

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
Resilient nations.*

AUDIT

OF

UNDP COUNTRY OFFICE

IN

ZIMBABWE

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Report on the Audit of UNDP Zimbabwe Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Zimbabwe (the Office) from 25 March to 5 April 2019. 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 and human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2018 to 31 January 2019. The Office recorded programme and management expenses of approximately \$34.5 million. The last audit of the Office was conducted by OAI in 2016.

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 **satisfactory**, which means “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.”

OAI undertook an audit of UNDP Zimbabwe’s grants from the Global Fund in parallel with this audit. Findings thereon will be documented in a separate audit report and are not reflected in the rating given above.

Good practice

OAI identified a good practice as follows:

Monitoring of Office performance: The Office developed and implemented a weekly tracking system to monitor the performance of procurement, human resources, programme, finance, and monitoring and evaluation. The system flags any delays and facilitates effective follow up on outstanding issues. The objective of these weekly updates is to inform staff on issues that are pending within the Office. This method promotes transparency and allows dialogue between management and staff on pending issues.

Key recommendation: Total = 1, high priority = 0

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, which means “Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.” The recommendation includes actions to address the risk ratings given to government ministries as part of the Harmonized Approach to Cash Transfer (HACT) implementation process.

The recommendation aims to ensure the effectiveness and efficiency of operations.

Implementation status of previous OAI audit recommendations: Report No. 1730, 29 November 2016.

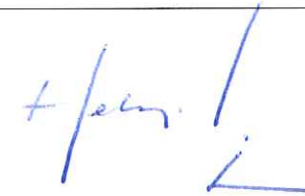
Total recommendations: 1

Implemented: 1

Management comments and action plan

The Resident Representative accepted the one recommendation and is in the process of implementing of the same. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Ostveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Harare, Zimbabwe (the Country) had a total of 61 staff at the time of the audit. The Office's programme focus was on inclusive growth and sustainability, democratic governance, and climate change and resilience. The Country had been operating in a dollarized economy; however, due to increasing cash shortages, the Government, in 2016 introduced local currency of bond notes and coins whose value was on par with the US dollar. This currency, together with electronic money transfer was termed Real Time Gross Settlement system (RTGS). In March 2019 the RTGS became a licensed currency and subject to exchange control regulations. The introduction of the local currency and continued cash shortages in the Country presented challenges to the Office regarding payments to local suppliers and implementing partners.

II. Good practice

OAI identified a good practice as follows:

Monitoring of Office performance: The Office developed and implemented a weekly tracking system to monitor the performance of procurement, human resources, programme, finance, and monitoring and evaluation. The system flags any delays and facilitates effective follow up on outstanding issues. The objective of these weekly updates is to inform staff on issues that are pending within the Office. This method promotes transparency and allows dialogue between management and staff on pending issues.

III. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance and leadership. No issues were identified relating to organizational structure, delegation of authority, risk management, business continuity and financial sustainability.
- (b) Programme design and implementation. Controls on programme management, partnership and resource mobilization were found to be adequate.
- (c) Operations. Controls and procedures on human resources management, management of financial resources, general administration, information communication and technology and safety and security were found to be adequate.
- (d) United Nations leadership and coordination. Support to the Resident Coordinator Office was adequate and no issues were noted in the delinking process.

OAI made one recommendation ranked medium (important) priority.

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

An evaluation of the Country Programme was conducted by the Independent Evaluation Office at the same time as the audit mission. An issue noted by OAI relating to programme indicators and project monitoring will be detailed in the Independent Country Programme Evaluation (ICPE) report and is not reflected herewith.

Medium priority recommendation

- (a) Consider rating government ministries as high risk aligned with observations in the macro-assessment. The detailed assessment is presented below, per audit area:

A. United Nations leadership and coordination

1. HACT implementation

Issue 1 Inadequate HACT risk assessments

Macro- and micro-HACT risk assessments identify internal control weaknesses at the implementing partner level, and these internal control risks should be mitigated.

The following observations were made:

- Micro-assessment results were not aligned with observations made in the macro-assessments.

Weaknesses in HACT micro-assessments could expose UNDP to risks when using implementing partners.

Priority	Medium (Important)
Recommendation 1:	
Based on the HACT macro-assessment, the Office should consider rating government ministries as high risk	
Management action plan:	
The recommendation is well noted.	
The Office will conduct the HACT financial audits on a yearly basis starting in 2020. The next micro-assessments planned for the third quarter of 2020 will be used to guide the Office in terms of possible changes to the current approach.	
Estimated completion date: HACT financial audits in May 2020 for the financial year ending 31 December 2019 and annually thereafter until the next micro-assessment, expected to be done by 31 December 2020.	

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 not included in this report.