AUDIT

OF

UNDP COUNTRY OFFICE

IN

GUINEA

Report No. 2201
Issue Date: 8 July 2020
Table of Contents

Executive Summary i
I. About the Office 1
II. Audit results 1
A. Governance 2
   1. Organizational chart and overall staffing 2
B. Development activities 3
   1. Implementation modalities 3
   2. Project administration 5
C. Operations – Procurement 6
   1. Goods and services 6
D. Operations - Finance 9
   1. Office budget and cost recovery 9
   2. Cash, banking and deposits 10
E. Operations – Administrative services 11
   1. Travel expenses 11
   2. Assets 12
   3. Common services 13
Definitions of audit terms - ratings and priorities 16

Audit Report No. 2201, 8 July 2020: UNDP Guinea
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 11 to 27 May 2020. 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 communication and technology (ICT)

The audit covered the activities of the Office from 1 January 2019 to 31 March 2020. The Office recorded programme and management expenses of approximately $25 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*. 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, such as identifying non-verbal feedback and observing Office interactions and dynamics.
(c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
(d) A physical verification of assets was not performed.
(e) Safe and petty cash contents were not verified.
(f) The information communication and technology areas were not reviewed on-site.

**Overall audit rating**

OAI assessed the Office’s performance as **partially satisfactory/some improvement needed** which means “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.” This rating was mainly due to issues noted in the areas of governance, development activities, procurement, finance, and administrative services.

**Key recommendations:** Total = 12, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are 12 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.”

The 12 recommendations aim to ensure the following:
<table>
<thead>
<tr>
<th>Objectives</th>
<th>Recommendation No.</th>
<th>Priority Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achievement of the organization's strategic objectives</td>
<td>1, 7</td>
<td>Medium</td>
</tr>
<tr>
<td>Reliability and integrity of financial and operational information</td>
<td>3, 10</td>
<td>Medium</td>
</tr>
<tr>
<td>Effectiveness and efficiency of operations</td>
<td>4, 6, 9, 11</td>
<td>Medium</td>
</tr>
<tr>
<td>Safeguarding of assets</td>
<td>5, 8</td>
<td>Medium</td>
</tr>
<tr>
<td>Compliance with legislative mandates, regulations and rules, policies and procedures</td>
<td>2, 12</td>
<td>Medium</td>
</tr>
</tbody>
</table>

**Implementation status of previous OAI audit recommendations:** Report No. 1738, 6 January 2017.
Total recommendations: 10
Implemented: 10

**Management comments and action plan**

The Resident Representative accepted all 12 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 Osttveiten
2020.07.08
11:46:27 -04'00'

Helge S. Osttveiten
Director
Office of Audit and Investigations
I. About the Office

The Office, located in Conakry, Guinea (the Country) and its Country Programme covered the period 2018–2022 with the following development priorities:

a) promotion of good governance for sustainable development and
b) economic transformation and natural capital sustainable management.

During the period from January 2019 to March 2020, the Office spent $23 million on development activities, an increase by 30 percent compared to the previous period.

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

<table>
<thead>
<tr>
<th>Title</th>
<th>Expenses during the audited period $ million</th>
<th>Total expenses from the start of project $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reform process and social cohesion</td>
<td>4</td>
<td>9.5</td>
</tr>
<tr>
<td>Socio-economic integration support programme</td>
<td>3.6</td>
<td>5</td>
</tr>
<tr>
<td>Eco-systems-based adaptation</td>
<td>3.5</td>
<td>7</td>
</tr>
<tr>
<td>Strengthening institutional capacities public administration</td>
<td>2.5</td>
<td>3</td>
</tr>
<tr>
<td>Support to the poverty reduction strategy and the national strategy for the development of statistics</td>
<td>1.4</td>
<td>9.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15</strong></td>
<td><strong>34</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Donor</th>
<th>Funding for the period $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Environment Facility</td>
<td>8.3</td>
</tr>
<tr>
<td>Multi Partner Trust Funds</td>
<td>2.8</td>
</tr>
<tr>
<td>Government of Guinea</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12.9</strong></td>
</tr>
</tbody>
</table>

II. Audit results

OAI made 12 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) Reinforce management of HACT (Recommendation 2).
(b) Increase the proportion of generated revenue to management expenses (Recommendation 7).
(c) Intensify efforts to attract and recruit qualified women at the professional level (Recommendation 1).
(d) Enhance oversight over advances made to implementing partners (Recommendation 3).
(e) Intensify efforts to recover costs from common services in a timely manner (Recommendation 11).
(f) Strengthen asset management (Recommendation 10).
(g) Improve controls over procurement processes (Recommendation 5).
(h) Improve the monitoring of the support provided to the Resident Coordinator Office (Recommendation 12).
(i) Strengthen project management (Recommendation 4).
(j) Establish adequate timeframes for each step of the procurement process (Recommendation 6).
(k) Strengthen electronic fund transfer payments and the recording of financial transactions (Recommendation 8).
(l) Organize travel arrangements as early as possible (Recommendation 9).

The detailed assessment is presented below, per audit area:

A. Governance

1. Organizational chart and overall staffing

Issue 1 Lack of gender balance at the professional level

The UNDP ’2018–2021 Gender Equality Strategy’ embodies the organization’s strong corporate commitment to deepen its efforts in promoting gender equality and women’s empowerment. In order to efficiently achieve corporate gender equality and women’s empowerment, the Office needs to tailor UNDP’s global strategic approach to use it at its own level. The efficiency of the action plan implemented by the leadership can be assessed, among other criteria, by the number of women holding management positions.

Despite the Office having taken successful measures that enabled it to obtain the Gender Equality Seal Certification (Bronze), the audit team noted that none of the four professional posts were filled by women. As of the date of the audit, five additional professional positions were to be recruited as part of the 2020 recruitment plan, which could help improve gender parity within the Office.

While understanding the difficulties encountered in attracting and recruiting qualified women in the Country, the lack of gender balance in professional posts could prevent the Office from achieving gender equality and women’s empowerment.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 1:</strong></td>
<td></td>
</tr>
<tr>
<td>The Office should intensify its efforts to attract and recruit qualified women at the professional level.</td>
<td></td>
</tr>
</tbody>
</table>

**Management action plan:**

The Office recognizes that management is not gender balanced. In order to improve this situation, the main actions to be implemented at the office level can be summed up in the following elements:

a) organize sessions to present the UNDP recruitment platform;
b) ensure that women are included in the list at different levels of the recruitment process; and
c) carry out capacity-building actions for staff involved in the recruitment process.

**Estimated completion date:** March 2021

---

### B. Development activities

#### 1. Implementation modalities

**Issue 2** Harmonized Approach to Cash Transfers management needs reinforcement

The Harmonized Approach to Cash Transfers (HAFT) is a common operational framework for transferring cash to implementing partners. It requires a HACT micro-assessment of any implementing partner that is expected to receive cash transfers of more than $0.3 million in a programme cycle. Micro-assessments should be completed prior to issuance of cash transfers to a partner. For partners rated as significant risk, direct cash transfers are not viable. Assurance activities are required for partners rated as significant and high risk. The assurance plan should be revised and approved by the Head of Office and uploaded into the HACT monitoring platform.

Two implementing partners received advances in 2019 and 2020, and a third partner received advances in 2020. A micro-assessment was conducted in 2017 for two implementing partners whereas an implementing partner, that received advances in 2019 and 2020, had not yet been micro-assessed. The audit team noted that the two micro-assessed partners were rated as significant risk. During the audit period, the expenses incurred by each implementing partner ranged from $0.7 to $2.1 million. Further, the audit team identified a fourth implementing partner that received advances, with expenses above $0.3 million during the audit period, that had not yet been micro-assessed.

The review of the 2019 assurance plan showed significant differences between the approved plan and the plan uploaded into the HACT platform. For example, according to the approved plan, there were 15 required spot-checks and 24 programme visits to be conducted in 2019, while the document uploaded into the platform showed 9 spot-checks and 4 visits. The audit team confirmed the completion of three spot-checks and six programme visits in 2019, which was different from the numbers stated in both documents.

These deficiencies were the result of weak HACT oversight from the Office.

Failure to conduct micro-assessments of implementing partners receiving cash transfers and appropriately implementing the assurance activities could result in financial losses.
Priority Medium (Important)

**Recommendation 2:**

The Office should reinforce its management of HACT by:

- a) conducting the micro-assessments and applying the appropriate cash transfer modality according to the HACT policies and
- b) implementing the assurance activities included in the approved assurance plan, uploaded in the HACT performance platform.

**Management action plan:**

Arrangements have been made through the establishment of management units, which carry out all activities on behalf of the implementing agencies mentioned. The main actions planned to make the Office more compliant with HACT are:

- a) carry out training sessions to strengthen the capacities of implementing agencies involved in the implementation of activities;
- b) develop and implement the quality assurance plan and update the HACT platform; and
- c) review and populate the micro form in the HACT SharePoint (i.e., complete missing information as applicable).

**Estimated completion date:** December 2020

**Issue 3** Lack of oversight over advances to nationally implemented projects

UNDP must monitor advanced project payments (according to planned activities in any period), outstanding balances and the rate of implementation. If the balance at the end of the period is too high, UNDP must determine the cause, and together with the implementing partner, take corrective actions.

As of 31 March 2020, there were outstanding balances exceeding 6 months, worth $109,568. The audit team did not find evidence of follow-up actions by the Office to clear these balances.

In reviewing the balances, the audit team noted the following:

- Incorrect posting of expenses under a single account code while these related to multiple expense categories.
- Advances booked as expenditures.

The deficiencies noted were due to a lack of management oversight and may result in an inaccurate financial reporting over advances to projects.
<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
</table>

**Recommendation 3:**

The Office should enhance its oversight over advances made to implementing partners by:

- a) periodically monitoring the outstanding advances made to implementing partners; and
- b) increasing oversight on the recording of advances to and expenditures reported by the implementing partners.

**Management action plan:**

The Office takes note of the recommendation. Provisions are already being implemented to strengthen the monitoring of advances, which will relate to:

- a) developing and implementing a quarterly monitoring plan for advances by cluster; and
- b) strengthening the support and advice/actions provided to implementing partners through training courses dedicated to Project Management Unit (PMU) staff.

**Estimated completion date:** December 2020

---

2. **Project administration**

**Issue 4**  
**Weaknesses in project quality assurance, monitoring and performance measurement**

Sound project management includes quality assurance in all project phases, social and environmental screening, and monitoring of progress and achievement of targets.

The audit team reviewed a sample of three ongoing development projects with expenses amounting to $9 million, representing 56 percent of total project expenditure during the audit period. The audit team identified the following exceptions:

- **Quality assurance was incomplete:**

  In 2019, the Office completed 18 quality assessments out of the 30 required (60 percent). The following issues were noted in the three projects reviewed:

  - In one case, the quality assurance was not carried out.
  - The quality assurance was rated as “need improvement” for one of the sampled projects as the social and environmental screening procedures had not been completed.
  - The quality assessment of the design and appraisal phases was not approved at the inception of one of the projects.

- **Weaknesses in project monitoring and performance measurement:**

  - In one of the projects reviewed, it was not evidenced that the 2019 progress of the project had been assessed and monitored.
For one project, targets were not defined in the project document, while for another project, targets were not specific and measurable.

The lack of quality assurance procedures and adequate monitoring might prevent the Office from achieving its programmatic objectives. Furthermore, a lack of measurable targets will prevent the Office from monitoring the achievement of project results.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
</table>

**Recommendation 4:**

The Office should strengthen project management by:

- a) ensuring that quality assessments are implemented, including the social and environmental screening procedures;
- b) raising awareness for programme and project personnel on the need to comply with project monitoring rules; and
- c) designing measurable targets to measure project performance.

**Management action plan:**

The Office takes note of the recommendation and will:

- a) develop and update the project quality assurance plan and conduct projects quality assessments as applicable;
- b) organize training sessions for staff on the standards in terms of project monitoring, Results Based Management and project quality analysis; and
- c) strengthen project planning, monitoring and reporting; ensure project progress reports are available for all ongoing projects.

**Estimated completion date:** March 2021

---

**C. Operations – Procurement**

**1. Goods and services**

**Issue 5**  
Weaknesses in the procurement process

The ‘UNDP Programme and Operations Policies and Procedures’ require that that procurement methods of “invitation to bid” and “request for proposal” be open to international competition and advertised both on the UNDP website and on the United Nations Global Marketplace, in order to provide equal opportunity to all vendors. It also requires that contract amendments be reviewed by the appropriate procurement committee above the standard delegated procurement authority.
Between January 2019 and March 2020, the Office processed 666 purchase orders for a total of $11 million. The audit team reviewed 23 transactions amounting to $2.6 million, including 15 transactions for the procurement of goods and services and 8 transactions for the recruitment of individual consultants. The total sample represented 24 percent of the total amount of procurement during the period under review. The following weaknesses were noted:

(a) **Invitations to bid and requests for proposal not properly advertised:**

The audit team selected 15 procurement cases (including 10 invitations to bid) amounting to $1.85 million for goods and services, representing 17 percent of the total purchase orders raised during the audited period. It was noted that in 7 cases out of the 10 invitations to bid/requests for proposal reviewed, amounting to $1.03 million, the advertisement was not published on the United Nations Global Marketplace.

(b) **Lack of clearance by the procurement review committees:**

- In September 2006, the Office signed a one-year long term agreement with an internet service provider amounting to $66,000, with the possibility to extend it twice for the same duration. While the third amendment exceeded the $150,000 delegated procurement authority, it was not submitted to the Regional Advisory Committee on Procurement, leading to post facto review. The Office indicated not being aware of the policy.
- In one case, an individual contract had a cumulative value of $115,500, exceeding the applicable threshold of $100,000 without being submitted to the Contracts, Assets and Procurement Committee.

Ineffective oversight over procurement activities may lead to unfair procurement practices being conducted without independent review and may prevent the organization from receiving best value for money.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
</table>

**Recommendation 5:**

The Office should improve controls over procurement processes by ensuring that:

a) procurement cases subject to international competition are advertised at minimum, both on the UNDP website and on United Nations Global Marketplace; and

b) procurement cases are submitted to the appropriate procurement review committee prior to contracting.

**Management action plan:**

The Office takes note of the recommendation and will take the following actions:

a) give access to United Nations Global Marketplace, so that all procurement staff can carry out publications on the two platforms dedicated to different publications; and

b) monthly follow-up of cumulative amounts paid to vendors and regularization of the cases submitted to the relevant procurement committee, to make sure all submission thresholds are respected.

**Estimated completion date:** December 2020
Issue 6  Efficiency of procurement processes could be enhanced

As per the ‘UNDP Programme and Operations Policies and Procedures’, the following general principles must be applied to all phases and types of procurement: best value for money; fairness, integrity and transparency; effective competition; and UNDP’s best interest. One of the considerations guiding UNDP principles is the economy and efficiency of the procurement process of goods and services.

While reviewing the 15 procurement processes sampled, the audit team noted that it took, on average, 3.7 months (110 days) to complete the entire procurement process of goods and services, and specifically:

- 3 months for invitations to bid (4 cases) and requests for proposal (6 cases); and
- 4.1 months for request for quotations (3 cases).

The breakdown was as follows:

- In one of the three requests for quotations examined, the procurement process took 10.6 months (including 2.5 months from the requisition to the advertisement, 7 months from the evaluation of offers to the contract date), with no valid justification for the delay.
- Four cases (two invitations to bid and two requests for proposals) took between 3.7 and 5.5 months from the date of the requisition to the final signature of the contract.
- On average, the time elapsed from the evaluation of the offers/bids to the final signature of the contract was 2.2 months (67 days).

The Office had not established timeframes for each step of the procurement processes, and thus, was not able to identify inefficiencies in the processes.

Lengthy procurement processes could prevent the Office from delivering results as planned.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
</table>

Recommendation 6:

The Office should establish adequate timeframes for each step of the procurement process and track them for adherence and ensure corrective actions are taken in a timely manner.

Management action plan:

The recommendation is well noted by the Office and the actions necessary for its implementation will relate to:

a) carrying out training for colleagues in the programme, in particular in writing consultancy terms of reference and defining technical specifications for purchases;

b) developing procurement plans within the required deadlines;
c) training the committee responsible for offer evaluations about the various procurement procedures; and

d) updating the Office’s standard operating procedures to take into account the turnaround times in the process of acquiring goods and services.

Estimated completion date: December 2020

D. Operations - Finance

1. Office budget and cost recovery

Issue 7 Insufficient revenue generated by the Office

Strategic planning requires offices to balance available resources against their expenditures to ensure operational continuity. As the institutional budget allocation covers part of office operating expenses, revenue collection and resource mobilization are required to complement the available resources.

Revenue generated by the Office during the audit period amounting to $1.2 million did not cover the reported management expenses of $2.1 million. This was attributed to the following:

- The lack of a financial sustainability strategy, which resulted in:
  - a significant gap between the target of other income for the period ($0.56 million) and the actual amount collected ($0.11 million); and
  - a low proportion of general management services collected from projects ($1 million) in relation to management expenses ($2.1 million).

- There was a lack of collection of government contributions towards local office costs. Arrears of government contributions to local office costs in 2019 amounted to $103,309. The outstanding amount pending collection from 1991 totalled almost $3 million. While the Office reported that talks had been held with the Government for the payment in instalments, no agreement had yet been reached.

- The Direct Project Costing method was not yet fully implemented. The Office started applying Direct Project Costing from the last quarter of 2019.

Insufficient financial resources may negatively impact the delivery of the Office’s programme.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (important)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendation 7:</td>
<td></td>
</tr>
<tr>
<td>The Office should increase its proportion of generated revenue to management expenses by:</td>
<td></td>
</tr>
<tr>
<td>a) formalizing a long-run financial sustainability strategy with detailed actions to adjust management expenses to the level of revenue generated by the Office;</td>
<td></td>
</tr>
</tbody>
</table>
b) agreeing with the Government, on a timetable for the recovery of the arrears of government contributions towards local office costs; and

c) ensuring the full implementation of the Direct Project Costing method.

Management action plan:

The Office takes note of the recommendation. For this, the actions to be implemented are:

a) develop an office financial sustainability strategy with its action plan; and

b) develop and approve, in relation to the Government, a payment plan related to government contributions towards local office costs.

Estimated completion date: March 2021

2. Cash, banking and deposits

Issue 8 Exceptions in electronic fund transfer payments and recording of financial transactions

The audit disclosed the following related issues:

- Lack of a standard operating procedure to support electronic fund transfer payments:

  UNDP promotes the use of electronic fund transfers in order to reduce costs and improve payment processing. The security and efficiency of electronic fund transfer/financial gateway payments must be documented and approved subject to the Internal Control Framework. Offices must document a written standard operating procedure where an electronic fund transfer solution is established using an e-banking web application with the local bank.

  During the audit period, 4,205 payments were processed by the Office, of which approximately 3,000 were made through electronic fund transfer payments. The audit team noted that the Office had not yet developed the standard operating procedure template prescribed by the Treasury.

- Lapses in recording of financial transactions:

  The correct use of the chart of accounts is critical for accurate financial, management and donor reporting.

  The audit team reviewed a sample of 24 payment vouchers valued at $2.3 million, representing 9.7 percent of the value of all the vouchers paid during the audit period and noted that the accounting codes were not correct in 21 percent of the cases examined.

  The absence of standard operating procedures related to electronic fund transfers might increase the risk of errors and fraud. Incorrect recording of transactions might prevent the Office from achieving accurate financial reporting.
Priority: Medium (important)

**Recommendation 8:**

The Office should strengthen electronic fund transfer payments and the recording of financial transactions by:

a) establishing standard operating procedures detailing the controls to be applied in the process of local payments through electronic fund transfers; and  
b) increasing oversight over the correct use of the chart of accounts.

**Management action plan:**

The Office takes note of the recommendation and will:

a) update the standard operating procedures;  
b) install the interface with the support of IT UNDP and the local bank to facilitate payments in local currency using the electronic fund transfers method; and  
c) strengthen the chart of accounts control system through training sessions and the establishment of verification tools.

**Estimated completion date:** April 2021

---

**E. Operations – Administrative services**

**1. Travel expenses**

**Issue 9: Inefficiencies in travel management**

In order to achieve successful economic performance, the UNDP travel policy recommends that airline tickets should be purchased at least 21 days in advance when travelling in business class and 14 days in advance when travelling in economy class.

During the audit period, the Office processed 248 international duty travel requests for approximately $382,000. The audit team reviewed 12 cases amounting to $85,000 and noted that none of them complied with the timelines indicated by the policy.

While this was justified in four cases due to special circumstances (for instance, invitations received a few days before the meeting), in eight other cases representing 58 percent of the $85,000 reviewed, the Office could have purchased the tickets within the recommended timelines.
Not purchasing airline tickets in advance might result in financial losses for the Office.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 9:</strong></td>
<td></td>
</tr>
<tr>
<td>In order to avoid higher airline costs and increase economic performance, the Office should organize travel arrangements as early as possible.</td>
<td></td>
</tr>
</tbody>
</table>

**Management action plan:**

The Office takes note of the recommendation and planned actions are:

- a) establish the Office travel plan by project;
- b) submit memos relating to travel requests within the required timelines, in accordance with the ‘UNDP Programme and Operations Policies and Procedures’; and
- c) update the related office standard operating procedure.

**Estimated completion date:** September 2020

---

### 2. Assets

**Issue 10** Shortcomings in registration, calculation and monitoring of assets

The International Public Sector Accounting Standards (IPSAS) state that an asset is acquired when the entity gains control of it, which is normally the date of delivery with exceptions for international acquisitions, specified by international commercial terms. The ‘UNDP Programme and Operations Policies and Procedures’ state that as of January 2020, all assets whose acquisition costs are above $5,000 must be included in the UNDP asset list and that depreciation of an asset begins when it is available for use.

The audit team reviewed six assets with a net book value of $123,528 (18 percent of total assets and 79 percent of assets acquired during the audit period). The following discrepancies were noted:

(a) **Inconsistencies in determining dates of acquisition:**

The dates of acquisition of two of the six assets did not reflect the date the asset was received as per the terms indicated in the purchase order.

(b) **Non-exhaustive assets list:**

From its review of the in-service report provided by the Office, the audit team noted that three vehicles with a total purchasing cost of $104,000 were not included in the report.

(c) **Deficiencies in calculation and monitoring of asset depreciation:**
The audit team noted that the Office used either the payment or the acquisition date of the assets to calculate their depreciation while they should have used the date when the asset became available for use. As the Office did not keep track of this information, the audit team could not assess the impact of this discrepancy.

Incomplete asset recording can prevent the Office from adequately monitoring its assets. Misinterpretation of accounting rules may result in erroneous depreciation amounts and therefore wrong net book values in asset reporting, affecting the reliability of financial information.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 10:</strong></td>
<td></td>
</tr>
<tr>
<td>The Office should strengthen asset management by:</td>
<td></td>
</tr>
</tbody>
</table>

  a) record the dates of acquisition of assets according to the International Public Sector Accounting Standards;
  b) register all the assets in the asset report; and
  c) apply the date when the assets become available for use to calculate assets depreciation.

| Management action plan: | |
| The Office takes note of the recommendation. The asset tracking system is being updated by: | |

  a) recording all assets from their acquisition dates, in accordance with the ‘UNDP Programme and Operations Policies and Procedures’;
  b) recording all missing assets in Atlas through the asset management module; and
  c) considering the commissioning dates to depreciate assets.

**Estimated completion date:** December 2020

### 3. Common services

#### Issue 11  Delays in the cost recovery of common services

The Office provides four common services (common house premises, security services, ICT services, clinic) to other UN agencies and organizations operating in the Country (23 organizations in 2020). The current memorandums of understanding indicate that the contributions related to these services should be paid during the current year. However, some contributions were not timely received in 2018 and 2019, as follows:

- $263,000 due in 2018 was received in 2019; and
- $366,000 due in 2019 (representing 16 percent of the total 2019 contributions amounting to $2.3 million) was received in 2020.

Consequently, a UNDSS control and support mission as well as the purchase of an ambulance, both scheduled for 2019, had to be postponed.

Contributions not timely received could jeopardize the effective delivery of common services by the Office.
**Priority** Medium (Important)

**Recommendation 11:**

The Office should intensify its efforts to recover costs from common services in a timely manner.

**Management action plan:**

The Office takes note of the recommendation and intends to implement the following actions for its implementation:

- a) develop the joint action plan within the required deadlines to facilitate the recovery of contributions from agencies;
- b) systematically produce quarterly financial reports and share to the United Nations Country Team and Operations Management Team; and
- c) transmit invoices with payment deadlines to the various agencies and within the required deadlines.

**Estimated completion date:** January 2021

---

**Issue 12** Exceptions in the monitoring of operational support to the Resident Coordinator Office

Two agreements detail the services rendered by the Office to the Resident Coordinator Office: a) the corporate memorandum of understanding between the Secretariat and UNDP; and b) the service level agreement between the Office and the Resident Coordinator Office in the Country, valid until 31 December 2019.

The audit team noted that:

- the delivery of the 2019 financial reports did not occur on a quarterly basis – they were only provided at the request of the Resident Coordinator; and
- no service level agreement was in place after 1 January 2020.

Failure to comply with the terms and conditions of the memorandum of understanding and the service level agreement could lead to performance issues remaining unresolved.

**Priority** Medium (Important)

**Recommendation 12:**

The Office should improve the monitoring of the support provided to the Resident Coordinator Office by:

- a) timely reporting to the Resident Coordinator; and
- b) signing a service level agreement for the period after 1 January 2020.
Management action plan:

The Office takes note of the recommendation. The main actions for its implementation are:

a) submit a quarterly financial report to the Resident Coordinator; and  
b) sign a new service level agreement in 2020.

Estimated completion date: February 2021
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.