



**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**CHAD**

**Report No. 2206**  
**Issue Date: 24 December 2020**

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## Report on the Audit of UNDP Chad Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Chad (the Office) from 3 to 19 November 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 August 2020. The Office recorded programme and management expenses of approximately \$74 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 and petty cash contents were not verified.
- (f) The information communication and technology area was not reviewed on-site.

### Overall audit rating

OAI assessed the Office's performance 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 issues in the areas of governance, development activities, finance, procurement, 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."

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 3, 6	Medium
Reliability and integrity of financial and operational information	5, 7	Medium
Effectiveness and efficiency of operations	4, 12	Medium
Safeguarding of assets	8, 9, 10, 11	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	2	Medium

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**Implementation status of previous OAI audit recommendations:** Report No. 1886, 5 October 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.

Brett Simpson  
Officer-in-Charge  
Office of Audit and Investigations

## I. About the Office

The Office, located in N'Djamena, Chad (the Country) and its Country Programme covered the period 2017–2021 with the following development priorities:

- a) Inclusive growth and sustainable development.
- b) Participatory governance and social cohesion.
- c) Environmental resilience and disaster risk reduction.
- d) Human capital.

During the period from January 2019 to August 2020, the Office spent \$71 million on development activities, an increase by 17 percent compared to the previous period of 20 months.

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

Title	Expenditure January - December 2019 \$million	Expenditure January - August 2020 \$million
Local development and inclusive finance	5.9	1.6
Regional stabilization facility for Lake Chad	0.5	2.2
Chad support programme	1.1	0.8
Chad National Adaptation Plan	1.5	0.4
<b>Total</b>	<b>9</b>	<b>5</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
Government of Chad	9.5
Global Environment Facility (GEF)	8.6
Germany	4.1
<b>Total</b>	<b>22.2</b>

## 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 that had been implemented as advised by the Office (and independently validated by OAI) prior to the issuance of this report are not included in this report.

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

- (a) improve resource mobilization (Recommendation 3).
- (b) improve the implementation of HACT (Recommendation 4).
- (c) Strengthen the management of nationally implemented projects (Recommendation 5).
- (d) Strengthen project oversight (Recommendation 6).
- (e) Enhance the cost recovery mechanism (Recommendation 9).

- (f) Strengthen financial management controls (Recommendation 10).
- (g) Strengthen the effectiveness and efficiency of the procurement function (Recommendation 7).
- (h) Adhere to the UNDP procurement policies (Recommendation 8).
- (i) Strengthen annual planning and risk management (Recommendation 1).
- (j) Strengthen gender equality efforts (Recommendation 2).
- (k) Comply with UNDP travel rules (Recommendation 11).
- (l) Improve common services management (Recommendation 12).

The detailed assessment is presented below, per audit area:

## A. Governance

### 1. Planning and risk management

#### **Issue 1**      Inadequate use of annual planning and risk management tools in the integrated work plan

##### a) Weaknesses in annual planning:

The Office's integrated work plan establishes annual programmatic and organizational priorities. The UNDP 'Guidance Note on Preparation of Integrated Work Plans' requires enabling actions to be specific, measurable, attainable, relevant and time bound.

The audit team reviewed the 2019 and 2020 enabling actions and noted the following:

- 11 out of the 30 enabling actions in these two years were not defined (three in 2019 and eight in 2020) for the development and organizational priorities established by the Office.
- Among the enabling actions that were defined for development and organizational priorities in 2019 and 2020, some of them (11 in 2019 and 7 in 2020) were not specific and measurable to enable the Office to measure achievement against targets. For example, one of the enabling actions defined for the "Organizational Output 2.3: Quality and efficient management services to support programme delivery" was "internalization of working tools."
- No indicator associated with the enabling actions reviewed was reported on in the two years reviewed.

Integrated work plans that are not specific and measurable may impact the Office's ability to monitor and correct the actions to achieve intended objectives and results.

##### b) Inefficient use of risk management tools:

All relevant risks should be identified and for each risk, one or more risk mitigating measures must be identified.

The audit team highlighted the following inefficiencies in the risk management process:

- Risk mitigating actions defined in the risk register were not specific, measurable and time bound. For example, one of the treatment actions for the risk "increasing political and social tensions" was "increased flexibility in planning and execution of budgets", which was not specific, measurable and time bound.

Broad descriptions of risk treatment actions may impact the Office's ability to mitigate the associated risks.

Priority	Medium (Important)
<b>Recommendation 1:</b>  The Office should strengthen annual planning and risk management by: <ul style="list-style-type: none"> <li>(a) improving the quality of the annual integrated work plan by defining enabling actions that are specific and measurable; and</li> <li>(b) ensuring that the risk mitigating actions are specific, measurable and time bound.</li> </ul>	
<b>Management action plan:</b>  The Office will improve the quality of its annual planning and ensure that the activities for treatment are specific, measurable and time bound in the 2020 Results-Oriented Annual Reporting and ensure the adequate use of treatment activity timelines. <p><b>Estimated completion date:</b> January 2021</p>	

## 2. Organizational chart & overall staffing

### Issue 2 Weaknesses in gender balance management at the operational and project levels

The 'UNDP 2018–2021 Gender Equality Strategy' outlines the organization's commitment to promote gender equality and women's empowerment. The audit team identified the following weaknesses:

a) Absence of Gender Equality Seal certification:

The Office was unsuccessful in obtaining the Gender Equality Seal certification in 2020, due to an overall score of 24 percent. The first level certification (Bronze) requires an overall score of at least 40 percent.

b) Gender committee and gender focal point terms of reference not up to date:

- The terms of reference of the gender focal point had not been updated since 2018, although the membership of the gender committee was renewed in September 2020. Furthermore, the terms of reference and the action plan for the gender committee nominated in September 2020 had not been prepared.
- The gender committee had not met since September 2019.

c) No significant project with the highest gender marker:

There were no projects that had the highest gender marker, GEN3 (which indicates that the principal purpose was to advance gender equality) despite the Country Programme emphasis on improving gender inequality.

Weaknesses in the promotion of gender equality may prevent the Office from implementing the 'UNDP 2018–2021 Gender Equality Strategy'.

<b>Priority</b>	Medium (Important)
<b>Recommendation 2:</b>  In order to achieve gender equality, the Office should: <ul style="list-style-type: none"> <li>(a) strengthen its efforts to obtain a Gender Equality Seal certification;</li> <li>(b) ensure that the gender committee meets regularly and defines an action plan; and</li> <li>(c) strengthen gender priorities in existing projects and upcoming projects.</li> </ul>	
<b>Management action plan:</b>  The Office will: <ul style="list-style-type: none"> <li>(a) intensify its efforts to obtain a Gender Equality Seal certification;</li> <li>(b) ensure that the gender committee is fully operational; and</li> <li>(c) strengthen its efforts to obtain a significant GEN3 rating.</li> </ul> <b>Estimated completion date:</b> July 2021	

## B. Development activities

### 1. Country programme

#### Issue 3 Weaknesses in resource mobilization and achievement of revenue targets

Country Offices need to ensure financial sustainability by generating sufficient funds to cover institutional costs.

##### a) Non-achievement of revenue targets:

The audit team noted that the Office did not generate the revenue targets established during the audit period:

- The aggregation of (i) General Management Services (GMS), (ii) Government Contributions to Local Office Costs (GLOC), and (iii) agency and other income, reached 83 percent of its 2019 target (against 100 percent for the Bureau average). As of August 2020, the Office reached 24 percent (against 86 percent for the Bureau average) and had generated GMS revenue of \$0.8 million against a target of \$4 million in 2020.
- As of August 2020, the GMS only covered 60 percent of the management expenses.

By not collecting all non-core resources, the Office had to use core resources under Target for Resource Assignment (TRAC) to finance institutional costs, decreasing the overall efficiency of the Office.

##### b) Achievement of project goals at risk due to weak resource mobilization:

Resource mobilization targets were not reached for 3 out of the 30 projects. One project for which a target of \$336 million was set for 2020 only received \$7 million in 2020 and was expected to receive \$6.5 million in 2021.



Weaknesses in resource mobilization could prevent the achievement of development results.

c) High dependency on two donors:

The Office was highly dependent on two donors: the Global Fund, whose contributions amounted to 55 percent of all contributions in 2020 and the Global Environment Facility (GEF) whose contributions amounted to 21 percent of all contributions in 2020.

The dependency on a limited donor base puts the Office's financial sustainability at risk.

Priority	Medium (Important)
<b>Recommendation 3:</b>  The Office should strengthen its resource mobilization efforts by: <ul style="list-style-type: none"> <li>(a) increasing its efforts to meet the revenue targets;</li> <li>(b) strengthening relationships with donors and government to ensure resource mobilization targets are achieved; and</li> <li>(c) strengthening efforts to diversify its funding base.</li> </ul>	
<b>Management action plan:</b>  The Office will: <ul style="list-style-type: none"> <li>(a) regularly update the strategic note on delivery and resource mobilization and formalize the Office's 2021 resource mobilization strategy;</li> <li>(b) strengthen the dialogue with donors; and</li> <li>(c) seek new partnerships with other potential funding entities (including foundations, private sector).</li> </ul> <b>Estimated completion date:</b> June 2021	

## 2. Implementation modalities

### Issue 4      Gaps in the implementation of the Harmonized Approach to Cash Transfers

The Framework for Harmonized Approach to Cash Transfers (HACT) stipulates the requirements to be met prior to transferring cash to implementing partners: (a) macro-assessment of the public financial system; (b) micro-assessments of implementing partners receiving more than \$300,000; and (c) an assurance plan that details the spot checks and programmatic visits for every implementing partner. Payments made to implementing partners should be based on the legal framework agreed upon.

The audit team reviewed the Office's compliance with the HACT Framework and noted the following:

a) Weaknesses in the implementation of assurance activities:

- The Office did not prepare a consolidated assurance plan for 2019 and 2020.
- The Office did not conduct spot checks or programmatic visits during the period under review.

b) Incorrect recording of activities:

- The implementing agent accounting codes within the chart of accounts were not appropriately used. The audit team noted the following:
  - The Office recorded 34 transactions valued at \$369,851 (15 percent of all transactions to support nationally implemented projects) under the incorrect implementing agent code.
  - Activities implemented by the implementing partner must be recorded under the implementing partner; however, advances amounting to \$178,128 (20 percent of cash transfers during the audited period) were recorded under UNDP.
- Eight micro-grants valued at \$0.9 million were incorrectly recorded as advances to implementing partners while they should have been expensed.

c) Inadequate oversight over cash transfer transactions:

- Four implementing partners, each receiving cash transfers above \$300,000 during the programme cycle, were not micro-assessed, as required.
- Payments to implementing partners were not tagged to facilitate tracking and reporting of cash transfers. Out of eight cash transfers sampled valued at \$909,576, seven amounting to \$879,099 were not tagged while one valued at \$30,477 was incorrectly tagged.

d) Incorrect use of micro-capital grants:

- The Office paid five micro-grants amounting to \$702,702 (25 percent of all micro-capital grants) to a private micro-credit company during the programme cycle without obtaining clearance from the Legal Office.

Gaps in the implementation of the HACT Framework could result in financial losses due to incorrect payments to implementing partners.

<b>Priority</b>	Medium (Important)
<b>Recommendation 4:</b>	
The Office should improve the implementation of HACT by:	
(a) planning and implementing assurance activities (spot checks and programmatic visits); (b) recording cash transfers to implementing partners in accordance with UNDP policies; and (c) obtaining clearance from the Legal Office when a non-standard memorandum of understanding is used.	
<b>Management action plan:</b>	
The following priority actions will be taken/continued:	
(a) plan and implement quality assurance activities while ensuring that all concerned partners are micro-assessed; (b) record cash advances to partners and their justification in the appropriate accounts; and (c) use the standard template agreements for contracts with partners and in the event of any deviation from the template, the clearance of Legal Office will be solicited.	
<b>Estimated completion date:</b> January 2021	

## Issue 5      Insufficient management of nationally implemented projects

UNDP rules and regulations require adherence to the letter of agreement signed between UNDP and the governments when offices provide support to nationally implemented projects.

### a) Weaknesses in the management of support to nationally implemented project agreements:

The audit team reviewed the letter of agreement signed with national counterparts regarding one project valued at \$280,435 out of three nationally implemented projects valued at \$477,435 and observed the following:

- While the support services requested by the national counterpart in 2019 were valued at \$280,435, the Office provided services amounting to \$446,893.
- The Office procured seven vehicles valued at \$357,981 while only one vehicle valued at \$56,000 was requested based on the support to nationally implemented project agreement.

### b) Weak management of audits of nationally implemented projects:

The audit team reviewed the management letters pertaining to 12 audits of nationally implemented projects and noted the following deficiencies during financial years 2017–2019:

- In the last three financial years (2017-2019), the Office received an unsatisfactory rating on the management of audits of nationally implemented projects (HACT audits).
- Out of 12 audits conducted during the period, the auditors provided a qualified opinion in seven cases, with a net financial misstatement of \$4.1 million, equivalent to 25 percent of the audited expenses.
- For two projects, the auditors continued to report a net financial misstatement of \$90,430 in the 2018 and 2019 audits since the issues that had justified the previous modified opinion remained unresolved.

Inadequate oversight over the audits of nationally implemented projects could have a negative impact on the opinion expressed by the Board of Auditors on the UNDP financial statements.

<b>Priority</b>	Medium (Important)
<b>Recommendation 5:</b>	
The Office should strengthen the management of nationally implemented projects by:	
<ul style="list-style-type: none"> <li>(a) ensuring that the support services provided to nationally implemented projects are consistent with the letters of agreement signed with national partners;</li> <li>(b) strengthening the capacities of national implementing partners to address the issues highlighted through the HACT audits; and</li> <li>(c) establishing an adequate monitoring system to comply with HACT audit requirements.</li> </ul>	
<b>Management action plan:</b>	
The Office will:	
<ul style="list-style-type: none"> <li>(a) ensure that support services for nationally implemented projects are provided based on established letters of agreement signed between the parties;</li> <li>(b) organize training to strengthen the capacity of national implementing partners; and</li> <li>(c) formulate and implement the 2021 quality assurance plan and monitor its implementation.</li> </ul>	

**Estimated completion date:** February 2021

### 3. Project administration

#### Issue 6 Flaws in the project monitoring process

The 'UNDP Programme and Operations Policies and Procedures' stipulate that baselines, indicators, targets, risks, and the measurement of results must be clearly defined and regularly monitored. Monitoring also includes the quality assurance of every project phase, as well as consistent, comprehensive, and centralized supervision in Atlas (enterprise resource planning system of UNDP).

The audit team reviewed a sample of three ongoing development projects. Expenses amounted to \$8.6 million representing 50 percent of the \$17.2 million total project expenditure (excluding Global Fund projects) during the period under audit.

The audit team noted the following:

- None of the three projects completed the social and environment screenings.
- The information in Atlas for two projects included incorrect project dates and incorrect information regarding required resources.
- For one project the annual work plan and reporting information was not updated.
- For all three projects, the monitoring data had not been updated in Atlas.

These deficiencies were caused by weaknesses in the oversight of the projects.

Inadequate project oversight can lead to low delivery and weaken resource mobilization efforts.

<b>Priority</b>	Medium (Important)
<b>Recommendation 6:</b>  The Office should strengthen project oversight by strengthening: <ul style="list-style-type: none"> <li>(a) the preparation and approval of project documents; and</li> <li>(b) the monitoring of projects.</li> </ul>	
<b>Management action plan:</b>  The Office will: <ul style="list-style-type: none"> <li>(a) take action to strengthen the oversight over the correct and timely preparation and reception of project documents; and</li> <li>(b) ensure that the Programme Specialist in the Programme Management Support Unit (PMSU) will improve the oversight of the projects in Atlas and initiate a training on Results Based Management addressing the monitoring and assurance capacity for programme staff.</li> </ul>	
<b>Estimated completion date:</b> February 2021	

## C. Operations – Procurement

### 1. Goods and services

#### Issue 7 Weaknesses in procurement planning

The 'UNDP Programme and Operations Policies and Procedures' require the development of consolidated procurement plans on an annual basis. Analysis of the consolidated procurement plan provides an opportunity to identify economies of scale and better use of resources.

The audit team noted the following:

- Procurement activities planned for 2019 had a value of \$9.9 million while \$19.5 million was procured.
- The Office conducted 29 different procurement processes related to the procurement of computers during the period under review for a total value of \$333,297.

Failure to plan effectively can result in rushing the procurement of goods and services, which may prevent the Office from obtaining value for money.

<b>Priority</b>	Medium (Important)
<b>Recommendation 7:</b>	
The Office should strengthen the effectiveness and efficiency of its procurement function by preparing an accurate and comprehensive procurement plan to be used as a strategic tool, to streamline procurement activities and identify opportunities for economies of scale.	
<b>Management action plan:</b>	
The Office will ensure that all project procurement plans are ready and uploaded in the system, and will streamline procurement activities.	
<b>Estimated completion date:</b> June 2021	

#### Issue 8 Weaknesses in procurement processes

The 'UNDP Programme and Operations Policies and Procedures' provide guidance on effective oversight of procurement practices and contract management.

The following weaknesses were noted in the oversight of procurement activities:

- The Office did not monitor the contracts awarded to each vendor and their cumulative amounts as required by policies. As a result, 15 vendors with transactions amounting to \$1.7 million were not submitted to the procurement review committees.
- The Office did not monitor the expiry of contracts. In five cases valued at \$128,732, the Office had to extend contracts that had already expired.

Ineffective oversight over procurement contracts may expose the organization to financial and reputational risks.

<b>Priority</b>	Medium (Important)
<b>Recommendation 8:</b>	
The Office should adhere to the UNDP procurement policies by ensuring:	
(a) procurement thresholds for each vendor are monitored to ensure they are submitted to the appropriate procurement review committee once the threshold is exceeded; and	
(b) contracts are monitored and renewed prior to the expiration date.	
<b>Management action plan:</b>	
The Office will implement the Atlas contract management module to better manage and monitor contracts.	
<b>Estimated completion date:</b> March 2021	

## D. Operations – Finance

### 1. Office budget and costs recovery

#### Issue 9 Cost recovery not properly applied

The 'UNDP Programme and Operations Policies and Procedures' provide guidance for adequate management and cost recovery for services provided by UNDP offices. Direct project costs must be identified during the project inception phase and fully costed and included within the annual work plan. In accordance with the provisions of the Standard Basic Assistance Agreements (SBAAs) that govern UNDP operations in programme countries, host governments are expected to contribute towards the costs of Country Offices.

A review of the cost recovery mechanism identified the following:

a) Outstanding collection of Government Contributions to Local Office Costs (GLOC):

At the time of the audit, the Government had an outstanding GLOC amount of \$1.9 million dating back to 2009. The Office provided evidence of follow-up actions and indicated that it would continue advocating for the payment of the balance.

b) Ineffective cost recovery mechanism:

A review of the implementation of Direct Project Costing (DPC) in the Office disclosed the following shortcomings:

- The workload survey was not used as a basis to determine the amount of DPC to be recovered. As a result, it was unclear how \$60,601 of salary costs recovered by the Office in 2019 was determined.

- The Office did not recover the DPC portion related to general operating expenses (GOE) from development projects.
- Two projects sampled by the audit team did not include DPC within the annual budget.
- The Office did not develop a standard operating procedure for cost recovery.

Failure to recover GLOC and implement an effective cost recovery system may impact the financial sustainability of the Office.

<b>Priority</b>	Medium (Important)
<b>Recommendation 9:</b>	
The Office should enhance the cost recovery mechanism by:	
<ul style="list-style-type: none"> <li>(a) advocating for the collection of the outstanding Government Contributions to Local Office costs; and</li> <li>(b) completing a workload survey to determine the cost recovery from the projects and including these within annual work plan budgets following agreement with the donors, and developing a standard operating procedure and governing cost recovery and monitoring.</li> </ul>	
<b>Management action plan:</b>	
The Office will:	
<ul style="list-style-type: none"> <li>(a) continue its efforts to collect the GLOC in cash and/or in kind; and</li> <li>(b) formulate a DPC implementation strategy and define in Atlas the DPC Project Budget and develop a cost recovery and cost containment strategy to ensure timely recovery of all support services provided to projects and other UN agencies.</li> </ul>	
<b>Estimated completion date:</b> June 2021	

## 2. Payments

### Issue 10 Weaknesses in oversight and financial management

The 'UNDP Programme and Operations Policies and Procedures' provide guidance on adequate banking and financial management. This requires the Office to have sufficient controls in place to ensure that temporary inter-project loans are tracked, human errors in payment processing are actively monitored and reduced, and controls are in place to ensure the timely recovery of staff receivables.

The audit team disclosed the following:

#### a) Inappropriate treatment of project cash deficits:

The audit team observed that there were three inter-project loans totalling \$370,392 that were used to temporarily fund project deficits. In the absence of a mechanism to track and monitor these loans, the audit team could not determine the magnitude of the inter-project loans and was unable to assess whether the loans had been reimbursed.

Transferring funds from one project to support another without donor approval creates both financial and reputational risks.

b) Inadequate controls over payment processing:

The Office cancelled 381 payments valued at approximately \$1.9 million during the audit period. Discussions with the Office disclosed that these cancellations were due to human error in the recording of vendor information. Furthermore, 103 other vouchers valued at \$1.5 million were deleted during the audit period without adequate explanation.

A high number of payment cancellations can cause unnecessary complexities in the bank reconciliation process and increase the risk of potential fraud.

c) Exceptions in cash management:

The Office did not properly monitor the recovery of staff receivables. At the time of the audit, \$22,211 was not recovered from six staff members. The Office indicated that 62 percent of this amount (\$13,780) was not recoverable since the staff members had separated and the Office was unable to recover the amounts due.

Priority	Medium (Important)
<b>Recommendation 10:</b>  The Office should strengthen its financial management controls by: <ul style="list-style-type: none"> <li>(a) implementing the approved budget override, and ensuring that previous inter-project loans are identified and reimbursed;</li> <li>(b) enhancing oversight of payments to reduce cancellations and deletion; and</li> <li>(c) monitoring the recovery of staff receivables and ensuring amounts due are recovered in full prior to staff separation.</li> </ul>	
<b>Management action plan:</b>  The Office will: <ul style="list-style-type: none"> <li>(a) ensure that the approved budget override policy is implemented, and previous inter-project loans are identified and reimbursed;</li> <li>(b) strengthen its controls over payment processing and undertake periodical reviews to ensure strict compliance with the internal circular on payment cancellation; and</li> <li>(c) follow up with the Bureau for Management Services to obtain approval of the write-off requests already submitted.</li> </ul>	
<b>Estimated completion date:</b> June 2021	



## E. Operations – Administrative services

### 1. Travel

#### Issue 11 Weaknesses in travel management

The 'UNDP Programme and Operations Policies and Procedures' stipulate that long-term agreements with travel service providers should be revised every three years. The UNDP travel policy recommends that airline tickets be purchased at least 21 days in advance when travelling in business class and 14 days in advance when travelling in economy class.

##### a) Long-term agreement with travel service provider not revised:

The audit team noted that the long-term agreement with the travel service provider had been in place since 2014. According to the Office, a tender was launched in 2020 but due to a lack of bids received, the tenders were cancelled.

##### b) Inefficiencies in travel management:

The audit team sampled 12 travel transactions with a value of \$0.84 million (out of 1,314 travel transactions totalling \$ 1.4 million). The audit team noted that for eight cases the tickets had not been purchased within the timeframe required by the policy.

Weaknesses in travel management may result in value for money not being achieved.

Priority	Medium (Important)
<b>Recommendation 11:</b>  The Office should comply with UNDP travel policies by:  (a) retendering the long-term agreement for travel services; and (b) purchasing tickets for travel in line with the timeframe stipulated within the policy.	
<b>Management action plan:</b>  The Office will:  (a) advertise a new Request for Proposal (RFP) for the renewal of the travel long-term agreement as soon as possible; and (b) reinforce the preparation of travel plans and undertake booking of air tickets as early as possible.	
<b>Estimated completion date:</b> March 2021	

## 2. Common premises

### Issue 12 Weaknesses in the formalization of common service agreements

Certain common services are shared with other agencies located within the same compound. The common services include security services, ICT services, and the UN clinic. The costs for these common services should be distributed among the agencies benefiting from them in an equitable manner. Four of these services were shared in 2019 and two in 2020.

The audit team noted that the 2019 United Nations Department of Safety and Security and clinic cost-recovery agreements had not been signed by all participating agencies, and the latter did not include unpaid contributions from the previous year. For other common services, there were no agreements.

The absence of signed agreements on previous years' arrears and current year contributions may lead to disputes in the apportionment and recovery of costs.

<b>Priority</b>	Medium (Important)
<b>Recommendation 12:</b>	
The Office should improve common services management by ensuring all common services provided are supported by a signed agreement, and outstanding contributions are monitored to ensure recovery.	
<b>Management action plan:</b>	
The Office will formalize agreements on previous years' arrears and current year contributions and ensure they are approved and signed by other UN agencies and conclude the MOU/agreement between UNDP and participating UN agencies in connection with the UN clinic, ensure budgets are signed, and that financial reporting is timely prepared.	
<b>Estimated completion date:</b> June 2021	

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## 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.