



**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**HAITI**

**Report No. 2184**  
**Issue Date: 31 January 2022**



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## Report on the Audit of UNDP Haiti Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Haiti (the Office) from 22 November to 7 December 2021. 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
- (b) Development activities
- (c) Operations – procurement, finance, human resources, administrative services, information and communication technology (ICT)

The audit covered the activities of the Office from 1 January 2020 to 30 September 2021. The Office recorded programme and management expenses of approximately \$59.9 million. The last audit of the Office was conducted by OAI in 2017.

The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

- (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team’s understanding of the Office’s working environment.
- (c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
- (d) A physical verification of assets was not performed.
- (e) Safe content and petty cash were not verified.
- (f) The information and communication technology area was not reviewed on-site.

### Overall audit rating

OAI assessed the Office’s performance as **fully 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/area’. This rating was due to no recommendations being rated as high (critical).

**Key recommendations:** Total = **3**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There are three medium (important) priority recommendations, 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.” These recommendations include actions to address weaknesses in risk management, incorrect recording of financial transactions and weaknesses in travel management.

The three recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	2	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	1, 3	Medium



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**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 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 Port-au-Prince, Haiti and its Country Programme covered the period 2017–2020 (extender to 2021) with the following development priorities:

- a) State reform, rule of law and electoral support.
- b) Poverty reduction.
- c) Environment and disaster risk reduction

During the period from January 2020 to September 2021, the Office spent \$55.3 million on development activities, an increase by 21 percent compared to the previous period.

The largest development projects in terms of expenses during the period covered by the audit were:

	Expenditure Jan.-Dec. 2020 \$million	Expenditure Jan.-Sep. 2021 \$million
Appui au Processus Électoral en Haïti (PAPEH)	7.49	7.98
Project for Strengthening the Solid Waste Management	1.98	3.09
Electrification Rurale et Autonomisation des Femme	1.51	3.14
Programme de relèvement post-Matthew	1.35	5.22
Management Plan - DPVC & DPXB	1.24	3.00
<b>Total</b>	<b>13.53</b>	<b>22.43</b>

The largest sources of funding of the Office's development activities for the period covered by the audit were:

Donor	Funding for the period \$million
Haiti Government	40.46
Multi Partner Trust Funds	6.67
Vertical Fund - GFATM	3.90
Norway	2.65
Vertical Fund - GEF	2.37
<b>Total</b>	<b>56.05</b>

## II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance. Adequate internal controls were in place to ensure segregation of duties. Staff were aware of the Office's priorities, challenges and control objectives.
- (b) Operations – Human resources. The governance, risk management and control systems within human resource management, including recruitment and separations, were adequate.
- (c) Operations – Administrative services. The governance, risk management and control systems within administrative services, including assets and common services, were adequate and operating effectively.

- (d) Operations – Information and communication technology (ICT). The governance, risk management and control systems within ICT, including the implementation of the business continuity plan, were operational and effective.

OAI made three recommendations ranked medium (important) priority.

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

**Medium priority recommendations**, arranged according to significance:

- (a) Strengthen risk management (Recommendation 1).
- (b) Strengthen the recording of financial transactions (Recommendation 2).
- (c) Address weaknesses in travel management (Recommendation 3).

The detailed assessment is presented below, per audit area:

## A. Development activities

### 1. Project administration

#### Issue 1 Weaknesses in risk management

The 'UNDP Programme and Operations Policies and Procedures' require that for each project, the Social and Environmental Screening Procedure is completed to identify corresponding risks including mitigating actions. Further, the project risk registers should be updated at least once a year after the initial risk assessment.

The audit team reviewed 7 out of 42 development projects. The sample represented 53 and 61 percent of 2020 and 2021 (as of Q3) programme delivery, respectively. The following weaknesses were noted:

- The Office did not update risk registers for 21 out of 41 development projects within the enterprise resource planning system (Atlas). Specifically, six projects did not update the risk register within the audit period and for 15 projects, risk registers did not identify any political, financial or environmental risks.
- Within the sample, the audit team observed that three out of seven projects lacked the Social and Environmental Screening Procedures.

Incomplete assessment of risks and their mitigation may impact on the achievement strategic priorities.

<b>Priority</b>	Medium (Important)
<b>Recommendation 1:</b>	
In order to strengthen risk management, the Office should ensure that:	
(a) project risks are complete and updated in Atlas; and	
(b) Social and Environmental Screening Procedures are completed for all projects	

**Management action plan:**

In coordination with the Regional Bureau, the Office will:

- (a) Organize a Programme and Project Management refresher for all Office personnel.
- (b) Update the risk register in Atlas for the projects identified as non-compliant by OAI.
- (c) Revise relevant Standard Operating Procedures to ensure that the Social and Environmental Screening Procedure is completed for all projects as applicable.

**Estimated completion date:** December 2022.

## B. Operations

### 1. Finance/Payments

#### **Issue 2**      Incorrect recording of financial transactions

The 'UNDP Programme and Operations Policies and Procedures' stipulate that a General Ledger Journal Entry (GLJE) should be used as an adjustment to reflect non-cash journal entries or corrections to previously made entries. In addition, project expenditures should only be charged to the project for which they are incurred.

Offices must ensure that financial transactions are accounted for properly using the appropriate account codes to ensure accurate financial reporting.

#### Improper use of GLJEs

The audit team observed that a GLJE was processed to transfer a project deficit of \$181,816 to an unrelated project that had available resources.

#### Incorrect use of account codes

Out of a sample of 52 payment vouchers totalling \$13.6 million, the audit team identified 10 cases in which they were not recorded in accordance with UNDP's policies, as follows:

- Seven payments totalling \$1,765,338 were coded to the incorrect expense category. This included two payments of \$328,816 and \$114,455 that were made for the acquisition of telecommunications services for a project; however, the expenditures were incorrectly recorded as common services on communication.
- Two advance payments totalling \$373,024 made to an implementing partner of a project's activity were expensed instead of being recorded as advances.
- An advance payment of \$214,648 for civil works was expensed instead of being recorded as a prepayment.

Following the audit mission, the Office corrected the above-mentioned accounting errors. However, an audit recommendation is being made to avoid similar issues reoccurring.

Inaccuracies in the recording of expenditures increases the risk of financial misstatements and may lead to reputational risks with project counterparts and donors.

<b>Priority</b>	Medium (Important)
<b>Recommendation 2:</b>	
The Office should strengthen the recording of financial transactions by:	
<ul style="list-style-type: none"> <li>(a) ensuring project expenses are charged within the projects for which they are incurred; and</li> <li>(b) providing refresher training to project staff involved in the payment process to ensure the correct use of account codes.</li> </ul>	
<b>Management action plan:</b>	
The Office thanks OAI for having accepted evidence supporting the correction of the above accounting errors. Two training sessions will be organized respectively in February and March 2022 for personnel involved in Atlas accounts. This training will be recorded and included in the briefing kit for new personnel.	
<b>Estimated completion date:</b> June 2022	

## 2. Administrative Services/Travel

### Issue 3 Weaknesses in travel management

The 'UNDP Programme and Operations Policies and Procedures' require all business travel organized and paid for by UNDP to be processed and approved through the Atlas Travel and Expense (T&E) module. Travel request creation and approval should take place within the Atlas T&E module, prior to travel. Travel claims must include supporting documentation and overpayments should be recovered through the expense claim.

Within the audit period travel related payments were \$1.4 million.

The audit sampled 10 travel requests (totalling \$49,046) processed through the T&E module for review, and identified the following weaknesses:

- Two cases were identified where the travel request was not approved prior to the travel commencing.
- In one case, a business class ticket was purchased for a non-staff (service contract holder) without appropriate authorization.
- There was one case where an overpayment of \$756 for Daily Subsistence Allowance was made, following changes in the itinerary. The difference was not recovered through the travel claim.
- There were two cases of overpayment (totalling \$909) in which the special hotel Daily Subsistence Allowance was paid to travellers without supporting evidence including (hotel receipts) and without approval.

Furthermore, the audit team observed that the Office only processed international travel via the T&E module, whereas domestic travel was processed through the Accounts Payable module in Atlas. During





the audit period, the Office processed 22 travel cases in the T&E module for a total of \$80,942, whereas travel expenses were processed outside the module totalling \$1.3 million.

Weaknesses in travel management may lead to inefficient use of resources, inaccurate reporting, and increased administrative burden for the Office.

<b>Priority</b>	Medium (Important)
<b>Recommendation 3:</b>	
The Office should strengthen travel management by ensuring:	
<ul style="list-style-type: none"> <li>(a) travel organized and paid for by UNDP is processed through the T&amp;E module;</li> <li>(b) personnel involved in processing travel are trained on the travel policy, including approvals and ticketing policy; and</li> <li>(c) recovery of amounts where excess Daily Subsistence Allowance has been paid.</li> </ul>	
<b>Management action plan:</b>	
The Office take the following corrective actions:	
<ul style="list-style-type: none"> <li>(a) Update the Standard Operating Procedure on travel management for official missions and disseminate it throughout the Office.</li> <li>(b) Enforce the use of the Travel and Expense module.</li> <li>(c) Recover the overpayments of Daily Subsistence Allowance identified in the OAI report.</li> </ul>	
<b>Estimated completion date:</b> June 2022	

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## Definitions of audit terms - ratings and priorities

### A. AUDIT RATINGS

- **Fully 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.
- **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.