UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

SIERRA LEONE

Report No. 1881

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Table of Contents

Report on the Audit of UNDP Sierra Leone
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Sierra Leone (the Office) from 3 to 14 July 2017. 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);

(b) programme (quality assurance process, programme/project design and implementation);

(c) operations (financial resources management, ICT and general administrative management, procurement, human resources management); and

(d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2016 to 31 March, 2017. The Office recorded programme and management expenditures of approximately $22.5 million during the audit review period. 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/major improvement needed**, which means "The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to the need for a review of the Country Programme Document targets, the portfolio structure that may impact efficiency, to inadequate project oversight, and to weak accountability on micro-capital grants expenditure.

Key recommendations: Total = **9**, high priority = **4**

The 9 recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 1 and 2 (high priority), Recommendation 3 (medium priority)); (b) reliability and integrity of financial and operational information (Recommendation 6 (high priority) and Recommendation 7 (medium priority)), (c) effectiveness and efficiency of operations (Recommendation 8 (medium priority)); (d) safeguarding of assets (Recommendation 9 (medium priority)); and (e) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 4 (high priority) and 5 (medium priority)).

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:

Need for a review of the Country Programme Targeted Results (Issue 1)	In order for the Office to achieve the outcomes planned for the programme period 2015-2018, a budget of $104 million was set in the Country Programme Document. At the time of the audit fieldwork, the Office was about two thirds of the way through the programme period but had only managed to deliver $32.4 million 0f the planned expenditure, excluding $10 million which were used in the Ebola Epidemic response. Meanwhile, total resources mobilised for the Country Office for the current programme period stood at $72.4 million. The above figures indicated a sizeable implementation and resource gap against the initial resource framework for the programme cycle, which may create a situation of unrealistic programme targets, for the available funds, and low implementation levels. The Office was in the process of requesting an extension of the Country Programme Document for one year but a formal review or evaluation had not been undertaken to assess the continued relevance of the current resource targets to the post-Ebola environment in the Country. Recommendation: The Office should undertake a review or evaluation of the Country Programme Document targets with the view to realign the programme results with the new funding outlook and to re- adjust resource targets, prior to submitting a request for the Country Programme Document extension.
Fragmented Portfolio structure may impact efficiency (Issue 2)	The Office had 31 projects and a $15 million annual programme budget, and a project staff complement of 37 individuals working on the implementation of the 31 projects. The current portfolio structure was mainly the result of the Ebola crisis which brought a proliferation of new projects. The fragmented nature of the programme portfolio may impose unnecessarily high overhead and transaction costs. Recommendation: The Office should continue reviewing the portfolio structure, following a re-examination of the relevance of the CPD targets, with a view of streamlining the programme portfolio around fewer projects with a critical mass, to derive better efficiencies.
Weak project oversight (Issue 4)	The review of five projects representing 30 percent of total delivery in 2016-2017 noted several weaknesses regarding oversight, such as lack of Project Board meetings being convened, inconsistencies in the periods these were held, and lack of Board approval in the case of additional activities undertaken, or of terminated projects where the activities were ongoing. In addition, no field verification visits were undertaken by programme staff. Recommendation: The Office should improve project oversight by: (a) holding Project Board meetings for all projects; (b) ensuring that project boards approve the Annual Work Plans and any extensions to projects; and (c) undertake programme field verification visits at least once per year for all projects.
Weak accountability on micro-capital grants expenditure (Issue 6)	The Office had a total of 19 Micro Capital Grant Agreements (MCGA) in place during the audit period with a total value of $1.34 million. Based on a sample review of Micro Capital Grants with a total value of $570,000 (representing 43 percent of the total value) identified weaknesses such as lack of justification for

the issuance of the grants, lack of consultation of Project Boards on the selection of grant beneficiaries, no follow-up by the Office on financial reporting requirements, and no evidence of the Office's reconciliation processes and allocation of expenditures against the relevant project expenditures codes.

Recommendation: The Office should strengthen accountability over Micro-Capital Grants expenditure by: (a) selecting recipients based on a Call for Proposals or on evidence of satisfactory performance under earlier MCGAs. All recipients must be approved by the Project Board prior to being awarded the MCGAs; (b) monitoring funds disbursed as grants by ensuring that financial reports from recipients are received on a regular basis, in the correct format, and verified, accompanied by documents to support the financial report; and (c) allocating the verified expenditure to the respective account codes and reversing the amount initially expensed as grants.

Implementation status of previous OAI audit recommendations: Report No. 1187, 3 December 2013.

Total recommendations: 7
Implemented: 7

Management comments and action plan

The Resident Representative accepted all recommendations and is in the process of implementing them. Comments and/or additional information provided have 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 had a complement of 59 personnel in 2016. The Office was operating under the 2015-2018 Country Programme Document (CPD) which focussed on two thematic areas: (a) inclusive and effective democratic governance; and (b) inclusive growth and sustainable development. To achieve the outcomes planned for the programme period, a budget of $104 million was set in the CPD. The Country experienced an Ebola virus epidemic in 2014-2015, which affected development programming during the period.

II. Audit Results

OAI made 4 recommendations ranked high priority (critical) and 5 recommendations ranked medium priority (important). 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) Undertake a full review or evaluation of the CPD targets (Recommendation 1).
(b) Strengthen accountability over micro-capital grants expenditure (Recommendation 6).
(c) Improve project oversight (Recommendation 4).
(d) Continue reviewing the portfolio structure (Recommendation 2).

Medium priority recommendations, arranged according to significance:
(a) Improve fuel management (Recommendation 8).
(b) Improve asset verification processes (Recommendation 9).
(c) Undertake a review of existing projects regarding monitoring frameworks (Recommendation 5).
(d) Ensure that Annual Work Plans are agreed upon by partners (Recommendation 3).
(e) Correctly implement Direct Project Costing Recommendation 7).

The detailed assessment is presented below, per audit area:

A. Programme

1. Quality Assurance

Issue 1 Need for a review of the Country Programme Document targeted results

UNDP Country Offices should ensure an adequate pace of implementation and delivery, to meet Country Programme Document (CPD) targets, as planned and within budget. Where exogenous shocks impact the programme cycle, an evaluation or review should be undertaken to ensure the continued relevance of planned activities to the new development context.

The current CPD focused on two thematic areas: (a) inclusive and effective democratic governance; and (b) inclusive growth and sustainable development. To achieve the outcomes planned for the programme period 2015-2018, a budget of $104 million was set in the CPD. At the time of the audit fieldwork, the Office was about two thirds of the way through the programme period, but had only managed to deliver $32.4 million (i.e. at two thirds of the project period a linear implementation rate of two thirds would amount to $69.3 million against a realized expenditure of $32.4 million, which implies 47 percent of budget utilisation). This amount excluded $10 million, which were separately mobilized and used for the Ebola Epidemic response. Meanwhile, total resources mobilised for the Country Office for the current programme period stood at $72,4 million, also excluding the $10 million mobilized for Ebola recovery activities.

The above figures indicate an implementation and resource gap against the initial amount of $104 million for the current programme cycle. The Office was in the process of requesting an extension of the CPD for 1 year, however a formal CPD evaluation or review had not been undertaken to assess the continued relevance of the current CPD and its resource targets to the post-Ebola environment in the Country.

The lack of a review or evaluation of the CPD targets may result in them being not realistic and may hinder the overall control on programme implementation. The Office may not meet the resource targets and some programme objectives set, for the available funds.

Priority High (Critical)
Recommendation 1: The Office should undertake a review or evaluation of the CPD targets with the view to realign the programme results with the new funding outlook and to re- adjust resource targets, prior to submitting a request for the CPD extension.
Management action plan: The Office agrees it is important to undertake a review of the CPD as part of its extension. In consultation with the UNDP Regional Service Center for Africa, the Office will undertake the following in extending the CPD: (a) undertake CPD review in cooperation with other UN agencies namely UNFPA, WFP, and UNICEF; and (b) based on the review, adjust the CPD for the remaining period and in line with current resource environment. **Estimated completion date:** December 2017

Issue 2 Fragmented portfolio structure may impact efficiency

The Country Offices' programme portfolio structure should be streamlined and commensurate with available resources. The portfolio structure should best serve the implementation of the CPD, to meet development priorities.

The Office had 31 projects and a $15 million annual programme budget. The current portfolio structure was mainly the result of the Ebola crisis which brought a proliferation of new projects. During the audit fieldwork date the Office had a project staff complement of 37 individuals working on the implementation of the 31 projects.

The audit noted that the Office had commenced work prior to the audit to minimize the fragmentation of programming, including developing a Rule of Law project that merged projects into one and organized a staff retreat which enabled staff to review and propose a new Office programme structure.

The current structure of the programme portfolio may carry unnecessarily high overhead and transaction costs.

Priority	High (Critical)
Recommendation 2: The Office should continue reviewing the portfolio structure, following a re-examination of the relevance of the CPD targets, with a view of streamlining the programme portfolio around fewer projects with a critical mass, to derive better efficiencies.	
Management action plan: The Office agrees with the audit observation. Further, to the programme review planned to take place in 2017, the programme will be realigned around a specific fit for purpose portfolio. **Estimated completion date:** 31 December 2017	

Issue 3 Delayed implementation of planned activities

Offices should ensure that programme delivery is set at an adequate level to meet the programmatic and budgetary targets defined in the Country Programme Document.

Implementation of planned activities was delayed due to the late Annual Work Plans sign-off by government partners at the start of each year. A review of 5 projects showed that on average, the signatures for the approval of Annual Work Plans were obtained 4 months late, thus followed by a delayed start of implementation activities. The Office management recognized that it had been a challenge in previous years to sign-off the Annual Work Plans, mainly due to delays from the Government counterparts. The Office management had therefore initiated discussions prior to the audit fieldwork, to address the matter with partners. The Office's management further explained that once Annual Work Plans were signed, delivery had always been accelerated. The 2016 Office delivery rate, as communicated by the Regional Bureau of Africa, stood at 95 percent.

There is a risk that delays in implementation of planned activities may result in Country Programme Document targets not being achieved.

Priority	Medium (Important)
Recommendation 3: The Office should ensure that Annual Work Plans are agreed and approved by partners in the last quarter of the preceding year.	
Management action plan: The Office is determined to adopt this practice to further accelerate delivery. The Office will ensure that at least 75 percent of Annual Work Plans is discussed and agreed upon by 31 December 2017 and hope that this percentage will gradually increase the following years. **Estimated completion date:** December 2017	

2. Project Design and Implementation

Issue 4 Weak project oversight

The 'UNDP Programme and Operations Policies and Procedures' require offices to ensure that controls are in place for project oversight. It requires, among others, that project boards meet regularly to provide oversight of projects being implemented; that project boards approve extensions or changes to projects and Annual Work Plans, that field verification activities are undertaken at least once per year by programme staff, and that verification reports are compiled based thereon. Additionally, Local Procurement and Assets Committee (LPAC) meetings should be held with stakeholders for all projects prior to their inception.

The review of five projects representing 30 percent of total delivery in 2016-2017 noted the following weaknesses:

(i) Weak Project Board oversight

In one case, the Project Board did not hold any meetings, and in two other cases the Board met irregularly. As a result, the Office implemented additional activities amounting to $461,440 and $410,299 for the two projects respectively, without any Project Board approval. According to programme staff, high turnover of programme staff and the Government focus on Ebola recovery efforts, Project Boards could not be held regularly.

(ii) Expired projects

In three cases the implementation of the projects continued without Board approval, even though the projects had lapsed. The Office shared documents showing that donors had approved an extension for two of these projects. Programme staff were under the impression that approvals by donors on project extensions were sufficient to extend project activities.

(iii) Lack of field verification

Field verification visits were not undertaken by programme staff for four of the five projects reviewed. The Programme Unit considered that field verification activities undertaken only by project staff were an adequate assurance measure.

Failure to ensure adequate oversight of projects may lead to project targets not being achieved and to a sub-optimal allocation of resources.

Priority	High (Critical)

Recommendation 4:

The Office should improve project oversight by:

(a) holding Project Board meetings for all projects;
(b) ensuring that project boards approve the Annual Work Plans and any extensions to projects; and
(c) undertaking programme field verification visits at least once per year for all projects.

Management action plan:

The Office agrees with the audit recommendations, and will do the following:

(a) Review all existing projects to establish whether they have conducted Project Board meetings.

(b) Ensure all the 31 projects undertake at least one Project Board meeting by 31 December 2017.
(c) Develop Standard Operating Procedures for conducting Project Board meetings and overall project oversight.

Each cluster will undertake at least one field monitoring mission before end of year. The Project Management and Support Unit will undertake at least one independent field monitoring mission before end of year.

Estimated completion date: December 2017

Issue 5 Inadequate project monitoring and reporting

According to the 'UNDP Programme and Operations Policies and Procedures', each project should have a monitoring framework in place which defines the indicators, targets and baselines to be used to measure progress on projects. Projects reports are to be produced on a quarterly basis for all projects and reporting should take place against the outputs defined in respective project documents.

Based on the sample review of five projects, the audit noted the following weaknesses on project monitoring and reporting:

(i) Deficient systems for project monitoring

Two projects did not have monitoring frameworks consisting of indicators, baselines and targets and another two projects did not use the monitoring frameworks. A review of data collected by projects for monitoring purposes showed that monitoring was undertaken on an activity rather than on project basis, contrary to the corporate policies and the Results Based Management (RBM) principles. The Office had sought to address weaknesses in this area by organising staff training on RBM in 2016 and through the provision of technical support to staff from the Regional Service Centre for Africa in 2017.

(ii) Irregular frequency and poor quality of reporting

Project reports for three projects were produced only for some quarters. The audit team could not establish the reason why reporting on progress was not regular. Furthermore, for three projects, it was not clear from the project reports what the projects were reporting against, since the projects were not reporting against the planned outputs per the project documents.

Failure to put into place monitoring frameworks for projects and to collect data based thereon, may impede reliable tracking of the projects. This situation combined with irregular and sub-standard reporting on projects may lead to resources being allocated sub-optimally.

Priority	Medium (Important)
Recommendation 5: The Office should undertake a review of existing projects and ensure that: (a) monitoring frameworks consisting of indicators, baselines and targets are defined for all projects and that data is collected on indicators cited in project monitoring frameworks in a timely and regular manner; and (b) quarterly project progress reports against the outputs defined in their respective project documents are produced and part of quarterly and annual progress reporting.	
Management action plan: The Office agrees with the recommendation and it is currently working on a comprehensive monitoring and evaluation framework that will include the following components: Results Framework and Assessment (CPD 2015-2018); Results Framework and Assessment (IRRF outcome indicators; ATLAS Logical Framework – Annual expected results per outputs for 2017; List of planned evaluations 2017-2018; Main programmatic deadlines – CPD 2017-2018; Annual programmatic calendar 2017; Field monitoring mission planning for 2017; CPD Result monitoring indicators assessment for clusters/units; Quarterly monitoring matrix -AWP implementation 2017; Institutional result – ABP. The Office will also undertake the following action: (a) Assess projects without monitoring and evaluation frameworks and develop monitoring and evaluation framework for projects continuing until 31 December 2017. (b) Elaborate a tracking tool to systematically monitor due reports, and anticipate on their timely and qualitative completion. (c) Organize one project level field monitoring mission before end of year. (d) The Office acknowledges regular reporting and will continue with the practice and improve the quality of reports. **Estimated completion date:** December 2017	

Issue 6 Weak accountability on micro-capital grants expenditure

According to the 'UNDP Programme and Operations Policies and Procedures' recipients are selected based on positive experience by the Office through earlier arrangements, the recipient organization must have produced the results agreed to in the prior grant agreement, and a new micro-capital grant agreement must be approved by the Steering Committee.

Additionally, requirements stipulated in the grant agreements, grant recipients should report quarterly using a pre-set expenditures report. Expenditure reports should be supported by cash book balances that have been reconciled to bank statements. All supporting documents are part of quarterly reporting. The monitoring requirements of the Office of Financial Resources Management require Offices to review the grant expenditures quarterly, and properly account for grants paid by using the designated project expenditure accounts.

Nineteen Micro Capital Grant Agreements (MCGAs) with a total value of $1.34 million were in place during the audit period. Based on a sample of 5 MCGAs with a total value of $570,000 (representing 43 percent of the value of MCGAs), the audit noted the following:

- In three cases, it was not clear on what basis the MCGAs were issued. There was no Call for Proposal to potential beneficiaries. Programme staff explained that beneficiaries were selected based on positive experience of the Office with the beneficiaries under other arrangements. However, there were no assessments submitted by programme staff at the time of beneficiaries' selection to certify that the recipient organization had produced the results agreed under earlier contracts.
- For four out of the five MCGAs sampled, Project Boards were not consulted on the selection of the MCGA beneficiaries and did not give their approval thereon as required by the UNDP policies.

Poor selection of MCGAs recipients may result in results not being achieved and loss of a resources.

The review of seven grant agreements identified the following:

- There was no rigorous follow up by the Office on reporting requirements. Out of the seven selected entities, four recipients had not submitted any form of financial report. Out of the three that had, two had bank reconciliations that did not match the cash book and one had missing pages from the bank statement, so it was not clear how the reconciliation was checked;
- There was no evidence that once reports were received the Office was reconciling and allocating the expenditure against the relevant project expenditure account code. At the time of the audit there was a balance of $961,437 in the grants account that dated as far back as March 2016 that had not been reversed to the respective project expenditure accounts.

The lack of monitoring project expenditure may result to inaccurate monitoring and reporting.

Priority	High (Critical)

Recommendation 6:

The Office should strengthen accountability over Micro-Capital Grants Agreements (MCGAs) expenditure by:

(a) selecting MCGA recipients based on a Call for Proposals or on evidence of satisfactory performance under earlier MCGAs. All recipients must be approved by the Project Board prior to being awarded the MCGAs;
(b) monitoring funds disbursed as grants by ensuring that financial reports from recipients are received on a regular basis, in the correct format, and verified, accompanied by documents to support the financial report; and
(c) allocating the verified expenditure to the respective account codes and reversing the amount initially expensed as grants.

Management action plan:

The Office agrees with the audit recommendations. The Office recognizes that the financial reporting template used in 2016 was not updated. This was done and the 2017 template is now in use.

<u>The Office will also undertake the following measures:</u>

(a) Share with all programme staff the UNDP requirements for the selection of MCGA recipients, and ensure that, going forward, all are selected based on the policy.
(b) Develop SOPs to guide in the selection process of micro-capital grantees and on the proper monitoring and verification of funds disbursed based on the new guidelines.
(c) Develop a template/update the service performance appraisal form to fit the requirements for assessing micro-capital grants.
(d) Reconcile expenditures by using the appropriate accounts code and verify financial reports accordingly.

Estimated completion date: December 2017

B. Operations

1. Financial Resources Management

Issue 7 Direct Project Costing not correctly implemented

The main principals of creating a stand-alone project for the purpose of Direct Project Costing (DPC) is that it requires pre-funding, periodic reconciliation, and reversals of expenditure between the stand-alone project and the development projects. Expenses recorded under DPC projects must be fully apportioned to attributable projects at year-end, to ensure that projects reflect the correct costs, and to clear the stand-alone account to a zero balance. Updated guidelines state that DPC costs should be allocated against two dedicated accounts (64398 - staff costs and 74596 – general operating expenditures).
The following was noted:

- The stand-alone project for DPC for both 2016 and 2017 was not reconciled and expenses were not charged against the respective development projects. The stand-alone project for DPC had not been cleared to zero at the end of 2016. At the time of the audit fieldwork, the stand-alone project had a balance of $81,245. The Office was not able to explain why there was a balance and what it related to.
- Within the stand-alone project there was a total of $503,959 that was expensed to the DPC project using account codes other than the stipulated account codes. This expenditure had not been reversed to the respective attributing development projects.
- In 2017, a total of $650,381 has been transferred from 19 projects to fund the stand-alone DPC project. The Office was not able to provide a documented workload study demonstrating the total attributable costs and the respective projects that should be charged relative to the 2017 DPC costs. The last workload study completed was in 2015, which only showed total DPC costs estimated at $719,567 should be charged against 11 projects.

The use of other than the prescribed account codes may indicate lack of DPC monitoring. The lack of reversing the income and related expenditure to respective projects may distort project expenditure.

Priority	Medium (Important)
Recommendation 7: The Office should correctly implement Direct Project Costing (DPC) by: (a) clearing the 2016 costs that are still reflected in the stand-alone DPC project; (b) updating the 2015 workload study to show the true portion of DPC and the attributable projects; and (c) amending the stand-alone project to only include the 2 prescribed account codes and reconciling the project regularly.	
Management action plan: The Office agrees with the audit recommendation. Reconciliation with cost charged to respective project will be difficult at this stage as projects were not reflected in the stand-alone project as activity at the initial stage. The Office will review the DPC concept in 2017 and fully implement the 2017 amended DPC guidelines in 2018. The Office will undertake the following action: (a) Clear balances that still reflect in the stand-alone project; (b) Update the workload study for 2017. (c) Amend the standalone project with the two DPC account codes. **Estimated completion date:** October 2017	

2. ICT and General Administrative Management

Issue 8 Inadequate fuel management procedures

Offices are required to establish adequate fuel management procedures that will promote internal controls over fuel use.

The Office's fuel management procedures were not documented. The following weaknesses were identified:

- The Office had two fuel coupon systems and there were no procedures for reconciling fuel consumption between the two systems. There were also no controls over the custodianship of the coupons to ensure their completeness. For one type of coupon system which could only be liquidated at one fuel station in the capital, the used coupon books could not be provided for review. For the other set of coupons which were referred to as vouchers and could be freely exchanged for fuel anywhere in the Country, the coupons were not printed sequentially. The Office explained that the sequence of the coupon numbering was beyond the Office's control since the fuel company issued them in batches on a first come first serve basis to various clients.
- There was no segregation of duties between receiving vouchers and the custodianship, and they were not regularly recorded when received. As a result, the completeness of the coupons could not be verified.
- The Office also had a diesel tanker within the compound for supply of diesel for generators. There were no documented control procedures for the stocking and consumption of the diesel.

There is a risk of mismanagement and fraud not being detected.

Priority	Medium (Important)
Recommendation 8: The Office should improve fuel management by: (a) undertaking a cost benefit analysis to choose one coupon system that applies for trips both within the capital and beyond; (b) establishing documented standard operational procedures for the management of fuel for vehicles as well as the diesel for generators. The standard operational procedures should also address segregation of duties between receiving and custodianship of coupons as well as completeness of records for coupon books; and (c) undertaking regular independent spot-checks to ensure that the system functions.	
Management action plan: The Office agrees with the audit recommendations with next steps as follow: (a) The Office will conduct a Cost Benefit Analysis to establish the most feasible approach to fuel management. (b) The Office will draft SOPs and submit them to Senior Management for endorsement; (c) The Office will conduct spot checks and document findings on the implementation of the SOPs developed. **Estimated completion date:** September 2017	

Issue 9 Common services asset verification not properly conducted

The 'UNDP Programme and Operations Policies and Procedures' require offices to capitalize and include at mid-year and year-end reporting through the Atlas In-Service Report the UNDP portion of common services assets, based on the respective UNDP ownership percentage.

Mid-year and year-end assets certification and reporting for 2016 was completed, however the following issues were noted:

- The Atlas In-Service Report reported in the total cost of assets as of 31 December 2016, the amount of $1,213,856. This amount included $309,284 (25 percent) pertaining to all United Nations agencies. The UNDP specific procurement catalogue for asset acquisitions was used when purchasing the assets, however the percentages of UNDP ownership were not adjusted.
- Both the mid and year-end asset certification for 2016 had reported no assets under the Common Services Assets section. The verification was carried against Office lists of equipment and inventory instead of using the Atlas In-Service Report.
- Assets that were located in the Sub-office in another district were not physically verified.
- Neither the asset focal point nor the focal point's supervisor had completed the required IPSAS Property, Plant and Equipment training.

Inadequate asset verification may lead to loss/misstatement of assets.

Priority	Medium (Important)
Recommendation 9: The Office should improve asset verification processes by: (a) identifying the UNDP portion of common services assets and only including that in the In-Service Report with a separate disclosure of common services assets; (b) repeat the asset physical verification process and include assets at the Sub-office. Verification should ensure that assets are individually recorded and tagged as required by IPSAS; and (c) ensuring that the asset focal point and his supervisor complete the designated IPSAS course.	
Management action plan: The Office agrees with the audit recommendations and will do the following: (a) review assets for the portion of common premises for the year-end review only as the mid-year reports have already been submitted to GSSU. (b) conduct an asset verification exercise for the Sub-Office common premises with necessary adjustments. (c) Relevant staff are already aware and should start and complete the certification for the IPSAS, Property, Plant and Equipment training. **Estimated completion date:** September 2017	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.

- **Partially Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.

- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.

- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

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. Failure to take action could result in negative consequences for UNDP.

- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are <u>not included in this report</u>.