specifically the spot checks and noted that as of the date of the fieldwork (September 2016), the completion rate stood at 16 percent. The Office explained that the low rate was due to shortage of staff to conduct spot checks and reported that it had launched a Request for Proposal to hire a firm to cover the gap and towards achieving 92 percent coverage by year-end.

The audit further noted that when spot checks were conducted, there were no recommendations for issues identified. The Office further explained that in lieu of issuing recommendations, its practice was to share spot check reports with implementing partners at the end of the mission in the form of a note summarizing identified issues.

Inadequate implementation of the assurance plan may prevent errors and irregularities from being timely detected. In the absence of recommendations or actions for the partners to take, there is a risk that issues noted during the spot checks will not be resolved or remedied.

Priority	Medium (Important)
Recommendation 2: The Office should strengthen the implementation of the assurance plan by providing recommendations or action plans to the implementing partners on issues noted during spot checks for remedial actions.	
Management action plan: The Office will ensure that: (a) all results of spot checks are shared with implementing partner in writing; (b) management responses are provided by implementing partners; and (c) action plans are developed to monitor implementation of the spot check recommendations. **Estimated completion date:** June 2017	

C. Programme Activities

1. Project Management

Issue 3 Lapses in project monitoring and oversight

The 'UNDP Programme and Operations Policies and Procedures' state that offices must ensure adequate project monitoring by: (a) maintaining issue, monitoring and risk logs; (b) monitoring all critical risks; and (c) issuing Combined Delivery Reports (summarizing all expenditures) at the end of each quarter and year, which should be signed by UNDP and certified by the designated authorized official of the implementing partner to confirm the validity of the expenses. Furthermore, offices are required to properly monitor the advances to implementing partners to ensure that they are timely liquidated. The organization's policies and procedures state that on an annual basis, UNDP must perform the following monitoring activities: (i) conduct field visits; (ii) conduct annual reviews of projects to assess their performance and appraise the annual work plan for the following year; and (iii) prepare an annual review report to be shared with the Project Board or the relevant outcome group or coordinating mechanism.

The audit reviewed 9 out of 46 projects representing 57 percent of expenditures during the period under audit and noted the following weaknesses in project monitoring:

(i) Certification of Combined Delivery Reports not systematically performed

The certification of Combined Delivery Reports for nationally implemented projects was not systematically done on a quarterly basis. Illustrative examples are provided below:

- In the case of two projects, the quarterly Combined Delivery Reports were not signed and certified as required by the policy.
- For one project, the Combined Delivery Report for the third quarter of 2015 was printed and signed in September 2016.
- The first quarter Combined Delivery Reports of 2016 were not printed and certified at the time of the audit fieldwork in the cases reviewed.

(ii) Risk logs/monitoring logs/issue logs not systematically completed

The Office did not effectively use Atlas as a project management tool for maintaining risk, monitoring and issues logs.

- Four out of the nine projects did not have completed risk logs in Atlas. For the remaining five projects, risk logs were only completed after two to three years of project implementation or towards the end of the project lifecycle, without any updates thereafter.
- The issue logs were not completed for any of the nine projects sampled.

(iii) Gaps in field trip monitoring

The audit reviewed three programmatic field trip reports and noted that none included a component of data validation of project indicators. The field visit reports were activity-oriented rather than results-oriented. Further, the reports did not include the source of data and issues noted during the field trip. The Office's management acknowledged the limitation of the reports and reported that it was in the process of establishing complementary tools to capture information on the performance of project indicators through tangible and credible sources by year-end.

(iv) Inadequate monitoring of NIM advances

The Office recorded 116 payments as advances to NIM projects amounting to $16 million during the audit period and noted the following weaknesses:

- Advances made to implementing partners were not systematically liquidated within six months as required by UNDP policies. According to data extracted from Atlas, 13 advances granted to implementing partners amounting to $760,000 were justified in a period between 7 to 18 months. This was due to the fact that the Office monitored the total balance of advances made to each implementing partner, rather than separately monitoring each advance until this was fully liquidated.
- Data extracted from Atlas showed that five implementing partners had outstanding cash advances of $500,000 for more than 10 months as of the audit fieldwork date. Another 13 implementing partners had a negative cash balance of $350,000, which would suggest that they had provided justification for an amount that exceeded the advances that they had received. In its response to the draft report, the Office's management reported that these discrepancies were caused by accounting entry errors, or inadequate recording of reimbursements from the implementing partner as advances.

Inadequate monitoring and management of advances to implementing partners could lead to advances not being timely liquidated or not accounted for.

Priority	High (Critical)

Recommendation 3:

The Office should improve project monitoring by:

(a) issuing Combined Delivery Reports (summarizing all expenditures) at the end of each quarter and year, signed by UNDP and certified by the designated authorized official of the implementing partner;
(b) strengthening project risk management by maintaining issue, monitoring, risk logs and regularly updating their status, as well as developing monitoring frameworks for each project, indicating what is to be monitored, who will monitor it, frequency, and data collection methods; and
(c) correctly recording and reconciling each NIM advance within six months.

Management action plan:

The Office will ensure:

(a) that all Combined Delivery Reports are issued by UNDP on a quarterly basis to the designated authorized official of the implementing partners for signing and that they will also be signed off on by UNDP.
(b) ensure that updating of the Atlas Project Management module is done on a quarterly basis and the status presented at the first programme meeting of the following quarter – the Office will develop a monitoring framework for each project, indicating what is to be monitored, who will monitor it, and frequency and data collection; and
(c) that at the project level, recording and reconciling each advance on a quarterly basis is done and reported at the monthly programme and operations meetings.

Estimated completion date: June 2017

D. Operations

1. Finance

Issue 4 Weak oversight over payment process

According to the 'UNDP Programme and Operations Policies and Procedures', the payment process includes the following steps: (a) finance staff members run the paycycle; and (b) the Disbursing Officer checks the details of supporting documents prior to finalizing payment in Atlas and authorizes the bank to transfer funds to the payees. Through their assigned written delegation of authority, Project Managers are responsible for reviewing the payment supporting documentation, including the use of the proper chart of accounts prior to approving transactions.

The review of the payment process identified the following weaknesses:

(i) High volume of data entry errors:

The audit noted data entry errors such as incorrect account codes, use of incorrect project IDs, and selection of incorrect implementing partner or incorrect currency codes.

- The Office recorded 23 transactions amounting to $105,000 as hospitality expenses, instead of workshop and other seminar costs.
- Five payments amounting to $240,000 were incorrectly recorded as micro-capital grants due to data entry errors. Another payment amounting to $100,000 recorded as a micro-capital grant was assigned an incorrect project ID.

The Office's management acknowledged the data entry errors and reported that a reinforcement of controls would be established to strengthen both first and second lines of defense, particularly at the levels of Programme and Operations Associates and Programme Managers.

(ii) Pending payments not timely reviewed:

A total of 21 approved payments amounting to $36,000 were pending finalization in Atlas from 2010 to 2015. Following the audit fieldwork, the Office took action to clear 9 transactions amounting to $21,000; however, the 12 transactions amounting to $15,000 still remained pending since September 2010.

Inadequate oversight over payments could lead to issues and irregularities not being timely detected and addressed.

Priority Medium (important)

Recommendation 4:

The Office should improve oversight over financial transactions by:

(a) strengthening the capacity of Programme and Operations Associates/Assistants who are involved in data entry related to expenses, budgets and chart of accounts, and ensuring that Project Managers review the chart of accounts prior to finalizing payments; and
(b) timely reviewing all pending payments and payments put on hold in order to take appropriate corrective measures.

Management action plan:

The Office will do the following:

(a) Conduct training for Programme and Operations Associates/Assistants on appropriate completion of standard forms and data entry related to expenses, budget and chart of accounts.

(b) Revise the standard operating procedures on payments to reflect clearly the responsibilities for Project Managers and review and certify the chart of accounts prior to finalizing payments.

Estimated completion date: April 2017

Issue 5 Lapses in vendor management

The 'UNDP Programme and Operations Policies and Procedures' require effective and efficient vendor management to reduce the risk of duplicate payments, and state that the buyers must: (a) review Atlas vendor records to avoid creating duplicates; (b) assemble complete and reliable supporting documentation; (c) accurately complete Atlas vendor records; and (d) file manual records for approved vendors.

The Office had 1,120 approved vendors in its database at the time of the audit. The review of vendor management identified the absence of oversight and lack of monitoring over vendor creation and file maintenance. Specifically, the audit noted the following:

(i) Vendors with more than one vendor identification number

There were 43 vendors with two identification numbers, 1 vendor with three identification numbers, and 1 vendor with four identification numbers in Atlas.

(ii) Vendors with duplicate bank account numbers

The audit team noted 41 approved vendors with duplicate bank account numbers in Atlas. The Office management could not explain why the same bank account was shared with more than one vendor.

(iii) Inadequate evidence to support vendor creation

Two vendors did not have any vendor form or other identification to justify their creation in Atlas. Eight vendors did not have any supporting documentation, such as identification or contract to justify their creation. Another 15 vendors did not have one of the following required documents: (i) a government issued identification, or (ii) contractual agreement or payment authorization. In seven cases, though all required documentation was available, the audit noted that the vendor forms were not entirely completed by the requestor and signed by the vendors.

These weaknesses were caused by weak oversight and an absence of regular reviews of the vendor database by the Office. No incorrect payments were noted as a result of these weaknesses.

By not having a reliable vendor database and an adequate vendor management process in place, the Office is at risk of processing payments to fictitious vendors or making duplicate payments.

Priority High (Critical)

Recommendation 5:

The Office should strengthen controls over vendor management by:

(a) systematically verifying its vendor database prior to creating any new vendors in Atlas, and regularly verifying the vendor database in order to timely deactivate all duplicate vendors; and
(b) making the completion of vendor forms mandatory and approving new vendors only when all required documentation has been provided and due diligence verification has been completed in the database.

Management action plan:

The Office will do the following:

(a) Issue a guideline on vendor management to reinforce control measures, such as physical verifications of supporting documents for vendor registration in Atlas.

(b) Review and deactivate all vendors without payments for over a one or two-year period and establish a file for all completed vendor forms supported by verification and registration documents.

(c) Quarterly review the vendor list and corresponding supporting vendor forms or other identification to justify their creation in Atlas, which will allow regular cleaning of the database during quarterly financial closure.

Estimated completion date: April 2017

2. Procurement

Issue 6 Weaknesses in management of procurement activities

According to the 'UNDP Programme and Operations Policies and Procedures', developing a strategic approach to procurement through appropriate and timely planning is a key element to the successful and timely acquisition of goods, civil works or services at a reasonable cost. Long Term Agreements are established for a defined period of time, between UNDP and a service provider. Reference checks are also an important part of a vendor selection process; the offeror deemed to be most suitable shall be subject to two references checks. All procurement contracts shall be awarded on the basis of effective competition and fair selection process. Finally, UNDP Financial Rule #121.05 provides nine permissible justifications for direct contracting, such as the value of the procurement is below $5,000 or there is no competitive marketplace for the procurement requirement.

Between January 2015 and August 2016, the Office processed 870 purchase orders for a total of $9.3 million. As part of OAI's review of a sample of 39 transactions amounting to $2.3 million, the following weaknesses were noted:

(i) Weaknesses in procurement planning:

As of September 2016, the audit found that the 2016 procurement plan was incomplete and did not include procurement needs for all programme and/or project activities. The plan was not regularly monitored and updated during the year to reflect major changes. The plan was also not used as a strategic tool to help the Office timely and efficiently achieve its delivery objectives. As an example, the audit noted procurement activities, valued approximately at least $50,000 per procurement, such as purchases of vehicles, ICT equipment and recruitments of individual contractors in 2016 that had not been initiated from the procurement plan.

(ii) Purchase orders raised after the services/products received

UNDP policies require the issuance of purchase orders before the delivery of all goods, services and small works valued above $2,500. The audit found that in five cases amounting to $365,000, the Office raised purchase orders after the services were provided or the products were delivered.

(iii) Payment of contract activities without prior approval

One vendor contract amendment valued at $73,827 or 33 percent of the initial contract was made through an internal memorandum not signed by the supplier. Furthermore, the activities related to the contract extension were paid prior to the amendment being approved by the Contracts, Assets and Procurement Committee (CAP). The Office's management reported that this was an exceptional case related to the national reconciliation project with the host Government, and that the management of the Office authorized the payment prior to the CAP decision in order to address urgent needs. However, the Office should have submitted the case to the CAP due to the amount of the contract extension. In the case of an emergency, the Office could have opted for a post-facto submission, which did not happen.

(iv) Unjustified direct contracting

- For a case amounting to $35,900, a catering company providing services for a conference was directly contracted without any supporting evidence to demonstrate that the conditions for direct contracting as described in Financial Rule 121.05 were applicable in this case.

- A financial institution was directly awarded a contract valued at $131,000 in order to transfer $955,000 to implementing partners, i.e. a service charge of 14 percent. The audit noted that there was no evidence that the procurement process met the requirements in UNDP Financial Rule 121.05 on directing contracting. According to the Office, this was an emergency process to channel funds to partners in remote areas.

(v) Inadequate safekeeping of bidding documents

The audit found that there was no book register for vendors to log in and sign on their bid submissions. It was also noted that the dedicated mailbox to receive vendor offers was not appropriately safeguarded. At the time of the audit team's visit, several vendors' offers were found in opened envelopes with no lock to the box to prevent unauthorized accesses. The Office's management reported that the above deviations were due to the emergency of the Ebola crisis and to the fact that there were limited available human resources locally.

Non-compliance with procurement practices may result in financial losses and procurement decisions that are not aligned with UNDP procurement principles.

Priority High (Critical)

Recommendation 6:

The Office should improve controls over procurement processes by:

(a) establishing a procurement plan that contains requests for all planned activities at the beginning of the year and updated regularly;
(b) requesting that purchase orders are issued before the service is provided or product delivered; and
(c) issuing contracts based on a competitive and fair process and logging receipt of all vendors' offers and adequately locking the box receiving these offers.

Management action plan:

(a) The Office will train and sensitize Programme Associates and procurement personnel to ensure that POs are issued before services are provided or products are delivered.
(b) The Office will ensure compliance with UNDP guidelines on issuing contracts. Relocate the box receiving the offers to the Deputy Operations' Administrative Assistant's Office and will secure it with two padlocks to be held by two different trusted staff members to be appointed by the Representative, each with a set of keys for separate padlocks.
(c) All applicants will drop their bids in the box and sign the logging receipt register in the custody of the Deputy Operations' Administrative Assistant.

Estimated completion date: March 2017

Issue 7 Weaknesses in management of individual contracts

The engagement of personnel under the individual contract modality is subject to the general procurement principles established by the 'UNDP Financial Rules and Regulations', namely, best value for money, fairness, integrity and transparency, effective competition, as well as the interests of UNDP. Furthermore, the policy stipulates that for contracts over $5,000, a minimum of three qualified offers have to be considered.

During the audit period, the Office hired 67 individual contractors. The audit noted the following weaknesses in the selection and contracting processes for 10 individual contract cases reviewed:

- In three cases amounting to $96,000, $28,000 and $51,000, respectively, the Office shortlisted less than three candidates for the desk review. In two of those cases, one of the candidates lacked the expertise required, yet the Office proceeded with the competitive process. There was no evidence that the Office attempted to ensure that three candidates met the minimum requirements established for the selection process.
- For one contract over $50,000, the Office directly contracted the candidate without demonstrating adherence to UNDP Financial Regulations and Rules on direct contracting. According to management, this request came directly from the Government.
- For two contracts amounting to $55,000 and $32,000, respectively, where payments were based on several deliverables, management had not established a timeline for each intermediate deliverable. Only the final report date was defined as a milestone. As a result, there were no indications on how the Office monitored deadlines, especially the payments for these intermediate deliverables.

According to the Office's management, some of the recruitments were under Fast Track Procedures and were related to the emergency of the Ebola response and elections processes which were often urgent and critical. However, the audit noted that the fast track mechanism did not provide the Office with a waiver on the compliance issues noted above.

By not complying with the individual contractor recruitment and management policies and procedures, there is no assurance that the most qualified candidates with the best offers will be selected.

Priority High (Critical)

Recommendation 7:

The Office should improve individual contract management by:

(a) adhering to the sourcing and selection requirements set by the organization's policies and procedures; and
(b) establishing milestones for monitoring intermediate deliverables.

Management action plan:

The Office will organize trainings to strengthen Programme/Project Managers and support staff knowledge on individual contract management so as to ensure compliance with mandatory standard operations procedures, including adequate sourcing methods, and systematic reference checks as per UNDP guidelines. The Partnerships and Management Support Unit will conduct sample spot checks twice a year to verify compliance and provide recommendations that will be presented to Programme/Project Managers and support staff.

The Office will use standard Terms of Reference and contract templates, which specify, inter alia, key deliverables and milestones.

Estimated completion date: June 2017

3. Information and Communication Technology

Issue 8 Inadequate information and communication technology management

The UNDP Office of Information Management and Technology requires that effective governance and controls (roles and responsibilities, policies and procedures, ICT committee meeting, structured and effective decision-making process) on activities relating to ICT will result in enhanced delivery, improved performance and resource management and in a better quality of services. Furthermore, the 'UNDP Programme and Operations Policies and Procedures' provide that a Disaster Recovery Plan should, inter alia, 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 regularly tested.

The audit noted the following weaknesses during its review of the ICT activities and internal controls:

(i) Lack of ICT governance committee

The Office had not appointed an ICT governance committee to oversee and align IT services with UNDP operational and strategic objectives. There was no meeting in 2015 and 2016 to monitor ICT activities, costs and performance. Furthermore, there was no formally designed organizational structure with roles and responsibilities and working policies and processes of obtaining sufficient information as a basis for making better-informed decisions and providing services to staff.

(ii) Expensive Internet fees

During the audit fieldwork, the Office had an available capacity of 14 megabits per second (mbps) using a combination of a satellite VSAT (Very Small Aperture Terminal) connection (4 mbps) and 10 mbps with the local Internet service as a primary provider. Both connections cost the Office approximately $160,000 ($72,000 for the local connection and $88,000 for VSAT. However, based on discussions with the Office, the local connection was more than enough to cover the Office's and projects' needs. Thus, the satellite bandwidth capacity should have been reduced to the minimum to reduce Internet service costs.

(iii) Incomplete Disaster Recovery Plan

The audit reviewed the Disaster Recovery Plan and noted that key components were not included, such as the documentation on alternate offsite IT facility infrastructure and systems components; administrative credentials to restore back-ups or manage restored systems to be saved offsite; contact information on hardware supply companies; and formal alignment with the Business Continuity Plan on how the recovery point objective (how much data management allowed to be lost) and the recovery time objective (how soon systems should be recovered) for critical systems/operations were defined. Subsequent to the audit fieldwork, management reported that the Disaster Recovery Plan was being updated and would be submitted to UNDP's Office of Information Management and Technology for review.

In our opinion, the issues noted above were due to the lack of oversight of ICT-related activities.

The lack of effective management of ICT-related activities may have a negative impact on business operations and the delivery of results. Furthermore, an incomplete Disaster Recovery Plan may prevent business continuity in the event of a disaster or emergency.

Priority Medium (Important)

Recommendation 8:

The Office should enhance ICT governance, improve disaster recovery readiness and reduce operating costs by:

(a) appointing an Information Communication Technology Committee to oversee, on a periodic basis, the management and alignment of ICT-related activities, risks and work plans with the Office's priorities and objectives;
(b) reviewing Internet connection costs by selecting the best cost and service related combination between VSAT connection and a local Internet service provider; and
(c) updating and testing the Disaster Recovery Plan after submission to the Office of Information Management and Technology for review.

Management action plan:

The Office will:

(a) Appoint a UNDP-specific Information Communication Technology Committee to oversee on a periodic basis, the management and alignment of ICT with clear terms of reference.

(b) Conduct a new procurement process to secure a contract with local Internet Service Provider(s) that guarantee(s) best value for money and that will enable the Office's to offset the use of VSAT as much as possible and try to save costs.

(c) Conduct the testing of the Disaster Recovery Plan and share the updated Plan with the Office of Information Management and Technology for review.

Estimated completion date: June 2017

4. General Administration

Issue 9 Inadequate travel management process

According to the 'UNDP Programme and Operations Policies and Procedures', travel should be managed efficiently through proper planning, administration and follow-up, and by adhering to travel policies and guidelines to ensure best value for money. The policy requires that three different itinerary/quotations options between the origin and destination points must be obtained for each travel and that all travels should be done via the most direct and economical route on which entitlement is based, regardless of the route chosen by the traveller. Upon return to the duty station, the traveller should submit a Voucher for Reimbursement of Expenses form (F10).

The audit reviewed a sample of 18 travel tickets totalling $89,000 and noted that the Office had not renewed its Long Term Agreements with its two travel agencies at the time of the audit fieldwork.

The audit also noted that the decision to use a particular itinerary was not supported by sufficient details in the travel analysis, such as travel duration and availability of flights. In four cases, travel dates were two days before the start of or after the end of the missions and no explanation was documented in the files. According to management, there were no flights available that matched the mission dates. The audit was not able to confirm management's assertions, as this was not evidenced in the travel analysis.

Furthermore, the audit noted eight cases where F10 claims were not filed. Furthermore, four F10s were reviewed and approved by the Financial Analyst as "certifying officer" and not by the Project Manager or by the unit that authorized the travel, as required by the UNDP travel policy.

Without an adequate comparative analysis of different quotations, the Office cannot ensure best value for money and may be paying higher prices for its travel related expenditures. Also, the absence of F10 claim submissions increases the risk of unauthorized expenses by the traveler.

Priority Medium (Important)

Recommendation 9:

The Office should reinforce travel management by:

(a) always requesting three quotations and sufficiently documenting travel analysis to support choices of itinerary while demonstrating compliance with the travel policy and best value for money; and
(b) ensuring that all staff submit F10 claims along with supporting documents to the unit that authorized the travel, within two weeks of completion of travel.

Management action plan:

The Office will take the following actions:

(a) Ensure that for each travel, three quotations are systematically obtained from at least three Travel Agents and/or airlines.

(b) For each travel, an Admin Associate will systematically prepare a travel analysis table of at least three quotations to support choices of itinerary while demonstrating compliance with the travel policy and best value for money, which should be approved by the Office's Deputy Operations.

(c) Introduce a system to enforce compliance by all travelers, by automatically tracking pending F10s for submission and reminding staff of their obligations. The completion of F10s will be required and checked prior to subsequent travel authorizations.

Estimated completion date: March 2017

Issue 10 Lapses in asset management

The 'UNDP Programme and Operations Policies and Procedures' require offices to maintain complete and accurate records of all assets. For this purpose, all assets should be recorded in the Atlas Asset Management Module and subsequently disposed of in case of sale, obsolescence, damage or theft. Disposals are initiated by the Asset Focal Point and approved by the Asset Manager in the Document Management System, after which staff members of the Global Shared Service Centre record the transactions in the Atlas Asset Management Module.

The organization's policies and procedures stipulate that all assets purchased by the Unites Nations Department of Safety and Security (UNDSS) that qualify for capitalization must be processed in the line with the UNDP item catalogue.

At the time of the audit, the Office's asset registry included 158 assets valued at $1.35 million. The review of asset management in the Office discloses the following weaknesses:

(i) List of vehicles used and controlled by the Office not reconciled with the asset registry

There were 7 out of 10 vehicles in the Office's vehicle list that were not included in the asset registry. The Office's management explained that these vehicles were donated as gifts to UNDP by the UN Mission for Ebola Emergency Response and OCHA without complete documentation, including their value at the time of the transfers. The Office's management further reported that an estimation of the value of these assets was available as of 20 June 2016; however, more than four months later at the time of the audit fieldwork, these assets were still not recorded in the asset registry.

Two UNDSS vehicles that were identified in the compound during the physical inventory verification were not maintained in Atlas, contrary to the applicable policy.

(ii) Delays in assets disposal

Asset disposals were not timely submitted to the CAP and processed in the ACP Online system during the audit period. The Office sold three vehicles for $5,660 in 2016 (total acquisition costs of $92,000). Furthermore, a theft of an asset (valued at $1,674) dated from July 2015 was only reported in August 2016. At the time of the audit, there was no evidence that these cases were approved by the CAP to justify their removal from the asset list. The Office's management reported that it was not able to hold CAP meetings for asset disposals during the period of 2015 and 2016 due to the high volume of activities during the Ebola crisis, and that it intended to complete these actions by end of the year 2016.

(iii) Power generators not on the asset list

The physical inventory verification on 1 October 2016 identified four power generators in the compound that were not included in the assets list. Three power generators did not have any identification, such as an asset ID and tag number.

In our opinion, these weaknesses were caused by gaps in the oversight of assets. Inadequate asset physical verifications or recording could lead to incomplete accounting and reporting of assets or undetected lost or missing assets.

Priority	Medium (important)

Recommendation 10:

The Office should strengthen asset management by:

(a) reconciling all vehicles physically verified with the asset registry, recording any vehicles used and controlled by the Office in the asset registry, and maintaining UNDSS assets in Atlas;
(b) timely disposing of assets according to the policies; and
(c) properly recording all power generators belonging to the Office or projects in Atlas, and transferring all other generators kept on premises for the national partners.

Management action plan:

The Office will:

(a) Finalize the reconciliation of physical verification of all vehicles with the asset registry and produce a physical inventory report and UNDSS vehicles and all other vehicles used and controlled by the Office to be recorded in Atlas.
(b) Complete the ongoing ACP Online process and dispose of all the obsolete and old assets.
(c) Make arrangements to transfer the generators to the respective ministry.

Estimated completion date: March 2017

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.