



AUDIT

OF

UNDP COUNTRY OFFICE

IN

CAMEROON

Report No. 2506

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Report on the Audit of UNDP Cameroon Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Cameroon (the Office) from 19 to 30 September 2022. 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)

In addition, OAI assessed the performance of the Office in the areas of development activities, and procurement.

Performance auditing is an independent, objective and reliable examination of an entity or process to assess whether economy, efficiency and effectiveness in the employment of available resources is being achieved.

- (a) Development activities: Were the Country Programme results achieved, and were results monitored?
- (b) Procurement: Were procurement processes conducted in a timely manner?

The audit covered the activities of the Office from 1 January 2021 to 30 June 2022. The Office recorded programme and management expenses of approximately \$42.2 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* of The Institute of Internal Auditors (The IIA).

Overall audit rating

OAI issued an audit rating for the Office of **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 due to weaknesses in procurement oversight and financial management processes.

Conclusion on the performance audit areas reviewed:

- a) The audit period covered the end of the previous programme cycle (2018–2021) and the beginning of the new Country Programme for 2022–2026. Some of the 2018–2021 Country Programme Document (CPD) targets were not achieved and as such they were embedded in the current CPD for 2022–2026. Furthermore, the Office explained that the underperformance was mainly due to output indicators that were linked to a longer-term national development strategy. The ongoing COVID-19 pandemic during the audit period further contributed to this underachievement of CPD targets. However, the audit team noted that results were effectively monitored through the dedicated corporate tool, the Integrated Results and Resources Framework. Given the explanation above, the audit team concluded that this was not a reportable audit issue.
- b) The procurement processes were not conducted in a timely manner.

The audit team’s review highlighted that the procurement processes were not conducted timely, and this has been included in Issue 1.

The results of the review on the performance audit areas were taken into consideration when assessing the overall audit opinion.

Good practice

The Office shared available OAI Country Office audit reports with staff for the purpose of knowledge building and proactively detecting and mitigating key risks and issues (refer to page 2).

Key recommendations: Total = 2, high priority = 2

The two recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	1	High
Compliance with legislative mandates, regulations and rules, policies and procedures	2	High

For high (critical) priority recommendation, 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:

Weaknesses in procurement oversight (Issue 1)

The audit team noted inadequate procurement oversight by the Office and delayed procurement processes during the audit period. The Office had detected possible vendor collusion between several bidders, and the Regional Advisory Committee on Procurement (RACP) had recommended that the Office contact the Office of Audit and Investigations (OAI) so that an investigation could be carried out. Although the bidders were disqualified in both cases, the Office did not contact OAI as recommended by the review committee. The review of procurement samples showed that on average, the procurement process of goods and services took 60 business days for procurement (that required RACP review), including an average timeline of 31 business days for the RACP review, although the Office had developed a timeline of 10 business days for RACP review. Delays in procurement processes requiring RACP approval were due to the poor quality of the documentation submitted to RACP by the Office, as illustrated by missing documentation and questions raised by the committee that could have been avoided.

Recommendation: The Office should enhance oversight and performance over procurement processes by: (a) following up on the procurement committees’ recommendations to ensure potential vendor collusion cases are investigated; (b) analysing RACP review comments to identify areas for improvement, and organizing a training based on the specific needs of the procurement staff; and (c) ensuring adherence to the standard procurement timelines, as well as performing and documenting an analysis of procurement cases exceeding the established timelines.

Exceptions in financial management process (Issue 2)

The audit team noted exceptions related to the implementation of the delivery enabling services (DES). Implementation of the DES mechanism was not systematic. The system set up by the Office did not enable an effective follow-up and tracing to the budget especially relating to general operating expenditure. According to 'UNDP Programme and Operating Policies and Procedures' development projects are required to be charged general operating expenses (GOE) that are directly attributed to the staff function (office bills such as electricity, rent, telephone and internet charges) in the same ratio as staff positions are funded. Moreover, there was a significant gap of \$549,817 between the DES budget in 2021 and the DES recovered from development projects for the same year. The office was not able to perform a reconciliation. The audit team noted that DES expenses were charged to 11 projects out of approximately 23 ongoing development projects as of the time of the audit. The Office explained that they were updating the projects to which DES was being charged.

Recommendation: The Office should enhance its monitoring of the financial processes by: (a) increasing the supervision over the application of the Chart of Accounts; (b) systematically implementing the general operating expense (GOE) budgeting, recording, and monitoring as per UNDP guidance; and (c) ensuring all eligible development projects are included in the annual budget and charged DES accordingly.

Management comments and action plan

The Officer-in-Charge 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
Osttveiten
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Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office is located in Yaoundé, Cameroon (the Country). The audit period covered two country programme cycles: 2018–2020 (extended until December 2021) and, 2022–2026. The purpose of the extension in 2021 was to align with the United Nations Sustainable Development Cooperation Framework (UNSDCF) and ensure harmonization with the national development plan.

The Country Programme 2018–2020 (extended until 2021), had the following development priorities, summarized below:

- a) women and youth have increased and equitable access to decent employment opportunities; and
- b) the population is more resilient to environmental, social and economic shocks.

The Country Programme 2022–2026 had the following development priorities, as summarized below:

- a) more people, especially youth, women and socially and economically vulnerable, benefit equitably from increased opportunities in a green, diversified, transformative, resilient, and inclusive economy;
- b) youth, women, the most vulnerable groups, and people living with disabilities actively contribute to the effectiveness of policies and the performance of the public institutions; and
- c) people, including youth, women and socially vulnerable groups, live in a safe environment, sustainably manage environmental resources, including biodiversity.

During the period from January 2021 to June 2022, the Office spent \$40 million on development activities, a decrease by 14 percent compared to the previous period.

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

Title	Expenditure 2021 \$million	Expenditure January-June 2022 \$million
Plan for Reconstruction and Development NOSO	6.85	4.41
Regional Stabilization Facility CMR	6.27	2.99
Appui à la Réponse Nationale du COVID-19	6.64	0.20
PIMS 3447 CBSP–Sustainable Financing of Protected	2.80	0.19
Total	22.56	7.79

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
Cameroon	5.96
Japan	5.18
Global Environment Facility	3.28
Multi Partner Trust Fund	1.61
Total	16.03

Good practice

As part of its overall risk identification process, management shared OAI Country Office audit reports with staff and reviewed them during programme and operations meetings, with the view of identifying potential similarities between observations raised in these audit reports and the Office's reality. This enabled the Office to proactively detect and mitigate key risks and issues.

II. Audit results

Effective controls were established and functioning in the following areas:

- (a) Governance: The governance structure was satisfactory. Adequate controls were in place to ensure segregation of duties and the second line of defense was well functioning in most areas. Staff were aware of the Office's challenges, objectives, and priorities, including gender issues. The management efficiency ratio was within the acceptable range and below the Regional Bureau for Africa average. The business continuity plan was regularly updated and tested.
- (b) Development activities: Projects reviewed by the audit team showed close monitoring and reporting of activities. The use of corporate tools for planning, implementation, monitoring and evaluation of projects was applied consistently. Stakeholders, including government counterparts and donors, with whom the audit team met, expressed their appreciation of the Office as a valued development partner.
- (c) Information and Communication Technology (ICT): The ICT organizational structure in the Office was adequate. The steering committee was operational, and the ICT work plan was closely monitored. Processes and practices ensuring access management and network security were effective. Development and digitalization as well as business continuity goals were achieved.
- (d) Administrative services: The audit team conducted a review of asset management, common services and travel management. Generally, adequate controls were established and working effectively.

OAI made two recommendations ranked high (critical) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

High priority recommendations, arranged according to significance:

- (a) Enhance monitoring of financial processes (Recommendation 2).
- (b) Enhance oversight and performance over procurement processes (Recommendation 1).

Conclusion on the Office's performance in the following audit areas/sub areas:

To form an opinion and conclude on the performance elements of this audit, the audit team used the following audit criteria:

- Country Programme Document (CPD) 2018–2020, Integrated Results and Resources Framework, project documents and progress reports.
- Procurement lead time against standard operating procedures established by the Office.

- (a) Development activities:

- i. Were the Country Programme results achieved, and were results monitored?

The 2018–2020 CPD (extended to 2021) encompassed two outcomes, comprising 27 output indicators. The review of the reported CPD results disclosed that 11 out of 27 output indicators did not achieve their related development objectives. Results were effectively monitored through the dedicated corporate tool, the Integrated Results and Resources Framework. The Office explained that the underperformance was mainly due to output indicators being linked to a longer-term national development strategy, and therefore the objectives could have not been met. Moreover, there were other causes, such as the impact of the COVID-19 pandemic and the crisis environment in which the Office was operating in, in some regions.

However, the Office took action by including the thematic aspects that were not achieved in the new CPD for 2022–2026.

- (b) Procurement

- ii. Were procurement processes conducted in a timely manner?

The audit team reviewed a sample of 17 procurement transactions totalling \$3.7 million (or 18 percent of total procurement carried out during the audited period) and noted delays in the procurement processes. On average, procurement processes (from requisition to contract signature) for goods and services requiring the approval of the Regional Advisory Committee on Procurement (RACP), within the selected sample, took 60 business days. The Office established a standard timeline for procurement activities in which procurement should take a maximum of 37 business days, from requisition to the contract signature, for goods and services requiring approval from the RACP. Delays in procurement processes requiring RACP approval were due to the poor quality of the documentation submitted to the RACP, which extended the review process.

The Office developed a ‘Procurement Improvement Plan’ initiated in March 2022. The plan focused on: (i) enhancing communication within the procurement team; (ii) improving the quality of procurement submissions to the RACP; and (iii) reinforcing the capacities of the procurement team through consultations with the procurement advisor from the Regional Bureau for Africa for complex cases. Improvements in the quality of the cases submitted to the RACP were noted since the initiation of the plan. Of the six cases reviewed by the RACP, three were rated as “good” and the remaining three were rated as “fair”. Despite that improvement, the plan did not allow for aligning to standard timeframes (refer to issue 1).

The detailed assessment is presented below, per audit area:

A. Operations

1. Procurement/Goods and services

Issue 1 Weaknesses in procurement oversight

According to the ‘UNDP Programme and Operations Policies and Procedures’, an independent review of the procurement process prior to contract award is required, to ensure procurement activities are conducted in line with accepted professional purchasing practices and appropriate rules and regulations. The policies also require that all procurement transactions be conducted based on the highest degree of accountability and impeccable standards and that regardless of their purpose and funding sources, procurement actions always be subject to the general principle of fairness, integrity and transparency, among other principles.

During the audited period, 17 procurement cases with a total value of \$3.1 million were reviewed by the RACP. The audit team reviewed 13 (or 76 percent) out of the 17 procurement cases, valued at \$2.2 million, and noted the following:

a) Procurement oversight

In two cases, the Office detected possible vendor collusion between several bidders. The RACP recommended that the Office contact Office of Audit and Investigations (OAI) so that an investigation could be carried out. Although the bidders were disqualified in both cases, the Office did not contact OAI as recommended by the review committee. However, after the audit fieldwork, the Office wrote to the tax administration requesting authentication of documents from suspected vendors. Further, the Office indicated that it would be contacting OAI's Investigation Section as requested by the RACP regarding these cases.

b) Procurement performance

UNDP mandates the rational use of resources by ensuring the timely availability of high-quality goods and services, as required. In addition, the Office established a standard timeline for procurement activities, according to which procurement should take up to 37 business days from the requisition to the contract signature, for goods and services. Within this standard timeline, the Office estimated that the RACP review should take 10 business days.

The review of the procurement sample showed that on average, the procurement process of goods and services took 60 business days for procurement requiring RACP review, including an average timeline of 31 business days for the RACP review.

Delays in procurement processes requiring RACP approval were due to the poor quality of the documentation submitted to the RACP by the Office, as illustrated by missing documentation and questions raised by the committee that could have been avoided. From 17 cases submitted to the RACP for review during the audit period, 41 percent were rated as "need improvement"; 47 percent were assessed as "fair"; and 12 percent as "good" by the RACP. The audit team identified the following reasons explaining the poor quality of procurement submission: insufficient command of procurement procedures in the Office; incomplete submission of mandatory documents to RACP, and failure to comply with procurement rules. For example, in one procurement case relating to construction work totalling \$359,500, it was noted that the Office went into negotiations with the recommended bidder prior to RACP clearance.

The Office initiated a 'Procurement Improvement Plan' to reinforce staff capacities in March 2022. The plan focused on general actions, such as sharing of information among the team, consultations with the regional procurement advisor and exchanges with RACP. The audit team noted that out of six cases submitted to the RACP since the implementation of the plan, three were rated as "good" and three as "fair." However, despite the improvement noted, efforts still needed to be made, as only two cases out of six were approved after the first review, and not all supporting documentation was provided to the RACP at the time of the initial submission. As an illustration, a case submitted in June 2022 was missing important documents such as bid opening reports, and a detailed technical evaluation report upon initial submission. Consequently, the lead time of this procurement process was 36 business days, which was still above the 10-day standard timeframe.

Ineffective oversight over procurement may lead to unfair and fraudulent procurement practices. Lack of quality in documents submitted to procurement review committees may lead to lengthy procurement processes and ultimately, to inefficient practices, which can create delays in project activities.

Priority	High (Critical)
Recommendation 1:	
The Office should enhance oversight and performance over procurement processes by:	
<ul style="list-style-type: none"> (a) following up on the procurement committees' recommendations to ensure potential vendor collusion cases are investigated; (b) analysing RACP review comments to identify areas for improvement, and organizing a training based on the specific needs of procurement staff; and (c) ensuring adherence to the standard procurement timelines, as well as performing and documenting an analysis of procurement cases exceeding the established timelines. 	
Management action plan:	
The Office will:	
<ul style="list-style-type: none"> (a) Ensure that the procurement team prepares a monthly report on RACP recommendation cases and discusses them with management and the Contracts, Assets and Procurement Committee members for implementation. (b) Based on the RACP recommendation, the Office will identify areas requiring improvement for each procurement staff and put in place a training plan to address them, in order to improve the quality of submissions. (c) Ensure that the procurement team analyses the cause, proposes preventive measures and reports to management for each case that exceeds the timeline. 	
Estimated completion date: June 2023	

2. Finance/Office budget and cost recoveries

Issue 2 Exceptions in financial management process

The audit team tested a sample of 29 payment vouchers and 11 General Ledger Journal Entry vouchers valued at \$4.8 million and \$40 million, respectively, representing 15 and 66 percent, respectively, of all the payments and non-payment vouchers during the audit period, and noted the following exceptions:

Incorrect use of the Chart of Accounts

The 'UNDP Programme and Operating Policies and Procedures' stipulate that the Chart of Accounts plays a role in Atlas (enterprise resource planning system of UNDP) financial systems for control, budgeting, and reporting. The correct use of the Chart of Accounts is critical for accurate financial, management and donor reporting.

For 20 payment vouchers representing 69 percent of the total payment vouchers sampled, and amounting to \$2.2 million, expenditures were not posted to the correct Chart of Accounts. Following the audit fieldwork, the Office started the process of reversing the incorrect journal entries.

Suboptimal implementation of delivery enabling services



The 'UNDP Programme and Operating Policies and Procedures' state that delivery enabling service (DES) costs are levied for costs incurred in the implementation of a development activity or service. They must be identified during the project inception phase, fully costed, and included within the annual work plan. UNDP should charge all non-staff related expenses directly to the project at the time a payment is made to an individual, or other entity for related rent or other shared costs, implementing partner, responsible party, or grantee, etc. Offices should review regularly delivery of support services vis-à-vis actual costs incurred.

▪ *Implementation of DES mechanism not systematic*

According to 'UNDP Programme and Operating Policies and Procedures' development projects are required to be charged general operating expenses (GOE) that are directly attributed to the staff function (office bills such as electricity, rent, telephone and internet charges) in the same ratio as staff positions are funded. However, an annual budget for the general operating expenses (GOE) of the administrative support provided to projects was not set up in the Office. In addition, the operating expenses incurred during the audit period were not posted to the correct accounting code 74596 (DES GOE), but to the codes related to the nature of the expenses. This system did not enable the Office to effectively follow up on the DES implementation and consequently, the DES GOE expenses could not be easily traced and benchmarked against the budget.

▪ *Unclear system of DES monitoring*

According to the DES implementation report, there was a significant gap of \$549,817 between the DES budget in 2021 and DES recovered from development projects for the same year. However, the Office reported a gap of only \$62,563, and was unable to reconcile this figure with the data from the DES implementation report, as systematic recording of DES was not performed and sufficient background evidence was not kept on file or presented to the audit team.

▪ *Not all development projects were charged DES*

The audit team noted that DES expenses were charged to 11 projects out of approximately 23 ongoing development projects as of time of the audit. The Office explained that it was updating the projects to which DES was being charged.

The above exceptions mainly originated from the lack of oversight by the Office's personnel. The incorrect recording of expenditures increases the risk of lack of financial reliability. Failure to apply a system for the implementation and monitoring of project operating expenses might prevent the Office from fully recovering all GOE costs, and may therefore result in potential financial losses.

Priority	High (Critical)
Recommendation 2:	
The Office should enhance its monitoring of financial processes by:	
(a) increasing the supervision over the application of the Chart of Accounts;	
(b) systematically implementing the general operating expense budgeting, recording, and monitoring as per UNDP guidance; and	
(c) ensuring all eligible development projects are included in the annual budget and charged delivery enabling services accordingly.	



Management action plan:

- (a) The Office is ensuring the supervision over the application of the Chart of Accounts (training of staff on the use of account codes and monthly verification).
- (b) The Office will systematically implement the GOE budgeting, recording, and monitoring per UNDP guidance (including in annual work plan of all the projects, the budget line for delivery enabling services).

Estimated completion date: May 2023

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.