AUDIT

OF

UNDP COUNTRY OFFICE IN

GUINEA-BISSAU

Report No. 2281
Issue Date: 12 February 2021
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Report on the Audit of UNDP Guinea-Bissau
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Guinea-Bissau (the Office) from 30 November to 16 December 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 $36 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.
(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 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 weaknesses in the implementation of the Harmonized Approach to Cash Transfers (HAICT).

Key recommendations: Total = 6, high priority = 1

<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</td>
<td>Medium</td>
</tr>
<tr>
<td>Effectiveness and efficiency of operations</td>
<td>2, 4, 5</td>
<td>Medium</td>
</tr>
<tr>
<td>Safeguarding of assets</td>
<td>6</td>
<td>Medium</td>
</tr>
<tr>
<td>Compliance with legislative mandates, regulations and rules, policies, and procedures</td>
<td>3</td>
<td>High</td>
</tr>
</tbody>
</table>

For high (critical) priority recommendations, 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. The high (critical) priority recommendation is presented below:
Weaknesses in the implementation of the Harmonized Approach to Cash Transfers (Issue 3)

The following weaknesses were identified in relation to the implementation of the HACT Framework: weaknesses in the implementation of assurance activities; cash advances outstanding beyond three months; incorrect recording of expenditure; inadequate oversight over cash transfers; weaknesses in the utilization of the direct payment modality; and inadequate use of Funding Authorization and Certificate of Expenditure (FACE) forms.

**Recommendation:** The Office should adhere to the requirements of the HACT Framework by: (a) completing a micro-assessment of implementing partners and developing and implementing the assurance plan; (b) ensuring cash transfer and direct payments adhere to UNDP polices; and (c) adhering to the requirements regarding the use of FACE forms.

**Management comments and action plan**

The Resident Representative accepted the six 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.

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

The Office, located in Bissau, Guinea-Bissau (the Country) and its Country Programme covered the period 2016–2020 with the following development priorities:

a) State institutions, including the areas of defense, security and justice, consolidate stability and the rule of law, democratic participation and equitable access to opportunities for all.
b) Economic growth is inclusive and sustainable, promoting poverty reduction, decent work, food security and structural transformation of the economy.
c) Public institutions, civil society organizations and the private sector contribute to the preservation and the development of biodiversity, and the prevention and management of disaster risks.

During the period from January 2019 to August 2020, the Office spent $34 million on development activities, an increase by 5 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:

<table>
<thead>
<tr>
<th>Title</th>
<th>Expenditure January - December 2019 $million</th>
<th>Expenditure January - August 2020 $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support of the electoral cycle (2018 – 2019)</td>
<td>5.9</td>
<td>0</td>
</tr>
<tr>
<td>Fight against malaria*</td>
<td>5.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Early response to the COVID-19</td>
<td>0</td>
<td>3.1</td>
</tr>
<tr>
<td>Rule of law and justice</td>
<td>1.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Creation of the conditions for local governance and development</td>
<td>1.1</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14.1</strong></td>
<td><strong>7.8</strong></td>
</tr>
</tbody>
</table>

Note: *The resources from Global Fund were not included in the audit since a separate audit was conducted in 2020

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>International financial institutions</td>
<td>8.4</td>
</tr>
<tr>
<td>Global Environment Facility (GEF)</td>
<td>5.3</td>
</tr>
<tr>
<td>GFATM</td>
<td>4.9</td>
</tr>
<tr>
<td>Multi Partner Trust Funds</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22.3</strong></td>
</tr>
</tbody>
</table>

II. Audit results

Satisfactory performance was noted in the following areas:

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

OAI made one recommendation ranked high (critical) and five 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.

**High priority recommendation**
(a) Adhere to the requirements of the HACT Framework (Recommendation 3).

**Medium priority recommendations**, arranged according to significance:
(a) Address low utilization of available resources (Recommendation 2).
(b) Strengthen procurement management (Recommendation 5).
(c) Strengthen cost recovery (Recommendation 6).
(d) Improve gender equality (Recommendation 1).
(e) Strengthen project management (Recommendation 4).

The detailed assessment is presented below, per audit area:

**A. Governance**

1. **Organization chart & overall staffing**

   **Issue 1** 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 organization aims to achieve gender parity across all levels of the organization by 2021.

   The audit team identified the following weaknesses:

   a) **Gender committee not fully operational**

   According to the gender committee’s term of reference, the committee should meet monthly. However, the audit team noted that the committee had not met since August 2020, which prevented the Office from monitoring progress made on gender issues.

   b) **Gender imbalance at management level (P-5 and above)**

   While women represented 44 percent of all professional positions as of 31 August 2020, which is slightly above the Regional Bureau for Africa average (41 percent), the audit team noted that there was only one woman at the P-5 level and higher (out of four P-5 positions and one D-1 position).

   Weaknesses in gender equality management may prevent the Office from implementing the ‘UNDP 2018–2021 Gender Equality Strategy’.
**Priority** Medium (Important)

**Recommendation 1:**

To improve gender equality, the Office should:

(a) ensure that the gender committee is active and meets monthly, and
(b) attract and recruit qualified women for management positions to improve the gender balance and ensure the documentation of these measures when these positions become vacant (P-5 and above).

**Management action plan:**

(a) The Office will create a revamped gender committee, with monthly meetings as indicated in the terms of references.
(b) The Office will make all possible efforts to attract and recruit women for management positions (P-5 and above) to improve gender balance and document these efforts.

**Estimated completion date:** June 2021

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**B. Development activities**

**1. Country programme**

**Issue 2** Low utilization of available resources leading to reduced general management support income (GMS)

The ‘UNDP Programme and Operations Policies and Procedures’ require that available financial resources are utilized within the agreed timeframe. This implies adequate coordination between the project and implementing partner, close cooperation between programme and the procurement units, and monitoring of project delivery by the programme unit.

In 2020, the Office's delivery was 47 percent of available resources (excluding Global Fund projects and commitments) compared to 57 percent for the Regional Bureau average.

The low delivery was mainly due to external factors, such as the COVID-19 pandemic and the political crisis, which reduced the level of engagement with the Government from February to August 2020. However, for two projects (with expenditure totalling $627,795), the low utilization of available resources was attributed to the following:

- inadequate coordination in project planning with the national implementing partner;
- lack of coordination between the programme and procurement units, contributing to delays in procurement processes; and
- lack of monitoring by the programme unit.

In the event the available programme resources are not utilized, the corresponding GMS will not be generated, impacting the Office’s sustainability.
### Priority Medium (Important)

#### Recommendation 2:

The Office should address low utilization of available resources by:

(a) addressing the coordination issues with the implementing partners;
(b) coordinating more closely with programme and procurement units to ensure efficient implementation of procurement processes; and
(c) completing monitoring to identify and address issues impeding utilization of available resources.

#### Management action plan:

The Office will:

(a) define more precisely the programmatic approach with the implementing partners;
(b) coordinate more closely with programme and procurement units to ensure efficient implementation of procurement processes and
(c) complete monitoring of development projects

**Estimated completion date:** September 2021

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### 2. Implementation modalities

#### Issue 3 Weaknesses in the implementation of the Harmonized Approach to Cash Transfers

The Framework for Harmonized Approach to Cash Transfers (HAFT) stipulates the requirements to be met prior to transferring cash to implementing partners and the corresponding management of payments, which includes: (a) micro-assessments of implementing partners receiving more than $300,000; (b) preparation of an assurance plan that details the spot checks and programmatic visits; (c) utilization of cash advances within three months; (d) use of the implementing agent chart field to track advances and payments made to the implementing partner; and (e) completion of the Funding Authorization and Certificate of Expenditures (FACE) form.

Payments made to implementing partners should be based on the legal framework agreed upon. Within the chart of accounts, the implementing agent chart field is used to track advances and payments made to the implementing partner. Cash advances should be given, monitored and recovered in compliance with UNDP policies.

The audit team reviewed all 10 advances amounting to $577,605 and 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 an assurance plan for 2019 and 2020.
   - The Office did not conduct spot checks during the period under review.
   - Capacity assessment of one implementing partner was not completed.
b) **Cash advances outstanding beyond three months:**

During the period under review, five cash advances amounting to $453,325 were disbursed to implementing partners. The audit team noted that 67 percent of advances were not utilized within three months, including one advance of $78,491, which was outstanding for more than 12 months.

c) **Incorrect recording of expenditure and activities:**

- Direct payments to implementing partners amounting to $6.8 million were incorrectly recorded under the UNDP implementing agent code. Furthermore, expenditure of $372,133 relating to UNDP was incorrectly recorded under the implementing agent code relating to implementing partners.
- Transactions were not recorded under the appropriate activities within the FACE form for 50 percent of cases sampled amounting $292,395.

Inadequate recording of expenses under correct implementing agent codes distorts the amount of expenses incurred by the implementing partners and may lead to partners being incorrectly exempted from mandatory HACT audits.

d) **Inadequate oversight over cash transfer transactions:**

- Four implementing partners that received cash transfers above $300,000 during the programme cycle were not micro-assessed, as required.
- Cash amounting to $5.2 million was transferred to two partners assessed as “high risk” following the micro-assessment. The UNDP policies stipulate that “for Partners rated as high risk, due to the partner’s weak internal controls, no cash transfers should be issued”.
- In four cases valued at $374,834, new cash advances were disbursed prior to the liquidation of the previous advance.
- UNDP policies require offices to tag payments based upon the cash disbursement modalities and the project implementation modality. Out of five cash transfers and three direct payments valued at $693,533 sampled by the audit, none was tagged.

e) **Weaknesses in the utilization of the direct payment modality**

The audit team reviewed three direct payment transactions valued at $240,208, and identified the following:

- In all cases reviewed, the FACE forms were not attached to the payment requests.
- In one case, totalling $112,801, payment was made prior to the delivery of the goods and services.

f) **Inadequate use of FACE forms**

- In all six cash advance payment vouchers reviewed, totalling $560,025, the opening and closing balances of FACE forms did not reconcile with the enterprise resource planning system (Atlas).
- In three instances, totalling $311,086, the requested cash disbursement on the FACE form did not match with the amount paid.
- Four cash transfers valued at $2.2 million were not accompanied by FACE forms, as required.

Weaknesses in the implementation of the HACT Framework could result in incorrect payments being made in addition to financial losses for the organization.
Priority: High (Critical)

**Recommendation 3:**

The Office should adhere to the requirements of the HACT Framework by:

(a) completing a micro-assessment of implementing partners and developing and implementing the assurance plan;
(b) ensuring that cash transfers and direct payments adhere to UNDP policies and procedures; and
(c) adhering to the requirements regarding the use of FACE forms.

**Management action plan:**

The Office will:

(a) take measures to organize its implementation of HACT related activities and prepare a HACT plan that will include both quality assurance activities and micro-assessment of all national partners to receive more than $150,000 during the programme cycle;
(b) provide training and share pertinent information with programme officers and associates involved in providing cash transfers and direct payments services to adhere to UNDP policies and procedures; and
(c) require programme officers and associates to ensure that cash advances are timely justified and supported with proper documentation and issue an internal office memo.

**Estimated completion date: September 2021**

3. Project administration

**Issue 4**  
**Weaknesses within project management**

The ‘UNDP Programme and Operations Policies and Procedures’ stipulate that project design and monitoring must be clearly defined and implemented.

The audit team reviewed a sample of three ongoing development projects with expenditure totalling $12 million representing 49 percent of project expenditure (excluding Global Fund) during the audit period.

The audit team identified the following weaknesses:

a) **Project design:**
   - Two project documents were incomplete as they excluded project descriptions, and information on risks and the legal framework.
   - For all three projects, multi-year annual work plans were not completed and the corresponding results framework was incomplete.
   - The social and environmental screening was delayed in two instances and not completed in one case.

b) **Project monitoring:**
   - For one project, the Local Project Appraisal Committee review had not been completed.
• In one case, the progress report was incomplete as it excluded an analysis of activities scheduled and implemented, and an updated risk analysis and results framework.
• For two projects, the Atlas information concerning project start and end dates and budget information was incorrect.
• For three projects, the monitoring data (including baseline and results information, risk logs, monitoring information) had not been included or updated in Atlas.
• One scheduled project evaluation was not completed.

Weaknesses in project design and monitoring may have impact on the achievement of programmatic objectives.

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<tr>
<th>Priority</th>
<th>Medium (Important)</th>
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**Recommendation 4:**

The Office should strengthen project management by:

(a) ensuring information within project documents is complete, and social and environmental screening takes place prior to project inception;
(b) ensuring progress reports, project evaluations and local project appraisals are completed in accordance with corporate guidelines; and
(c) completing and updating project information in Atlas.

**Management action plan:**

The Office will ensure that:

(a) all mandatory documents for project implementation (including progress reports and evaluations) are prepared, including social and environment screenings;
(b) work plans are used as relevant and effective tools to administer the project activities and achieve the targeted outcomes (with correct elements of risk analysis, timeline and exhaustive results framework) and
(c) regular checks are conducted to update project information within Atlas.

**Estimated completion date:** September 2021

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**C. Operations – Procurement**

**1. Procurement/Goods & services**

**Issue 5**  
Weaknesses in procurement processes

The ‘UNDP Programme and Operations Policies and Procedures’ provide guidance on effective oversight of procurement practices and contract management. This includes preparation of a comprehensive procurement plan, raising requisitions at the outset of the procurement process, and raising purchase orders once the procurement selection has been made, prior to the receipt of goods. Contracts should be monitored in order to address implementation delays, and extensions should be processed prior to contract expiration. Individual contracts should incorporate the complete work envisioned.
The following weaknesses were identified:

a) **Office procurement plans incomplete:**
   - The 2019 procurement plan excluded $0.8 million or 27 percent of procurement cases. The 2020 procurement plan excluded $2 million or 83 percent of procurement cases.

b) **Insufficient lead time for sourcing:**
   - Requisitions should precede the creation of purchase orders. The audit team noted that 39 percent of requisitions amounting to $2.5 million were created in Atlas at the same time as the purchase orders.

c) **Purchase orders created on or after receipt of goods:**
   - 19 purchase orders amounting to $216,287 were created at the time that goods were received.
   - 10 purchase orders amounting to $205,558 were approved after the goods/services were received.

d) **Inadequate controls and risk management over procurement processes:**
   - The audit team reviewed 15 procurement transactions totalling $2.3 million. Of these, four contracts amounting to $1.7 million were delayed between one and three months due to insufficient oversight. The Office had not adequately assessed the risk relating to these contracts.
   - The Office did not monitor the expiry of contracts. In seven cases valued at $452,143, the Office had to extend contracts that had already expired.

e) **Shortcomings in the management of individual contracts:**
   - Out of a sample of 10 purchase orders amounting to $613,352, the audit team observed successive amendments of five individual contracts, totalling $276,689. This was due to inadequate formulation of the terms of reference.

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

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
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<tbody>
<tr>
<td><strong>Recommendation 5:</strong></td>
<td></td>
</tr>
<tr>
<td>The Office should strengthen procurement management by:</td>
<td></td>
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<tr>
<td>(a) preparing a comprehensive procurement plan;</td>
<td></td>
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<tr>
<td>(b) raising requisitions and purchase orders in accordance with corporate guidelines; and</td>
<td></td>
</tr>
<tr>
<td>(c) ensuring contracts include complete deliverables with realistic timeframes, and are monitored and renewed prior to the expiration date.</td>
<td></td>
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</tbody>
</table>

| Management action plan: |                |
| The Office will: |                |
| (a) enhance synergy between programme and operations to ensure timely issuance of realistic procurement plans; |                |
(b) systematically use the Atlas contract management module to improve contract monitoring mechanisms; and
(c) raise requisitions and purchase orders in accordance with corporate guidelines

Estimated completion date: March 2021

D. Operations – Finance

1. Office budget & cost recovery

Issue 6  Weaknesses in cost recovery

The ‘UNDP Programme and Operations Policies and Procedures’ state that direct project costs are levied for costs incurred in the implementation of a development activity or service that can be directly traced and attributed to that development activity.

In accordance with the provisions of the Standard Basic Assistance Agreements that govern UNDP operations in programme countries, host governments are expected to contribute towards the costs of Country Offices. Furthermore, services completed on behalf of UN agencies should be invoiced and recovered.

A review of the cost recovery mechanism in the Office disclosed the following:

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

At the time of the audit, the outstanding Government Contributions to Local Office Costs for the period from 2008 to 2020 was $3.1 million. The Office provided evidence of follow-up regarding the payment of the balance.

b) Ineffective implementation of the Direct Project Costing:

A review of the implementation of Direct Project Costing in the Office disclosed the following:

- At the time of the audit, Direct Project Costing applied by the Office did not cover activities associated with programme support.

c) Services completed on behalf of UN agencies not recovered:

- Information and Communication Technology (ICT) services provided and totalling $50,000 were invoiced, but not recovered from other United Nations agencies.

Failure to recover Government Contributions to Local Office Costs, direct project costs, and costs for services completed on behalf of UN agencies, may impact the financial sustainability of the Office.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 6:</strong></td>
<td></td>
</tr>
<tr>
<td>The Office should strengthen cost recovery by:</td>
<td></td>
</tr>
</tbody>
</table>
(a) enhancing efforts to collect the outstanding Government Contributions to Local Office Costs;  
(b) recovering direct project costs in accordance with the policy; and  
(c) recovery of costs related to support services provided to other UN agencies.

<table>
<thead>
<tr>
<th>Management action plan:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Office will:</td>
</tr>
<tr>
<td>(a) pursue further efforts to collect the outstanding Government Contributions to Local Office Costs; and</td>
</tr>
<tr>
<td>(b) implement the newly drafted SOP and ensure that it enables a timely recovery of support services provided.</td>
</tr>
</tbody>
</table>

**Estimated completion date:** December 2021
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.