



**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**GABON**

**Report No. 2295**  
**Issue Date: 11 February 2022**

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## Report on the Audit of UNDP Gabon Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Gabon (the Office) from 25 October to 9 November 2021. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) Governance
- (b) Development activities
- (c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

The audit covered the activities of the Office from 1 January 2020 to 31 August 2021. The Office recorded programme and management expenses of approximately \$5.4 million. The last audit of the Office was conducted by OAI in 2015.

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 contents and petty cash were not verified.
- (f) The information communication and technology area were not reviewed on-site.

### Overall audit rating

OAI issued an audit rating for the Office of **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 weaknesses in the Office's financial sustainability and inefficiencies in the banking payment processes.

**Key recommendations:** Total = 7, high priority = 2

The seven recommendations aim to ensure the following:

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

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 recommendations are presented below:

Inefficiencies in the banking payment processes (Issue 6)

At the time of the audit, the Office could not use EFT to process payments as its local bank did not have an electronic banking system that could be interfaced with Atlas. Payment vouchers were processed through a pay cycle and extracted to an electronic file. The banking information was manually entered in a database before a transfer order was issued.

Recommendation: The Office should strengthen the efficiency of payment processing by undertaking an analysis of the local banking market to identify a provider that supports the Electronic Fund Transfer format.

Office's sustainability at risk (Issue 1)

Over the past three years, the Office had incurred deficits between the institutional revenue and the related institutional expense, amounting to \$444,040 in 2019, \$691,480 in 2020, and \$304,297 in 2021. These deficits have been financed by the Regional Bureau for Africa. The deficits can be attributed to the following:

- a) Outstanding GLOC that has accumulated since 2015 to \$4.07 million.
- b) The ratio (management expense/programme expense) indicates how efficient the Country Office is in using its resources to implement its programme, taking into consideration the size of that programme. Over the previous three years, the ratio had been significantly higher than the Regional Bureau for Africa average, due to low programme expenditure.

Recommendation: The Office should improve its financial sustainability by: (a) actively pursuing the recovery of the Government Contributions to Local Office Costs arrears through a formalized payment plan, and, if necessary, escalate this issue to the Regional Bureau for Africa; and (b) developing and implementing a financial sustainability action plan.

### Management comments and action plan

The Resident Representative accepted all seven recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Ostveiten  
Director  
Office of Audit and Investigations

## I. About the Office

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

- a) national and local capacities reinforced for planning and implementation of the Sustainable Development Goals; and
- b) sustainable growth for the benefit of all.

During the period from January 2020 to August 2021, the Office spent \$4 million on development activities, an increase of 72 percent compared to the previous period (January 2018 to August 2019).

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

Title	Expenditure Jan-Dec 2020 \$million	Expenditure Jan-Aug 2021 \$million
Gabon response to COVID 19	0.50	0.04
Implementation of SDGs	0.33	0.18
Programme Unit Support Project	0.16	0.16
Green Gabon	0.12	0.17
Human rights promotion and protection	0.02	0.07
<b>Total</b>	<b>1.13</b>	<b>0.62</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
Multi-Partner Trust Fund	5.78
GEF	0.19
UN Agencies	0.16
<b>Total</b>	<b>6.13</b>

## II. Audit results

Satisfactory performance was noted in the following area:

- (a) Operations - Administrative services: Internal controls and processes were assessed as adequate in the management of travel, assets, and common services.

OAI made two recommendations ranked high (critical) and five recommendations ranked medium (important) priority.

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

- (a) Strengthen the efficiency of payment processing (Recommendation 6).
- (b) Improve financial sustainability (Recommendation 1).

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

- (a) Improve oversight of recruitment processes (Recommendation 7).
- (b) Strengthen procurement effectiveness and efficiency (Recommendation 5).
- (c) Improve the Harmonized Approach to Cash Transfers implementation (Recommendation 3).
- (d) Improve project management (Recommendation 4).
- (e) Align project portfolio and programme outcomes (Recommendation 2).

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.

The detailed assessment is presented below, per audit area:

## A. Governance

### 1. Data analytics & performance indicators

#### Issue 1 Office's sustainability at risk

Country Offices are expected to generate sufficient income to cover institutional costs. In accordance with the provisions of the Standard Basic Assistance Agreement that governs UNDP operations in programme countries, host governments are expected to contribute towards the local costs of Country Offices.

Over the past three years, the Office had incurred deficits between the institutional revenue and the related institutional expense, amounting to \$444,040 in 2019, \$691,480 in 2020 and \$304,297 in 2021. These deficits have been financed by Regional Bureau for Africa. The deficits can be attributed to the following:

a) Significant outstanding Government Contributions towards Local Office Costs (GLOC)

Outstanding GLOC has accumulated since 2015 to \$4.07 million. The Government was contacted in September 2021, to address the outstanding contributions, without success.

b) High management to programme expense ratio

The ratio (management expense/programme expense) indicates how efficient the Country Office is in using its resources to implement its programme, taking into consideration the size of that programme. Over the previous three years, the ratio had been significantly higher than the Regional Bureau for Africa average, due to low programme expenditure (refer to the table below):

Ratio (MGMT/PRG)	2021	2020	2019
Office	29%	46%	69%
RBA average	8%	8%	8%

The audit team noted that a financial sustainability strategy to address these issues had not been prepared.

The Office explained that the trend was in the right direction with an increase in programme portfolio, and indicated that the Office was to develop an action plan and a “Delivery Acceleration Task Force” with implementing partners to improve delivery.

<b>Priority</b>	High (Critical)
<b>Recommendation 1:</b>	
The Office should improve its financial sustainability by:	
(a) actively pursuing the recovery of the Government Contributions to Local Office Costs arrears through a formalized payment plan, and, if necessary, escalate this issue to the Regional Bureau for Africa; and	
(b) developing and implementing a financial sustainability action plan.	
<b>Management action plan:</b>	
The Office will continue to monitor the GLOC and pursue its recovery with the Government by June 2022.	
The Office will prepare and implement a financial sustainability plan by December 2022.	
<b>Estimated completion date:</b> December 2022	

## B. Development activities

### 1. Country Programme

#### Issue 2 Misalignment between project outputs and Country Programme Outcomes

Country Programme Documents (CPD) include a ‘theory of change’, which depicts the causal pathways between outputs through outcomes. An approved Country Programme Document may be amended if significant changes in the national development situation affect its content and relevance.

The two CPD priorities were contributing to a single United Nations Development Assistance Framework outcome (‘improvement of basic social services for the most vulnerable’) for the programme cycle 2018–2022). The audit team noted that the key areas of intervention within the project portfolios (environment and local governance) had become misaligned with the programme outcome within the CPD. A significant number of project outputs (45 percent of total expenses in 2020 and 84 percent as of the end of October 2021), for example, the expansion of protected areas or integrated climate information, were observed as not being linked to the outcome.

The Office explained that at the end of 2019, it reoriented its project portfolio towards the new national development priorities. This led to a substantive change in the programmatic objectives. However, the CPD’s theory of change and results and resources framework were not revised to reflect changes within the project portfolio. The Office, after consulting with the Regional Bureau for Africa at the end of 2021, decided to not amend the theory of change for the current programme cycle, since this would conclude in 2022.

Misalignment between project outputs and programme outcomes may impact the achievement of the programmatic objectives.

<b>Priority</b>	Medium (Important)
<b>Recommendation 2:</b>	
The Office should align of its project portfolio and programme outcomes within the next programme cycle 2023–2027.	
<b>Management action plan:</b>	
The Office will organize a multi-disciplinary workshop under the leadership of a results-based management expert to develop the theory of change and ensure alignment between outputs and outcomes by June 2022.	
<b>Estimated completion date:</b> June 2022	

## 2. Implementation modalities

### Issue 3 Weaknesses within Harmonized Approach to Cash Transfers (HACT) implementation

The ‘Framework for Harmonized Approach to Cash Transfers’ (HACT Framework) stipulates that one of the requirements to be met prior to transferring cash to implementing partners is to conduct a macro-assessment of the public financial system. The Resident Coordinator Office is responsible for coordinating the macro-assessment exercise. A good practice is to advocate with the United Nations Country Team on alternative actions to mitigate the risk of not conducting a macro-assessment.

Offices are required to tag payments within the UNDP enterprise resource planning system (Atlas), to reflect the cash disbursement modalities and the project implementation modality. The tagging facilitates the tracking and reporting of cash transfers to partners implementing projects.

The audit team reviewed the Office’s implementation of the HACT Framework and noted the following shortcomings:

- A macro-assessment was not conducted for the 2018–2022 period. In addition, the Office had not consulted with the United Nations Country Team to agree on alternative actions to mitigate the risk of not completing a macro-assessment. The lack of a macro-assessment may prevent the Office from assessing the adequacy of the public financial system.
- Expenses amounting to \$790,000 in 2020 and \$140,000 in 2021 were not tagged in the Atlas system. Therefore, the tracking and reporting on expenses per implementing partner was not possible.



<b>Priority</b>	Medium (Important)
<b>Recommendation 3:</b>  The Office should improve the implementation of HACT by: <ul style="list-style-type: none"> <li>(a) advocating with the Resident Coordinator Office and the United Nations Country Team for the completion of a macro-assessment or take measures to mitigate the risk in the event it cannot be completed; and</li> <li>(b) ensuring that all payments are tagged in the Atlas system.</li> </ul>	
<b>Management action plan:</b>  <ul style="list-style-type: none"> <li>(a) The Office will recruit a consultant that will conduct a macro-economic and public financial management analysis by March 2022.</li> <li>(b) Corrective measures have already been taken to ensure that all payments are tagged in the system. Evidence will be sent when such payments are made by March 2022.</li> </ul>	
<b>Estimated completion date:</b> March 2022	

### 3. Project administration

#### Issue 4 Weaknesses within project management

The 'UNDP Programme and Operations Policies and Procedures' stipulate that a quality assurance review, including the social and environmental screening, should be performed at each stage of the project lifecycle (design and appraisal, implementation, and closure). During the implementation stage, project quality assurance assessments should be completed every two years. In addition, monitoring data (baseline, indicators and results information, risk logs, monitoring information) should be included in Atlas.

The audit team reviewed a sample of 4 of the 13 development projects managed by the Office, with expenditures totalling \$1.33 million in 2020 (58 percent of the programme expenses) and \$0.57 million from January to August 2021 (33 percent of programme expenses). The sample included one project funded by the Global Environment Facility (GEF). Two out of the four projects were nationally implemented with support services provided by the Office. The following weaknesses were noted:

- a) Project design and appraisal:
  - In three cases, the social and environmental screenings and quality assurance assessments of the project design were not performed prior to project implementation. It was also noted that quality assurance assessments (completed at the project implementation stage) were not completed on time for 13 projects in 2020 and for 12 in 2021.
- b) Project monitoring:
  - In three of the four projects sampled (including the GEF project), the project progress reports did not include an assessment of the achievement of activities and output targets against those defined within the annual work plans and results and resources framework. In addition, the risk assessments were not updated on an annual basis.

- In all four projects sampled, the monitoring data, including baselines, indicators and results information, risk logs, and monitoring information had not been included or updated in Atlas. For example, some targets were still to be defined, and some results were not sufficiently specific to measure or did not correlate with the targets. The audit team confirmed that actions were taken by the Office following the fieldwork to address these issues.

These deficiencies were due to a lack of project oversight. The Office recruited an Assistant Resident Representative/Programme to reinforce programme oversight and was in the process of recruiting a Programme Associate to provide additional support.

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

Priority	Medium (Important)
<b>Recommendation 4:</b>  The Office should improve its project management by: <ul style="list-style-type: none"> <li>(a) performing quality assurance assessments and social and environmental screenings in line with corporate requirements at each stage of the project lifecycle;</li> <li>(b) ensuring that progress reports contain an assessment of the achievement of activities and output targets against those defined within the annual work plans and results and resources framework; and</li> <li>(c) establishing a mechanism to regularly review and update project data in Atlas.</li> </ul>	
<b>Management action plan:</b> <ul style="list-style-type: none"> <li>(a) All new projects signed by June 2022 will have completed a Social and Environment Screening Procedure (SESP) and quality assurance reviews.</li> <li>(b) By April 2022, all projects in the portfolio will have approved annual work plans and progress reports.</li> <li>(c) By April 2022, the Office's standard operating procedures for programme will include specific actions to collect and review Atlas data on a regular basis.</li> </ul>	
<b>Estimated completion date:</b> June 2022	

## C. Operations

The Office entered into a corporate agreement with UNDP Mali for the provision of services at the country level on a cost recovery basis for years the 2020 and 2021. Terms and conditions were specified in a Service Level Agreement. The type of services to be rendered included: finance, human resources, procurement, information and communication technology (ICT), and general administrative services.

The audit team observed that in practice, apart from human resources and finance, all other services were mainly delivered locally.

## 1. Procurement/Goods and services

### Issue 5 Lapses in procurement management

The audit team reviewed a sample of 15 purchase orders valued at \$0.8 million, representing 28 percent of the value of the purchase orders approved over the audit period. The audit team noted the following:

#### a) Weaknesses in procurement planning

The 'UNDP Programme and Operations Policies and Procedures' stipulate that procurement planning is essential to ensure implementation targets can be achieved.

Once the procurement process is completed and a vendor is selected, a purchase order should be raised including information on the expected delivery date.

The annual procurement plan was not prepared in 2020. The Office indicated that utilization of the corporate procurement platform (PROMPT) and preparation of the procurement plan commenced in August 2021. Moreover, the audit team noted that the 2021 procurement plan was not finalized. The plan did not include information on procurement due date, status of delivery, purchase date and receipt. This limited its functionality as a tracking tool.

In addition, the audit team confirmed that for all purchase orders reviewed, the delivery date of goods and services was not included.

#### b) Insufficient advertisement and sourcing of vendors

A request for proposal requires public advertisement. At a minimum, it must be advertised or published on both UNDP's corporate website (UNDP procurement notices) and the UN Global Marketplace ([www.ungm.org](http://www.ungm.org)).

The audit team noted the following exceptions (out of the 5 requests for proposals sampled) amounting to \$144,822 as follows:

- In two cases, the requests for proposals were not advertised on the UN Global Marketplace website.
- In one case, the solicitation documents did not include the required information. For example, the delivery timeframe was not included as one of the selection criteria, although the contract was awarded to the highest bid based on the delivery response time.

#### c) Delays within the procurement process

In two procurement cases, completed locally and valued at \$214,395, the average lead time (advertising to award of contract) of the procurement processes was 117 days. This was high when compared with the timeframe established in the Service Level Agreement with UNDP Mali, which established a lead time of 45 days.

The exceptions noted were due to the limited capacity of the procurement unit and insufficient oversight over procurement activities.

Weaknesses in procurement management may prevent the Office from obtaining best value for money and may lead to delays in the procurement of goods and services.

Priority	Medium (Important)
<b>Recommendation 5:</b>  The Office should strengthen its procurement effectiveness and efficiency by: <ul style="list-style-type: none"> <li>(a) including the timely preparation of and regularly updating the procurement information within PROMPT;</li> <li>(b) advertising contracts in alignment with UNDP guidance and including all the required specifications within solicitation documents; and</li> <li>(c) reinforcing the capacities of the procurement staff and oversight over procurement activities to reduce the timeframe for processing of procurement contracts.</li> </ul>	
<b>Management action plan:</b>  The Office will: <ul style="list-style-type: none"> <li>(a) Share the Procurement Plan by March 2022.</li> <li>(b) Report all publications on the UN Global Marketplace when it comes to international tenders by March 2022.</li> <li>(c) Ensure that procurement staff will participate in certification programmes when offered.</li> </ul> <b>Estimated completion date:</b> March 2022	

## 2. Finance/Cash, banking & deposits

### Issue 6 Inefficiencies in the banking payment processes

The 'UNDP Programme and Operations Policies and Procedures' provide guidance on banking and financial management requirements. Out of the three payment formats in Atlas ("Manual Checks", "System Checks" and "Electronic Funds Transfer" or EFT), EFT is the preferred mode of payment, to ensure greater efficiency and security.

At the time of the audit, the Office could not use EFT to process payments as its local bank did not have an electronic banking system that could be interfaced with Atlas. Payment vouchers were processed through a pay cycle and extracted to an electronic file. The banking information was manually entered in a database before a transfer order was issued. The Office confirmed they had previously contacted the local bank to adapt their platform but without success.

Manual entries in the database for bank payment processing can affect the overall operational efficiency and expose the Office to fraud.

<b>Priority</b>	High (Critical)
<b>Recommendation 6:</b>	
The Office should strengthen the efficiency of payment processing by undertaking an analysis of the local banking market to identify a provider that supports the Electronic Funds Transfer format.	
<b>Management action plan:</b>	
The Office will undertake an analysis of the local banking offer and will request Treasury Office's approval for the launch of a selection process.	
<b>Estimated completion date:</b> June 2022	

### 3. Human resources/Recruitment of staff

#### Issue 7 Lack of oversight over recruitment processes

According to the UNDP 'Recruitment and Selection Framework Policy', all recruitments shall be guided by fair competition, objectivity and transparency. Moreover, recruitments should be timely conducted so that the Office can be staffed to achieve its programmatic and organizational objectives.

##### a) Recruitment procedures not in line with UNDP policies

The audit team reviewed 7 out of 10 recruitments (2 fixed-term appointments, 4 service contractors, and 1 National Personnel Service Agreement contract) completed during the audit period. In one recruitment case, supporting documentation of the technical tests of candidates was not available. Thus, competitiveness and transparency of the process could not be confirmed.

Lack of adherence to recruitment policies could prevent the Office from selecting the best candidate for the position.

##### b) Delays in the recruitment process

Due to the limited human resources capacity within the Office, recruitment processes were completed with the support of another Country Office (UNDP Mali). These services were governed by a Service Level Agreement.

The Service Level Agreement established a timeframe of 72 calendar days, from the advertisement of the vacancy to the selection of the candidates, for the recruitment of fixed-term appointment and service contract positions. The timeframe included long listing and short listing, and corporate review panel processes in the case of the fixed-term appointment recruitment.

The audit team reviewed the performance of the recruitment processes conducted under the Service Level Agreement and noted the following:

- Within the sample, on average, it took 240 calendar days to recruit fixed-term appointment staff members. The analysis of the staff recruitment processes identified two bottlenecks in the following: (i) the time taken between advertising and short listing of candidates; and (ii) the time

between the interview and the corporate review panel endorsement.

- All recruitments of service contract personnel took, on average, 164 calendar days to complete.

The audit team was not provided with sufficient evidence of the follow-up with UNDP Mali on the recruitment processes.

Lengthy recruitment processes could impact the Office's ability to deliver on its commitments.

Priority	Medium (Important)
<b>Recommendation 7:</b>  The Office should improve its oversight of recruitment processes by: <ul style="list-style-type: none"> <li>(a) ensuring that adequate supporting documentation of the recruitment process is in place;</li> <li>(b) improving monitoring mechanism and follow-up of the recruitment services provided by UNDP Mali under the Service Level Agreement; and</li> <li>(c) consider completing recruitments locally with the support of the Global Shared Services Centre.</li> </ul>	
<b>Management action plan:</b>  The Office will: <ul style="list-style-type: none"> <li>(a) Reinforce its supervision and quality control over the recruitment processes by systematically using technical tests (where required) and heightening quality control by the Operations Manager in short listing to avoid above-mentioned shortcomings. A sample of new recruitments will be shared with OAI by June 2022.</li> <li>(b) Ensure that monthly update of recruitment's status is produced by June 2022.</li> <li>(c) Complete the recruitment process for an HR assistant, which is ongoing.</li> </ul> <b>Estimated completion date:</b> June 2022	

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## Definitions of audit terms - ratings and priorities

### A. AUDIT RATINGS

- **Fully Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

### B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.