



AUDIT

OF

UNDP COUNTRY OFFICE

IN

SUDAN

Report No. 2759
Issue Date: 6 November 2024



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Report on the Audit of UNDP Sudan Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Sudan (the Office) from 19 May to 6 June 2024. 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 15 April 2023 to 31 March 2024. The Office recorded programme and management expenses of approximately \$55 million. The last audit of the Office was conducted by OAI in 2021.

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 **partially satisfactory/major improvement needed**, which means “The assessed governance arrangements, risk management practices and controls were established and functioning, but needed 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 governance, development activities, and procurement. We acknowledge the challenges the Office faces due to the ongoing conflict in Sudan and have considered these contextual factors in our audit.

Key recommendations: Total = **8**, high priority = **2**

The 8 recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1	High
	2	Medium
Reliability and integrity of financial and operational information	6	Medium
Effectiveness and efficiency of operations	3	High
	4, 5	Medium
Safeguarding of assets	8	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	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. All high (critical) priority recommendations are presented below:

Financial sustainability risks
(Issue 1)

Operational deficit: The Office had a funding deficit of \$650,000 in 2023. The deficit occurred due to the Office’s existing expenditure being more than resources. The high cost was due to generating limited resources.

General Management Support (GMS) target not met: The Office did not meet 60 percent of its GMS target of \$7 million in 2023, generating only \$2.8 million. This was caused by lower than planned delivery in 2023 (\$49 million out of the targeted \$125 million, or 39 percent).

Implementation challenges of vertical funds: The Office was unable to adequately implement project funded by vertical funds - Green Climate Fund (GCF) and Global Environment Facility (GEF) projects- under national implementation (NIM). This resulted in low delivery rates that ranged from 0 percent to 47 percent.

Recommendation: The Office should enhance its financial sustainability by (a) establishing and implementing an acceleration plan to increase programme and project delivery and generate additional resources in order to be financially sustainable; and (b) seeking exceptional corporate support to address challenges in the implementation of GEF and GCF projects.

Resource mobilization target not met (Issue 3)

In 2023, the Office had mobilized only 33 percent (or \$31 million) of its \$93 million resource mobilization target. By mid-year of 2024, the Office had only mobilized 18 percent or \$15.3 million from its annual resource mobilization target of \$85 million.

The audit team acknowledged that the Office was actively trying to mobilize funds; however, 85 percent (\$138 million) of the \$163 million total pipeline was soft pipeline that was yet to be actualized.

Recommendation: The Office should strengthen its resource mobilization efforts by securing adequate funding in order to successfully achieve planned programmatic objectives.

Implementation status of previous OAI audit recommendations: Report No. 2327, 23 December 2021.

Total recommendations: 8

Implemented: 8

Management comments and action plan

The Resident Representative accepted all 8 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.

Sean DeBlick
Deputy Director
Office of Audit and Investigations

I. About the Office

The Office, located in Port of Sudan, Sudan (the Country) and its Country Programme covered the period 2018–2024¹ with the following development priorities:

- a) Improving governance and rule of law;
- b) Community stabilization;
- c) Addressing vulnerability to climate change; and
- d) Promoting equitable access to basic services.

In response to the internal conflict in the Country that started on 15 April 2023, the UN Country Team (UNCT) developed a Common Approach Document to guide planning and the prioritization of collective actions (from December 2023 until the end of 2024) to address the current crisis, and to allow for the UN to have a common set of goals and priorities in the current environment. The Common Approach Document was prepared to address gaps in the ongoing 2018 to 2024 UNDAF and Country Programme Document. Therefore, the UN focused its programmatic efforts on three critical areas that spanned the humanitarian-development-peace nexus: 1) Basic Services, Community Stabilization and Resilience; 2) Protection of Civilians, Rule of Law and Human Rights; and 3) Conflict Prevention, Social Cohesion and Peacebuilding. These were the areas the Office was also focusing on as it aimed to significantly increase the impact and sustainability of its interventions, ultimately improving the lives and livelihoods of those most affected by the crisis in Sudan.

During the period from April 2023 to March 2024, the Office spent \$48 million on development activities, a decrease of 25 percent compared to the previous period.

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

Title	Expenditure Jan.-Dec. 2023 \$million	Expenditure Jan.-Mar. 2024 \$million
COVID-19 Response Mechanism	23.5	1.4
HIV2	8.7	0.2
Procurement Support to FMOH2	8.7	1.6
Community Security and Stabilization	5.9	1.2
TB2	5.6	0.1
Total	52.4	4.5

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
Global Fund to Fight Aids, Tuberculosis and Malaria	19.6
Sudan	6.9
Vertical fund - GEF	5.4
Multi Partner Trust Funds	4.1
Government of Germany	2.6

¹ The initial Country Programme period was from 2018 to 2021. This period was extended to 2024 to align the Office’s programme cycle to the United Nations Development Assistance Framework (UNDAF) period, which was also extended to December 2024.

Total	38.6
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Source: UNDP at a Glance

Other critical information

The Office operating context was shaped by the conflict in Sudan, which began on 15 April 2023 and triggered a nationwide humanitarian catastrophe and severely worsening the Sudan's human development outlook. This conflict had led to immense humanitarian need, increasing community vulnerabilities and dependency on humanitarian aid, the absence of basic services, high levels of displacement, continued conflict between various actors, the lack of the rule of law, and the spreading of violence and criminality, among other significant challenges.

Following the conflict, the Country was declared a crisis level 3² country by the UNDP Crisis Board on 27 April 2023; this status was extended until November 2024.

The Office, as well as 8 of its 16 area-based offices were not accessible, resulting in the relocating from Khartoum to Port Sudan. As of the date of the audit, the Khartoum Country Office and the 8 field offices had suspended operations due to security risks. These offices were: Khartoum Country Office, Al Fashir Office, El Genina Office, Zalingei Office, Nyala Office, El Dain Office, Wad Madani Office, Sennar Office, and Kadugli Office. The physical status of documents, assets and data at these locations remained unknown.

In April 2023, the Office evacuated and relocated its staff from Khartoum to Nairobi, Kenya. However, by June 2023, the Office established Port Sudan as the Country Office Hub and moved its staff there from where it could operate in a more stable environment.

The Office also developed "UNDP Crisis Offers" that aimed to ensure the Office 'stayed and delivered' during violent conflict with a focus on safeguarding people's livelihoods, socio-economic progress and institutional service delivery systems. A strategic review and realignment exercise was conducted to ensure that the Office continued to deliver, fit for purpose, and becomes financially sustainable.

The Office remained steadfast in its commitment to supporting Sudan and its people. Working at the intersection of humanitarian assistance, development and peace, with an aim to mitigate humanitarian catastrophe alongside humanitarian actors whilst setting the foundations for sustainable recovery and a peaceful future.

II. Audit results

Effective controls were established and functioning in the following areas:

- (a) Operations/Travel and Common Services: Controls and procedures on travel and common services were found to be adequate.
- (b) Operations/Human Resources: Control and procedures were generally working, however, the audit noted non-completion of the performance management and development assessments, goals and non-completion of UNDP mandatory and core courses. However, given the crisis, this was considered as a low priority issue.

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

² Level 3 is one of UNDP's three levels of response to crises that indicates that the crisis significantly outstrips the capacity of the Country Office and /or the national government, requiring an exceptional level of corporate support, given the scale, complexity or urgency that may pose a serious reputational risk to the organization.

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 its financial sustainability (Recommendation 1).
- (b) Strengthen its resource mobilization (Recommendation 3).

Medium priority recommendations, arranged according to significance:

- (a) Strengthen project monitoring (Recommendation 4).
- (b) Improve procurement practices (Recommendation 5).
- (c) Strengthen cost recovery process (Recommendation 6).
- (d) Clear long outstanding balances (Recommendation 7).
- (e) Strengthen governance processes (Recommendation 2).
- (f) Improve assets management (Recommendation 8).

The detailed assessment is presented below, per audit area:

A. Governance

1. Organizational Structure and Financial Sustainability

Issue 1 Financial sustainability risks

The UNDP Programme and Operations Policies and Procedures stipulate that Country Offices should ensure financial sustainability by generating sufficient funds to cover operating costs. Income is generated through General Management Support (GMS) fees and other revenue. Offices are also required to align available resources with expected expenditures to ensure financial sustainability and operational continuity.

The SOP for Crisis Response and Recovery Policy defines a crisis level 3 as a crisis that significantly outstrips the capacity of the national government, requiring an exceptional level of corporate support, given the scale, complexity or urgency that may pose a serious reputational risk to the organization. The SOP also states that Country Offices can request additional flexibility in the form of an exception to the policies and procedures to better suit the nature and context of a specific emergency.

A review of the Office's financial sustainability metrics disclosed the following shortcomings:

- a) Operational deficit: The Office had a funding deficit of \$650,000 in 2023. The deficit occurred due to the Office's existing expenditure being more than resources. The high cost was due to Office's generating limited resources.
- b) GMS target not met: The Office did not meet 60 percent of its GMS target of \$7 million in 2023, generating only \$2.8 million. This was caused by lower than planned delivery in 2023 (\$49 million out of the targeted \$125 million, or 39 percent).

Additionally, the GMS collected as of mid-year (as of June 2024) was only 9 percent or \$457,527 of the planned \$5.2 million GMS in 2024. This occurred due to the Office's low delivery of \$17 million or 21 percent as of mid-year (June 2024) against a planned delivery target of \$80.56 million for 2024, indicating that delivery was still an ongoing challenge.



c) Implementation challenges of vertical funds: The Office was unable to adequately implement project funded by vertical funds - Green Climate Fund (GCF) and Global Environment Facility (GEF) projects- under national implementation (NIM). This resulted in low delivery rates that ranged from 0 percent to 47 percent as follows:

- Three GEF projects (Project Nos. 96848, 126516, and 126615) out of four had low delivery rates in 2023 that ranged from 0 percent to 47 percent. Additionally, all four GEF project delivery rates were low in June 2024.
- One GCF project (123540) had a 0 percent delivery rate in both 2023 and 2024.
- One project (00090222) for installation of wind turbines should have been completed in 2022, but installation was still pending as at May 2024.

The Office, together with the Regional Bureau for Arab States (RBAS), were actively working on the most effective mechanism to implement the GEF and GCF-funded projects within the crisis context, including exploring the possibility of shifting the implementation modality from full NIM, to Country Office support to NIM.

During fieldwork, donor feedback indicated they continued supporting UNDP for its ability to stay and deliver, unlike other organization who had left the country due to the crisis.

There is a risk that if the Office fails to deliver as planned, it will not generate sufficient resources to remain financially sustainable

Additionally, there is a risk that donors may perceive the Office as being incapable of operating in a crisis environment, potentially leading to a withdrawal or reduction in donor funding, which will significantly impact the Office resources and its ability to continue working in Sudan.

Priority	High (Critical)
Recommendation 1:	
The Office should enhance its financial sustainability by:	
(a) establishing and implementing an acceleration plan to increase programme and project delivery and generate additional resources in order to be financially sustainable; and	
(b) seeking exceptional corporate support to address challenges in the implementation of GEF and GCF projects	
Management action plan:	
(a) The Office will continue to accelerate delivery. To speed up the process of delivery, an agreement was reached on special measures for a simplified Request for Quotation template in consultation with the Bureau for Management Services (BMS) Procurement Office.	
(b) The Office is in the process of transitioning project implementation to a support to NIM model, in consultation with implementing partners. This transition is being supported by a comprehensive package, including agreements and notification forms.	
Estimated completion date: March 2025	

2. Internal Control Framework and Business Continuity

Issue 2 Governance process inefficiencies

The Office's governance processes had the following shortcomings:

a) Outdated Disaster Recovery Plan (DRP)

The UNDP Programme and Operations Policies and Procedures state the following:

- Any change to the disaster recovery arrangements, ICT systems and infrastructure and/or ICT personnel should be timely reflected in the DRP. The time between the implementation of the change that affects the disaster recovery arrangements and the issuance of the revised DRP shall not exceed three months.
- In order to ensure constant improvement and to verify the adequacy of the disaster recovery arrangements for every critical ICT system and/or infrastructure, they shall be periodically tested either individually, in groups, or all together as part of broader business continuity testing exercises. Regardless of the testing approach, all disaster recovery arrangements for all critical ICT systems shall be tested within the same calendar year. The time between two repetitive tests involving the same critical ICT system or a specific disaster recovery arrangement shall not exceed 365 calendar days.

The Office's DRP, approved on 22 April 2023, exactly one week after civil war broke out, was put to the test. Phone systems and Internet services were down, and the restriction of movement made access to the Office impossible. Lessons learned from this crisis were being incorporated into the new version of the DRP, estimated to be finalized by the end of June 2024, according to the ICT Unit Head. At the time of the audit, the Office had three Internet service providers. Staff were given SIM cards and were encouraged to have their own Internet subscriptions. A few satellite phones and high-frequency radios were procured and temporarily issued to essential staff and there was a plan to procure additional high-frequency radios in the near future.

The Office indicated that it was in the initial stages of migrating all or most of its documents to the cloud or SharePoint.

An outdated DRP could lead to ineffective responses and the loss of critical documents/data during disruptions.

b) Office's records not adequately maintained

The Record Retention, Data Security and Contingency Policy states that archiving or storing involves the preservation and maintenance of non-current records on a temporary or permanent/indefinite basis in accordance with an established retention schedule. The public record of UNDP should be electronic whenever possible and should be stored in UNDP's official systems.

The Office acknowledged that due to the crisis, they had lost or left documents behind in offices that had suspended operations (inaccessible offices) such as the Khartoum office and eight area-based offices (field offices). These documents were related to old personnel files, bank guarantees and bonds (locked in a safe) in addition to information and documentation stored in lost staff laptops. Despite this, the Office had not established adequate procedures for data retention/backup.

Not having data retention systems in place could result in the loss of critical information.

Priority	Medium (Important)
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Recommendation 2:

The Office should strengthen governance processes by:

- (a) finalizing the DRP, ensuring it reflects lessons learned from the 2023 DRP, and conducting frequent testing of all critical ICT systems and disaster recovery procedures with the participation of all relevant staff; and
- (b) developing and implementing an SOP on archiving and storing practices that highlights the records that should be stored in UNDP's cloud system to prevent future losses.

Management action plan:

- (a) The Office has undertaken a review of the DRP and will ensure full operationalization.
- (b) The SOP on saving documents to OneDrive using the OneDrive app has been finalized. In Q4 and beyond a regular standing meeting will be held with the project manager/project staff, to take stock of progress, and resolve any related challenges and issues.
- (c) The Office is developing SOPs on archiving and storing practices that highlight the records that should be stored in UNDP's cloud system to prevent future losses.

Estimated completion date: December 2024

B. Development activities

1. Country Programme

Issue 3 Resource mobilization target not met

The Standard Operating Procedure (SOP) for Crisis Response and Recovery Policy requires resource mobilization efforts to be intensified immediately after a crisis is declared. A crisis level 3 classification requires Country Offices to be supported by the Regional Bureau and the Bureau for External Relations & Advocacy (BERA) to conduct resource mobilization (internal and external) and donor engagement actions and access funds from the UNDP Funding Windows.

In 2023, the Office had mobilized only 33 percent (or \$31 million) of its \$93 million resource mobilization target. By mid-year of 2024, the Office had only mobilized 18 percent or \$15.3 million from its annual resource mobilization target of \$85 million.

The audit team acknowledged that the Office was actively trying to mobilize funds. The Office's total pipeline amounted to \$163 million; however, 85 percent (\$138 million) of the total pipeline was comprised of soft pipeline that had yet to be actualized.

The resource mobilization target was not met due to limited staff capacity for resource mobilization in a crisis context, coupled with a donor focus on humanitarian aid. After the audit fieldwork, the Office provided evidence that a SURGE partnership advisor experienced in crisis management was engaged to mobilize resources and train staff. The impact of the SURGE partnership advisor's efforts will be reviewed after sufficient time has passed for the outcome to be realized.



Due to a resource gap, the Office could not effectively implement its programmatic objectives, which stated UNDP aimed to “stay and deliver” during the conflict with a focus on safeguarding livelihoods, socio-economic progress and institutional service delivery systems.

Low programme resources may prevent the Office from achieving its programme outcomes.

Priority	High (Critical)
Recommendation 3:	
The Office should strengthen its resource mobilization efforts by securing adequate funding in order to successfully achieve planned programmatic objectives.	
Management action plan:	
The Office is diligently executing the necessary steps in resource mobilization by developing a comprehensive, multi-pronged strategy to secure sustainable funding for the upcoming years.	
Estimated completion date: December 2024	

2. Project Administration

Issue 4 Ineffective monitoring of grants

The UNDP Programme and Operations Policies and Procedures Monitor Policy states that in crisis settings, sufficient evidence must be collected by remote monitoring to enable UNDP to verify the credibility of the monitoring data, such as photographs or satellite images.

The UNDP Operational Guide on Low Value Grants states that capacity development is a significant purpose of grants, which should familiarize grantees with basic tenants of project management such as monitoring its activities, which will better equip them to manage their own affairs.

During site visits, the audit team found that activities related to water yards, solar pumps, solar panels, and women saving group activities were implemented as planned.

Low value grants were awarded to community-based organizations to support collaborative, income generating activities, such as small businesses as well as to fund cash for work programmes aimed at establishing social and productive community assets like water wells among different tribes and groups. The audit team conducted site visits and noted the following:

- Wells dug produced very salty water: A community-based organization was awarded \$149,970; it used part of the funds to engage community members as part of cash for work programmes to dig two wells manually for a youth centre and a hospital. However, the water in these wells was very saline, and unusable for human consumption. Moreover, the project team explained that a youth centre and a hospital had requested water for personal hygiene but connecting it would corrode the pipes. As at the time of the audit, the well piping for the hospital had not yet been connected while the one at the youth centre was connected to an outside tap.
- Low quality income generating assets procured: A community-based organization (grantee) was awarded a low value grant valued at \$100,000. The grantee used part of the funds to procure low

quality income generating assets for different groups in the community. These included the following: one coffee grinding machine, which was not being used; two sewing machines, one of which was not in use; and two small non-commercial ovens, one of which was already broken.

The grantee reported that the grant objectives were successfully achieved, despite the issues noted above.

The above weaknesses were due to the Office's inadequate oversight of grantees in implementing grant activities according to the terms of the grant agreements. The weaknesses were also due to the failure to provide sufficient support to grantees to enhance their grant implementation, monitoring, and reporting abilities.

Weak project monitoring may result in inadequate support provided to beneficiaries, and in the perception that donor funds are being mismanaged. Furthermore, since the wells were not fit for purpose, it raised concerns about the project's ability to achieve its goals.

Priority	Medium (Important)
Recommendation 4:	
The Office should strengthen project monitoring by:	
<ul style="list-style-type: none"> (a) improving project planning, monitoring and risk management to ensure project objectives, which includes low value grants objectives are effectively achieved; and (b) working with grantees on capacity-building as part of low value grants. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office will continue strengthening the monitoring mechanism and increase field-level monitoring activities. Additionally, a third-party monitoring service contract will be put in place. These actions will clarify how the different types and levels of monitoring work together to strengthen the oversight and quality assurance of project implementation. (b) The Office has developed a comprehensive training plan to enhance grantee capacity. Implementation of the training courses is expected to begin in September. 	
Estimated completion date: December 2024	

C. Operations - Procurement

Issue 5 Inefficiencies in procurement processes

The UNDP Programme and Operations Policies and Procedures state that during the definition stage of the project cycle, all relevant activities need to be identified and budgeted. Among these activities, consideration must be taken for the acquisition of goods, services and works in order to achieve project objectives. The policies also state that the core governing principle is to obtain the best value for money. This means the selection of the offer that presents the optimum combination of lifecycle costs and benefits and meets business needs. The standardization of documents to be submitted to the Contracts, Assets

and Procurement Committee (CAP) is a good practice in order to maintain consistency, transparency and accountability in the procurement process.

A review of five sampled CAP cases totalling \$518,177 disclosed that the documentation submitted to and reviewed by the committee was not standardized and consistent. Supporting documents uploaded to the system for CAP review varied, depending on what documents the committee members would request. Thus, the review process lacked consistency, leading to different levels of scrutiny and potential oversight in procurement decisions.

Inefficient procurement processes may result in delays in the achievement of project objectives and could also lead to higher costs and budget overruns.

Missing deliverable documentation in contract management

The UNDP Programme and Operations Policies and Procedures state that contract management is the effective and efficient monitoring of contract activities to ensure that goods, services and/or works contracted by UNDP are delivered in a timely manner, at the agreed cost, and to the specified requirements, and which shall be clearly established in the Terms of Reference or specifications at the pre-award stage of the procurement process.

In 2 out of 8 individual contract samples and in 2 out of 25 purchase order samples totaling \$122,950 (59 percent) out of \$209,136 individual contract and consultant purchase orders, the Office did not demonstrate adequate contract monitoring processes. Specifically, the Office lacked supporting documentation to verify that the deliverables were completed as outlined in the Terms of Reference. Only the payment certification was provided by the project teams, without evidence confirming that the services or works met the required standards.

Lack of adequate contract monitoring increases the risk of payment for incomplete or sub-standard work. The lack of deliverables makes it difficult to validate the effectiveness of contract execution against the Terms of Reference.

Priority	Medium (Important)
Recommendation 5:	
The Office should improve its procurement practices by:	
<ul style="list-style-type: none"> (a) developing and enforcing a standardized checklist of required documents for all procurement submissions to the CAP; (b) addressing communication gaps between the Procurement Unit and requesting units and establishing clear guidelines for the submission of requisitions to improve procurement timelines; and (c) establishing an SOP that requires proper verification and recording of all deliverables before payment is processed and a systematic monitoring process to periodically review contract files for completeness and compliance. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office has updated a standardized checklist of required documents for all procurement submissions to the CAP. Training on the use of this checklist has been conducted for all concerned staff. 	

- (b) The Office has streamlined its procurement process with a new SOP that features clear guidelines for submitting requirements.
- (c) To strengthen the verification of deliverables and ensure payment integrity, the Office will implement a robust two-pronged approach:
- o Rigorous payment verification: All deliverables will undergo meticulous verification against clearly defined acceptance criteria before any payment processing. This process will be thoroughly documented, including designated personnel approvals, to guarantee accountability and a clear audit trail.
 - o Proactive contract monitoring system: A systematic monitoring system will be established to conduct periodic reviews of all contract files. This system will utilize comprehensive checklists to ensure complete adherence to all contractual obligations, including deliverables, timelines, and reporting requirements.

Estimated completion date: November 2024

D. Operations - Finance

Issue 6 Delays and weaknesses in cost recovery processes

In accordance with the provisions of the Standard Basic Assistance Agreements that govern the operations in programme countries, host governments are expected to contribute towards the cost of Country Offices. In addition, the costs incurred by UNDP in providing services to other UN entities should be recovered in accordance with the respective agreements.

During the review of the cost recovery process, the audit team noted the following:

a) Delays in cost recovery for services provided to other UN agencies

The Office provided support services to other UN agencies from 2020 to 2023 with a total value of \$2,336,540 and recovered \$2,181,966. The balance due at the end of 2023 was \$154,574 (to be recovered from 11 UN agencies).

The audit team noted that no billing was initiated by the Office for the services provided during 2024, and no report was available to show the total amount of support services provided during 2024. Furthermore, during 2023, only human resources and finance units billed the other UN agencies for the services provided but there was no billing for any procurement or protocol services (OSS) and there was no report that showed whether such services were provided or not.

The above occurred because there was no centralization of the process at the Office level or within the units.

b) Outstanding balance for Government Contributions to Local Office Costs (GLOC) and value added tax (VAT)

The Office had outstanding receivables, as indicated below:

- Outstanding GLOC arrears balance from 2009 to 2019 of \$1.6 million.
- Outstanding VAT reimbursements for a total amount of \$293,304.

The collection of the outstanding GLOC amounts was being followed up on by senior management and the VAT issue was discussed within the UNCT and highlighted by the Resident Coordinator to the Government; however, since the outbreak of the conflict in the Country, there was no follow-up.

The shortfall in the collection of outstanding GLOC, reimbursable VAT amounts, and other costs could have a negative impact on the total available institutional resources and the financial sustainability of the Office.

Priority	Medium (Important)
Recommendation 6:	
The Office should strengthen the cost recovery process by:	
<ul style="list-style-type: none"> (a) establishing a system for recording all services provided to other UN agencies by each unit for timely billing and recovery of costs; (b) following up with the UN agencies to recover the outstanding costs from previous years and sending out billing for 2024; and (c) continuing the discussions on the issue of the outstanding GLOC and VAT reimbursements through the UNCT as soon as the situation in the Country allows and ensure that past and current obligations and reimbursements are fully met by the host Government. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office has reactivated and enhanced its online cost recovery system, which is now mandatory for all operational units. This upgraded platform enables real-time entry of services provided to other UN agencies, streamlining the process of generating accurate and timely invoices or debit notes. The system's improved functionality allows for: <ul style="list-style-type: none"> o Comprehensive service tracking across all operational units. o Automated calculation of service costs. o Generation of detailed, periodic invoices or debit notes. o Direct sharing of financial documents with recipient agencies. o Efficient monitoring of outstanding payments. (b) The Office is in constant communication with the relevant UN agencies regarding cost recovery. Furthermore, the request, along with supporting documents (detailed report on provided services and bills), has been sent to the abovementioned heads of agencies. (c) The matter has been discussed with the UNCT, and letters will be sent to the Government regarding the outstanding GLOC and VAT reimbursements, while the Office continues discussions with the Government. 	
Estimated completion date: March 2025	

Issue 7 Long outstanding cash advances to implementing partners

The UNDP Programme and Operations Policies and Procedures require that cash transfers to implementing partners be adequately monitored and recovered in a timely manner. Furthermore, supporting documents for reported expenditure should be verified during assurance activities (spot checks and audits).



The Office’s General Ledger Accounts Activity Report for account 16005 (NEX Advances) showed that there was an unliquidated outstanding balance of \$3 million related to 28 projects; this balance was carried over from previous years up to the first quarter of 2023. The Office had not issued any cash advances since the conflict outbreak in the Country.

As the Office was not able to engage a third-party entity to perform the Harmonized Approach to Cash Transfer (HACT) spot check to verify the Funding Authorizations and Certificate of Expenditures (FACE) forms and process the liquidations, approval from the RBAS Assistant Administrator and Director was obtained for the selection of a list of experienced staff members to conduct the HACT spot checks during 2024.

The Office started to liquidate the advances during the second quarter of 2024. However, there was no plan for work distribution among the selected staff, for instance, on the timeframe and where these HACT spot checks would take place. The Office indicated that a plan would be developed. Furthermore, due to the crisis, there was a risk that some of the partners may have lost the supporting documents during the evacuations and displacement. However, the Office did not have procedures in place to decide what would be the alternative measures to take in such cases during the spot check exercise.

Not liquidating cash advances in a timely manner could result in financial losses and may negatively impact programme delivery.

Priority	Medium (Important)
Recommendation 7:	
The Office should follow up on the liquidation process of cash advances to clear outstanding balances by:	
<ul style="list-style-type: none"> (a) developing a comprehensive HACT spot check plan that includes projects, partners, locations, team members, and a timeline to ensure that the workload is appropriately distributed among staff; (b) following up with all respective partners to prepare all related supporting documents to ensure a timely process; and (c) developing a memo or SOP that includes alternative measures to be taken for the validation of the reported amounts in the FACE forms in case the supporting documents are damaged or lost due to ongoing conflict. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office’s Assurance Plan was established, and going forward the focus will be on its robust implementation. A clearly defined mechanism is in place to monitor progress toward planned objectives and to ensure the timely completion of all required follow-up actions. Given the influx of new staff in the Office and projects, a key priority is to equip them with a strong understanding of HACT and its practical application. This will be achieved through targeted training programmes and ongoing on-the-job guidance in the coming months. (b) To enhance the timeliness of support document submissions, the Office has started the implementation of the following measures: <ul style="list-style-type: none"> o Established a regular monitoring and communication mechanism: Monthly meetings will be held with all partners to review submission progress and address any emerging challenges. 	

- Strengthened partner capacity: A dedicated task force has been formed to provide targeted training and support to partners, equipping them with the knowledge and tools necessary for timely document submission.
 - Enhanced accountability and follow-up: The Office will implement a more rigorous monitoring system to track submission deadlines and proactively address any potential delays in coordination with partners.
- (c) The Office is working on the memo that includes alternative measures for the validation of the reported amounts in the FACE forms in case the supporting documents are damaged or lost due to the ongoing conflict.

Estimated completion date: December 2024

F. Operations - Assets

Issue 8 Absence of asset controls

The UNDP Programme and Operations Policies and Procedures state the following:

- All furniture and fittings, communications and IT equipment and vehicles that meet the criteria for capitalization and have a value of \$5,000 or more must be capitalized and recorded in the Quantum Assets Module. Custodial or attractive items valued below \$5,000 but more than \$500 are recorded in the Quantum Assets Module in the Non-Cap Book, to ensure the management and safeguarding of these items. The equipment loan form may be used for the allocation of such items to staff for official use.
- Heads of offices shall ensure that: (i) written operational procedures for the use of official vehicles are in place and distributed to all staff; and (ii) the use of vehicles by staff for official and non-official purposes are authorized.
- Operations managers should ensure that: (i) general conditions and procedures governing the use of UNDP vehicles are adhered to; (ii) log books are signed daily by the appropriate staff member; (iii) vehicle history records (forms/logs) are maintained; and (iv) all vehicles carry insurance coverage in line with UNDP policies.

The ICT Associate provided a list of laptops (custodial items) being used by staff and personnel; the list was downloaded from InTune, a solution to manage devices owned by the Office and end users to securely access the organization's resources. A list of furniture and fixtures above \$500 but below \$5,000 (custodial items) was also prepared upon request. However, the custodial items list did not have unique identifiers (serial numbers). These custodial items were not recorded in the Quantum Assets Module.

The Office provided a vehicle SOP, which needed updates. For example, the Shuttle Services for National Staff section indicated that such services were only allowed in special circumstances. National Staff were allowed to use the Office's vehicles to travel to and from the Office. Another section in the vehicle SOP that needed review was the Shuttle Services for International Staff, which in the current situation in Port Sudan was not applicable as International Staff accommodation was located in the Office building itself. It was also noted that vehicle management control procedures, which were in place before the war, had not yet resumed after the Office's relocation to Port Sudan in late 2023. For example, the use of vehicle log books, vehicle history records such as maintenance costs, fuel and insurance and Resident Representative



authorization to drive an official vehicle were not maintained. Additionally, a review disclosed that while the vehicles were insured, there was no third-party liability coverage.

Apart from the external factors like the conflict that caused the Office’s evacuation and subsequent relocation to Port Sudan, internal factors such as ineffective SOPs and monitoring systems also contributed to the issues described above.

Incomplete recording of assets and vehicles can increase the risk of asset theft, misplacement, or unauthorized use, resulting in financial losses. The unavailability of logbooks, maintenance records, and proper authorization for vehicle use can result in official vehicles not being used appropriately or for their intended purposes.

Priority	Medium (Important)
Recommendation 8:	
The Office should improve its assets management by:	
<ul style="list-style-type: none"> (a) conducting physical verifications of vehicles, assets, and custodial items in Port Sudan and field offices, implementing a tagging system for these assets and custodial items, and recording them accordingly in the Quantum Assets Module; (b) updating the SOP for vehicle management to reflect the new operational environment in Port Sudan, ensuring the use of logbooks, and recording of vehicle fuel use, maintenance history, insurance coverage, and authorization and use of official cars, among others; and (c) scheduling training sessions for all relevant staff on the updated SOP and the use of the Quantum Assets Module. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office established a committee to conduct vehicle and asset verification in Port Sudan and in field offices. The process of verification of assets including vehicles has been initiated. (b) The SOPs for vehicle management have been developed and are in the process of operationalization. Training on the use of the logbook was carried out among drivers. (c) The training session on the SOP as well as the use of the Quantum Assets Module is scheduled for August for concerned staff. 	
Estimated completion date: December 2024	

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.