UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

GUINEA-BISSAU

Follow-up of OAI Report No. 1314, dated 7 January 2015

Report No. 1739
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Report on follow-up audit of UNDP Guinea-Bissau
(Previous OAI Report No. 1314, 7 January 2015)
Executive Summary

From 3 to 7 October 2016, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an on-site follow-up audit of the UNDP Country Office in Guinea-Bissau (the Office). This on-site follow-up audit was undertaken, in addition to regular desk reviews, in view of the 'unsatisfactory' audit rating assigned by OAI in Report No. 1314, dated 7 January 2015. The follow-up audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing.*

Audit scope and approach

The follow-up audit reviewed the implementation of 14 audit recommendations. OAI conducted appropriate tests of transactions and activities by the Office from 1 January 2015 to 31 August 2016 and interviewed management and staff concerned to determine whether the reported corrective actions were indeed implemented, as reported by the office in the Comprehensive Audit and Recommendation Database System (CARDS), resulting in an implementation rate of 84 percent as of 30 December 2016.

Audit results

Of the 14 audit recommendations, 11 were fully implemented by the Office and 3 were in progress.

Implementation status	Number of recommendations	Recommendation Nos.
Implemented	11	1, 3, 4, 6, 7, 9, 10, 11,12, 13, 14
In progress	3	2, 5, 8
Not implemented	-	-
Withdrawn	-	-
Total	**14**	

The detailed implementation status of the 14 recommendations has been updated by OAI in CARDS.

Section I summarizes the recommendations that have been implemented and the three recommendations that are in progress. OAI encourages the Office to continue to take appropriate actions to address these recommendations. OAI will continue to monitor the progress of the implementation of these recommendations as and when updates are provided by the Office in CARDS.

The Resident Representative provided the revised implementation date for the recommendations in progress.

Antoine Khoury
Officer-in-Charge
Office of Audit and Investigations

I.   Details of recommendations implemented and in progress

Rec No.	Issue title	Recommendation	Implementation status reported by UNDP Guinea-Bissau	OAI assessment
1	Weak control environment	**High (Critical)** Strengthen the control environment and conform to UNDP policies and procedures as well as the Internal Control Framework by: (a) creating a discussion forum in order to analyze and address issues raised by the Global Staff Survey; (b) revising and updating all job descriptions with the objective of aligning tasks and responsibilities to the appropriate staff grade level, and ensuring that those job descriptions are annexed to personnel files; (c) following up with the Regional Bureau for Africa to speed up the recruitment process of the Deputy Resident Representative-Operations, or seek candidates to serve on a detail assignment from other Country Offices; (d) adequately segregating duties and returning the responsibility for recruiting consultants to the procurement function; and (e) deactivating Atlas profiles for staff that have left the organization.	(a) The Office held a mini-retreat on 18 December 2014 where the Global Staff Survey was discussed. (b) Revision of job descriptions will be done as part of the Office's re-alignment exercise once the Country Programme Document has been approved. (c) Terms of Reference for a consultancy were prepared and uploaded in the Procurement Notices by end of day 16 June 2016. (d) Recruitment of the Deputy Resident Representative-Operations is completed and has been on board since January 2015. The final deadline for the Procurement Specialist is 15 June 2015, while M&E Analyst is at the shortlisting stage, Finance Assistant and the Climate Change position being advertised. Consultants have been recruited and fully integrated into the Procurement Unit. Atlas profiles have been cleaned and the Internal Control Framework has been prepared and circulated to all staff with the Delegations of Authority duly signed.	**Implemented** (a) The audit reviewed the 2014 Global Staff Survey, which showed great improvement and noted that the result of the survey was discussed with the staff. (b) Testing of job descriptions since the issuance of the new organigram did not indicate any exceptions. (c) The recruitment process was initiated to fill staffing gaps. The Deputy Resident Representative-Operations position was filled in 2015. (d) The recruitment of consultants during the period under review was driven by the Procurement Unit. (e) Atlas profiles were deactivated for staff who left the Office during the period under review. Based on the observations above, the recommendation is considered implemented.

2	Financial sustainability of Office at risk	**Medium (Important)** Strengthen the financial sustainability of the Office by: (a) pursuing negotiations with the Government to collect the outstanding Government Contribution to Local Office Costs, considering input and assistance from the Regional Bureau as well as in kind contributions as an option; and (b) developing a resource mobilization strategy and action plan in line with the future donors round table.	(a) A letter was sent to the Government to remind them of their obligation and to negotiate with them to pay GLOC. Follow-up telephone calls will be made to the relevant government ministry. (b) A Resource Mobilization Strategy is being developed together with the Office CPD which is at the draft stage. This will be completed by April 2015. Continuous efforts are being made to increase the XB reserve. (c) The Office's XB reserve improved by the end of 2014 to 25 months.	**2 (a) In progress** (a) The audit acknowledged and noted the efforts made by the Office to recover the GLOC. (b), (c) The Resource Mobilization Strategy has been finalized and endorsed by the Resident Representative, and the level of XB at the time of fieldwork was beyond the required 12 months. Consequently, these two parts of the recommendation are considered implemented.
3	Harmonized Approach to Cash Transfers not fully implemented	**Medium (Important)** Implement the Harmonized Approach to Cash Transfers by: (a) taking into account the new Framework issued in January 2014; (b) completing a new macro-assessment of the public financial system followed by micro-assessments of implementing partners; (c) resuming Harmonized Approach to Cash Transfer task force meetings, and develop an implementation plan; and (d) establishing assurance plans and conducting assurance activities.	Macro-assessment, micro-assessment, assurance plan and spot check activities have been completed.	**Implemented** All steps were completed. During fieldwork, the audit reviewed the correct implementation of the assurance plan. Five spot check reports were reviewed and were assessed as relevant. Therefore, based on the comments above, this recommendation is considered implemented.

| 4 | Weaknesses in project design, initiation and definition | **Medium (Important)**

Adhere to prescribed procedures for project appraisal by:

(a) ensuring that local project appraisal committees are systematically convened for each project;
(b) seeking authorization from the Regional Bureau for Africa for all projects under the direct implementation modality prior to signing the project document or extending the project; and
(c) making sure that the standard UNDP letter of agreement with national institutions is used when the responsible party is a national agency. | (a) Five learning sessions have been held since March 2015: (i) Knowing better your Atlas Report, (ii) Procurement overview, (iii) Office 365 and One Drive, and (iv) Contractual Reforms (v) Atlas Project Management
(b) Two new projects: Parliament Support Project and Governance and Local Development Project (LPAC organized)
(c) Quality Assurance & Compliance with the 'UNDP Programme and Operations Policies and Procedures' is ensured by the Programme Management Support Unit. There are currently two projects approved in 2015, namely, 94298 – Appui aux Institutions Démocratiques; and 93628 – HIV Procurement. The first project is NIM and the second is DIM. A DIM request has been submitted – waiting for RBA response. | **Implemented**

The audit tested six projects during the period under audit and did not identify any significant exceptions with regards to initiation, design and definition processes.

Therefore, the recommendation is considered implemented. |

| 5 | Weaknesses in project monitoring and closure | **Medium (Important)**

Improve project monitoring by:

(a) developing a checklist containing all reporting requirements, which should be shared with all programme staff;
(b) complying with the requirements of implementing a project guidelines of the Programme and Operations Policies and Procedures;
(c) conforming to project document requirements in terms of reporting and ensuring that outstanding reports are prepared;
(d) organizing a training session on using Atlas as a project management tool;
(e) following up on outstanding advances made to responsible parties before previous tranches are liquidated; and
(f) expediting the financial closure of projects that are operationally closed for more than 12 months. | The Office updated Atlas logs, organized training sessions for staff members, followed up on NEX advances, and started monitoring activities on projects. | **In progress**

The audit selected six projects for further testing. Significant efforts have been made in using Atlas as a project monitoring tool. Few non-reportable exceptions were noted, but the audit considered that the spirit of the recommendation had been captured by the management and instilled among programme staff.

Moreover, the audit found that the Office was providing full support to national implementation, without this being formalized by a signed agreement with the national counterpart, as required by UNDP policies. Following the audit fieldwork, the Office prepared letters to the attention of the national authorities to correct this weakness. However, the Office explained that the signature of the letters were still pending, because of the unavailability at the counterpart's level due to recent changes in the Government.

The audit team assessed that the Office initiated adequate measures to conform to the organization's requirements, and the pending signature of the letter was a factor beyond the Office's control.

Twelve inactive projects were pending closure. The audit took note of the extension of a consultant's contract to allow for the closure of these projects. The consultant was recruited in July 2016, and among other tasks, should have closed the 12 inactive projects. This was delayed because of an unforeseen staffing gap in the Finance Unit, which led the consultant to focus on supporting the Finance Unit rather than projects. The audit |

				team's assessment was that the Office initiated appropriate measures to implement the recommendation.
6	Weaknesses in annual leave management	**Medium (Important)** Strengthen the annual leave monitoring system by: (a) reconciling leave balances in Atlas with data shown in weekly and monthly leave reports and ensuring that discrepancies are corrected in a timely manner. This control could be covered by the Human Resources Associate function; (b) ensuring that all leave is approved prior to the beginning of the leave period; (c) retaining supporting documents relating to leave adjustments processed to permit further verification of the data; and (d) preparing annual leave plans and following up on staff member leave balances to ensure that leave days in excess of 60 are taken before the cut-off date.	All leave management discrepancies have been corrected. Monthly leave cards have been updated and duly signed by staff and supervisor, along with Annual Leave records.	**Implemented** During fieldwork, the audit team verified the correct implementation of the leave plan, discussed with the Human Resources Associate the mechanisms in place to follow up on leave balances and prevent staff from losing annual leave days, reconciled leave balances in Atlas and those on attendance record cards, and ascertained that all leave requests were submitted through e-service and approved prior to staff taking leave. Since no significant deviation was noted, the recommendation is considered as implemented.

7	Incomplete performance assessment and limited participation in mandatory trainings	**Medium (Important)** Improve monitoring of staff performance by: (a) completing the Performance Management and Development process annually for staff, and in compliance with organizational policy; (b) ensuring staff complete mandatory training courses within the required timeframe of six months of their reporting date; and (c) verifying the timely completion of the staff Performance Management and Development and mandatory training as key performance indicators for supervisors and staff.	The Performance Management and Development process was completed for 2014, 2015 and 2016. Mandatory courses were also completed by service contractors and staff members, according to statistics.	**Implemented** The audit team reviewed the statistics uploaded during the audit fieldwork, and obtained evidence that existing personnel and all new staff completed mandatory courses. The recommendation is therefore considered implemented.

8	Bank reconciliations and account receivables not processed in a timely manner	**Medium (Important)** Strengthen the monitoring of receivables by: (a) properly reviewing bank reconciliation results to ensure that any long-outstanding amounts are fully investigated and followed up on with the payee as part of the reconciliation exercise; (b) ensuring that salary advances are granted in compliance with organizational policies and procedures to avoid excessive numbers of advances and repeat requests; (c) recovering accumulated and long-outstanding advances from individuals as soon as possible; (d) ensuring that all receivable accounts are reconciled in a timely manner and followed up on regularly; and (e) establishing a mechanism as part of the staff check-out process to recover all receivables from separated staff before they leave the organization.	Outstanding B2B items were cleared with the assistance of GSSC and UNDP Mozambique. Account receivables were analysed and recoveries were made. The Office stopped temporarily giving advances. The last B2B reconciliation reviewed did not show any long outstanding items. Staff members who left the Office paid off their outstanding amounts.	**8(d) In progress** Testing on (a), (b), (c), and (e) did not reveal any exceptions. Therefore, these parts of the recommendation are considered implemented. However, part (d) is still in progress since receivable accounts with credit balances were noted during the fieldwork and reported to the Office. The balance of the receivable account as of 21 December 2016 is summarized below: account #14020 – staff receivables – advance salaries with a credit balance of $130,361; account #14070 - unapplied deposits has a credit balance of $87,148. This was the balance shown in the trial balance as at 30 November 2016. However, as at 1 December 2016, the opening balance was nil, which should not have been the case. These exceptions may have originated from overpayments or errors in accounting codes. The Office indicated that an analysis of these discrepancies was ongoing, and that it was liaising with Headquarters. Agreed revised implementation date: **February 2017**

| 9 | Lack of oversight of procurement practices | **High (Critical)**

Strengthen procurement oversight by:

(a) gathering inputs from all projects and ensuring that a comprehensive procurement plan is prepared;
(b) periodically running Atlas queries and the procurement dashboard in order to monitor procurement, and submitting vendors that have exceeded the cumulative threshold for review by the appropriate procurement committees;
(c) systematizing full use of the Advisory Committee on Procurement online review system, including ensuring that the current status of all cases is updated regularly and all documentation and communication is maintained online;
(d) ensuring that purchase orders are used appropriately and only for valid procurement actions in accordance with existing guidance; and
(e) conducting a competitive selection process for recurrent services and signing contracts with the selected vendors. | (a) A Procurement Plan has been prepared with only two projects left to submit their plan for consolidation and signature by the RR.
(b) A Procurement Dashboard is being monitored on a weekly basis.
(c) Online ACP is being fully used for the review cases.
(d) Purchase Orders are being used appropriately for valid procurement actions.
(e) Long Term Agreements signed for all recurrent services through a competitive process. | **Implemented**

The audit tested all measures described by the Office, prior to and during fieldwork, and did not identify any significant exceptions.

The recommendation is therefore considered implemented. |

10	Unclear and inconsistent vendor selection/dis-qualification criteria	**High (Critical)** Reinforce transparency in procurement by ensuring that the evaluation criteria and processes used are established in the bid document, and that vendor disqualification is fully explained and documented.	All procurement processes above $5,000 have been certified by the Procurement Unit and evaluation criteria and process clearly established and published on the UNDP Procurement website.	**Implemented** Testing conducted by the audit during fieldwork, and additional information provided by the Office subsequent to the audit, did not identify any issues. The recommendation is therefore considered implemented.
11	Inadequate management of individual consultants	**High (Critical)** Improve the management of individual consultants by: (a) avoiding the use of direct contracting modalities unless exceptional circumstances warrant their use; and (b) ensuring that final selection decisions are substantiated, and any disqualifications from the hiring process are fully documented and explained.	(a) Direct contracting has been discontinued since 2014 and Office management is closely monitoring all requests for contracting. (b) All final decisions on individual contracting processes are fully substantiated and documented. The Procurement Unit is now fully in charge of individual contracting, which is now part of the 2015 Procurement Plan being finalized.	**Implemented** The audit team tested eight recruitments of consultants and did not identify any exceptions. Therefore, the recommendation is considered implemented.
12	Inadequate protection of internet system	**Medium (Important)** Install the Internet Security and Acceleration server to improve internet performance and protect network resources from unauthorized access.	An order has already been placed for ICT equipment. Training of IT staff commenced with the ICT Analyst. A second member of the ICT team is already in Dakar doing the training whilst the last one will be going for his training by the end of June 2015.	**Implemented** With the guidance of Headquarters, the Office installed a Wi-Fi component of the OneICT box, which addressed the audit recommendation. Consequently, the recommendation is considered implemented.

| 13 | Weaknesses in travel management | **Medium (Important)**

Strengthen travel management by:

(a) processing travel requests based on travel authorizations and official documentation showing the name, location and dates of events (if the business purposes cannot be validated for the three instances identified, the Office should seek reimbursement of undue payment of daily subsistence allowance and additional travel costs);
(b) obtaining and comparing at least three different quotations from the travel agencies, and completing a trip analysis to obtain the lowest price in accordance with the travel policy;
(c) filing travel claims within two weeks after returning from official business travel;
(d) centralizing travel procurement requests in the Travel Unit, and ensuring that all details of travel are made available to the Administrative Assistant responsible for travel arrangements before processing; and
(e) complying with the travel policy by discontinuing the practice of paying terminal expenses for Rest and Recuperation travel. | (a) PT8 forms are now being completed for all travels.
(b) Three different quotations have been received by travel agencies and a travel analysis is done.
(c) Travel is now centralized in the Procurement and Travel Unit.
(d) Travel expenses are no longer paid for Rest and Recuperation. Rest and Recuperation has been discontinued by the ICSC for Guinea-Bissau. | **Implemented**

The audit tested 10 PO travels during fieldwork and did not find any significant exceptions.

This recommendation is considered implemented. |

| 14 | Security measures not reinforced | **Medium (important)**

Implement a more proactive approach regarding security by updating and testing the Business Continuity Plan as soon as possible. | The Business Continuity Plan document has been finalized and fully signed. | **Implemented**

The Business Continuity Plan was tested in 2016, and during fieldwork, the audit noted that recent changes in staffing were incorporated.

The recommendation is therefore considered implemented. |

ANNEX   **Definitions of audit terms – implementation status, ratings and priorities**

A. IMPLEMENTATION STATUS

- **Implemented**   The audited office has either implemented the action as recommended in the audit report or has taken an alternative solution that has met the original objective of the audit recommendation.

- **In progress**   The audited office initiated some action to implement the recommendation or has implemented some parts of the recommendation.

- **Not implemented**   The audited office has not taken any action to implement the recommendation.

- **Withdrawn**   Because of changing conditions, OAI considers that the implementation of the recommendation is no longer feasible or warranted or that further monitoring efforts would outweigh the benefits of full implementation. A recommendation may also be withdrawn when senior management has accepted the residual risk of partial or non-implementation of recommendation.

B. 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.

C. 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.