UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

SOUTH SUDAN

Report No. 2224
Issue Date: 19 August 2020

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Report on the Audit of UNDP South Sudan
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP South Sudan (the Office) from 27 May to 11 June 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

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 $131.9 million. The last audit of the Office was conducted by OAI in 2018.

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. Due to the nature of the remote audit:

    (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) Meeting with counterparts 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 (ITC) area was 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." This rating was mainly due to limited stakeholder participation in Country Programme oversight and inadequate capacity assessments of NGOs/CSOs.

The audit was conducted concurrently with the Global Fund audit. An issue of Direct Project Costs (DPC), which relates to the Office-wide controls was raised within the Global Fund audit report and is therefore not repeated herewith. Please see Global Fund Audit Report No. 2229, issued on 6 August 2020.

Key recommendations: Total = **2**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There are two 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 recommendations aim to ensure compliance with policies and procedures.

Implementation status of previous OAI audit recommendations: Report No. 1910, 19 April 2018.
      Total recommendations: 2
      Implemented: 2

Management comments and action plan

The Resident Representative accepted both 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. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Juba, South Sudan (the Country) and its Country Programme covered the period 2019–2021 with the following development priorities:

a) Strengthened peace infrastructures and accountable governance
b) Inclusive, risk-informed economic development
c) Strengthened institutional and community resilience

During the period from January 2019 to March 2020, the Office spent $115.6 million on development activities, an increase by approximately 12 percent compared to the previous period.

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

Title	Start Jan-Dec 2019 $million	End Jan-Mar 2020 $million
121600 SS Humanitarian Fund	21.3	4.1
106306 GFATM - SSD-H-UNDP	13.9	1.7
77970 Access to Justice and Rule of Law	8.3	0.9
115998 Recovery and resilience	5.7	0.3
102663 Peace and Community Cohesion Project (PaCC)	7.0	0.6
Total	56.2	7.6

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
Multi-Partner Trust Fund (MPTF)	72.3
Norway	26.6
GFTAM	21.7
Total	120.6

II. Audit results

Satisfactory performance was noted in the following areas:

(a) <u>Governance.</u> Controls and procedures for governance activities including corporate planning and risk registers, staff organization, internal control framework and delegation of authority and business continuity were found to be adequate. Issues identified were discussed with management and cleared.

(b) <u>Procurement.</u> Controls and procedures for procurement of goods and services were found to be adequate.

(c) <u>Financial management.</u> There were no notable issues in financial management processes.

(d) <u>Human resources.</u> Control procedures for human resources management were found to be adequate. Issues identified were discussed with management and cleared.

(e) <u>Common services</u>. Control procedures for common services were found to be adequate.

OAI made two 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) Improve Country Programme oversight (Recommendation 1).
   (b) Strengthen project administration (Recommendation 2).

The detailed assessment is presented below, per audit area:

A. Development Activities

1. Country Programme

Issue 1   Limited stakeholder participation in Country Programme Document oversight

The 'UNDP Programme and Operations Policies and Procedures' require Country Programme monitoring to ensure that programme outcomes are achieved and that a formalized multi-stakeholder programme board or committee is responsible for oversight of programme implementation and results.

There was no formalized oversight mechanism for the programmes of the 2019–2021 Country Programme Document (CPD). The CPD was implemented within the framework of the United Nations Cooperation Framework without an oversight body.

Without a formalized oversight mechanism, the implementation of programme activities might not be aligned with national priorities and poor performance in meeting CPD objectives might go unnoticed.

Priority	Medium (Important)
Recommendation 1: The Office should improve Country Programme oversight by: (a) advocating, as part of the UN Country Team, for the formalization of an oversight mechanism for the United Nations Cooperation Framework that includes all stakeholders; and (b) engaging as a matter of priority with the national counterpart and development partners on the progress of implementation of the current programme.	
Management action plan: (a) The Resident Representative will communicate to the Resident Coordinator the need to deepen existing mechanisms to include expanded participation, including development partners and non-state actors; and (b) The Office will make a presentation to UN Country Team on the need and strategy to ensure the participatory oversight mechanism is expanded in line with the 'UNDP Programme and Operations Policies and Procedures'. **Estimated completion date:** 31 March 2021	

2. Project Administration

Issue 2   <u>Inadequate capacity assessments of non-governmental organizations (NGOs) and community based organizations (CBOs)</u>

According to the 'UNDP Programme and Operations Policies and Procedures', NGOs or CBOs responsible for the implementation of project activities may receive funding as an advance through a performance-based payment agreement, this ties the disbursements made to the responsible party to measurable results and related deliverables. When funding exceeds $30 000, offices are to carry out micro-assessments and assurance activities under the Harmonized Approach to Cash Transfers (HACT) policy.

The Office signed responsible party agreements with NGOs/CBOs, but instead of advancing funds as stipulated under the responsible party agreements, the payments were made only as grants. From a selected sample of 10 grants payments valued at $408,200 (or 5.6 percent of $7.26 million in grants paid during the period under review), 6 grants valued at $218,600 (or 53.5 percent of selected sample) were paid as grants to responsible parties.

Recipients for two out of these six payments received funds of over $30,000 but were not micro-assessed as per corporate requirements. There was therefore no assurance that these entities had the required capacity to manage UNDP funds.

The disbursement of funds as grants does not ensure measurable results. Inadequate capacity assessments of NGOs/CBOs can negatively impact project implementation.

Priority	Medium (Important)
Recommendation 2: The Office should strengthen project administration controls by: (a) strengthening delivery assurance, such as using performance-based advances; and (b) assessing all NGOs and CBOs that receive over $30,000 to implement projects on behalf of the Office.	
Management action plan: The Office will: (a) Use low value grant agreements, plus added assurance (given the Country's context) with partners known to have low capacity; and (b) Ensure that all partners with $30,000 value initiatives are micro-assessed. **Estimated completion date:** 31 August 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.