UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

CENTRAL AFRICAN REPUBLIC

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(REDACTED)

Report on the audit of the UNDP Country Office in Central African Republic
Executive Summary

From 6 to 22 November 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Central African Republic (the Office). The audit covered the activities of the Office during the period from 1 January 2011 to 30 September 2012. During the period reviewed, the Office recorded programme and management expenditures totalling $42.3 million. The last audit of the Office was conducted by OAI in 2010.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

OAI assessed the Office as **unsatisfactory**, which means that "Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised." This rating was mainly due to deficiencies in finance, procurement, asset management and general administration, and safety and security. Ratings per audit area and sub-areas are summarized below.

Audit Areas		Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1.	**Governance and strategic management**		Unsatisfactory		
2.	**United Nations system coordination**				Satisfactory
	2.1 Development activities	Satisfactory			
	2.2 Resident Coordinator Office	Satisfactory			
	2.3 Role of UNDP – "One UN"	Not Applicable			
	2.4 Harmonized Approach to Cash Transfers	Satisfactory			
3.	**Programme activities**			Partially Satisfactory	
	3.1 Programme management	Partially Satisfactory			
	3.2 Partnerships and resource mobilization	Partially Satisfactory			
	3.3 Project management	Partially Satisfactory			
4.	**Operations**		Unsatisfactory		
	4.1 Human resources	Partially Satisfactory			
	4.2 Finance	Unsatisfactory			
	4.3 Procurement	Unsatisfactory			
	4.4 Information and communication technology	Partially Satisfactory			
	4.5 Asset management & general administration	Unsatisfactory			
	4.6 Safety and security				

Key issues and recommendations

Since the audit fieldwork was completed in November 2012, the Country has gone through a severe politico-military crisis with two evacuations of all United Nations international staff in December 2012 and March 2013.

As a consequence, the programme activities had to be significantly revised and since then, a United Nations Transitional Strategy has been developed. To the extent possible, these critical post audit events have been taken into consideration when finalizing the audit report.

The audit raised 19 issues and resulted in 19 recommendations, of which 12 (63 percent) were ranked high (critical) priority, meaning "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 and may affect the organization at the global level."

Among the 19 recommendations raised, there was one corporate recommendation requiring action by the Regional Bureau for Africa (Issue 4, Recommendation 2).

The high priority recommendations are as follows:

Governance and strategic management (Issue 1)	<u>Inadequate governance and weak staff capacity</u>. The Office has been audited by OAI twice in the past seven years, and in both instances was assessed as "unsatisfactory." The Office continued to experience weaknesses in its operations, which were attributed to an inadequate organizational structure and weak staff capacity. In order to allow for the delivery of outcomes included in the Country Programme Document, OAI recommends that the Office strengthen its governance and management by: (a) addressing the human resources and staff capacity issues; and (b) ensuring that management and staff meetings and staff retreats are conducted and appropriate information is included on the meeting agendas and shared.
Programme management (Issue 4)	<u>Corporate Issue: Lack of Office capacity assessment</u>. The Regional Bureau for Africa had not conducted a capacity assessment of the Office prior to granting authorization to directly implement projects. OAI recommends that the Regional Bureau for Africa conduct a capacity assessment to evaluate the Office's ability to directly implement projects.
Finance (Issues 8 and 9)	<u>Weaknesses in two key finance areas</u>. OAI noted inappropriate use and control of manual cheque payments as well as weak controls over financial transactions. The Office had made six manual cheque payments amounting to $1.6 million, which were not supported by appropriate documentation and did not comply with the specific conditions under which manual cheques may be used. Four of the payments totalling $1.1 million were recorded in Atlas more than 48 hours after issuance; however, they were not reported to the Treasurer as required by prevailing policies. The Office issued large cash advances (up to $400,000) to staff and project personnel but did not have an established mechanism to effectively monitor, follow up and reconcile them. In addition, the Office did not have effective controls to prevent the processing and approval of payments that do not have proper supporting documentation. OAI made three recommendations that call for a number of corrective actions, such as: (a) ensuring that manual cheques are strictly used under the conditions established for their use in the Programme and Operations Policies and Procedures; (b) limiting the use of cash advances to only cases of necessity and assigning responsibilities for their proper management and control; and (c) re-emphasizing to staff that the approval of payment transactions should be based upon the receipt and review of complete and adequate supporting documentation.
Procurement (Issues 10, 11, and 12 and 14)	<u>Weaknesses in the procurement area</u>. OAI noted the lack of a consolidated procurement plan and mechanism for monitoring of the cumulative value of contracts per supplier. As a result, contracts cumulatively valued at $2.7 million were issued to 29 vendors. Even

though each one exceeded the threshold of $30,000, none had been submitted to the relevant review committee. OAI further noted weaknesses in the competitive bidding processes, whereby a commitment was made to a vendor before the relevant procurement committee had made its recommendation. The Office confirmed that in at least two instances with a combined total of approximately $569,000, staff had made commitments to vendors prior to receiving the results of the review by the Regional Advisory Committee on Procurement. Finally, OAI noted inadequate contract management in terms of monitoring performance, as well as in tracking and managing clauses, terms and conditions under the contracts. For example, one contract amounting to $399,000 was unilaterally cancelled by the Office after the vendor had started production. The Office offered compensation to the vendor without consulting the Legal Support Office. The Office paid $99,645 in penalties for breach of agreement. OAI recommends that the Office: (a) strengthen its procurement management by ensuring that a mechanism is implemented to monitor the cumulative value of contracts, and further that all cumulative procurement cases valued at $30,000 or more are submitted to the relevant procurement committee for review; (b) prohibiting any commitment to award a contract prior to receiving the results of the procurement committee review and establishing and using clear evaluation criteria to complete a thorough review of vendor capacity in order to make sound decisions; and (c) improving contract management processes by consulting with the Legal Support Office for any dispute arising from contracts and prior to negotiating compensation for services not rendered or products not delivered, and for any breach of contract.

Asset management & general administration (Issues 16, 17 and 18)	<u>Weaknesses in general administration and the management of assets and fuel</u>. Office premises were being rented at a cost of $240,000/month even though the Government had provided Office space free of charge. The Office did not accurately account for its assets given that: assets valued at $331,000, which were acquired during 2011, were handed over to end users before they were tagged or recorded in Atlas; serial numbers had not been recorded for assets registered in Atlas since September 2011; and asset tag numbers were not affixed to any of the assets deployed to users over the same period, thus making it difficult to undertake a physical inventory and reconcile it with the asset register. Furthermore, OAI noted that: the fuel management procedures did not provide adequate assurance that fuel purchased was delivered for the use of the Office or the projects; a lack of reconciliation between amounts ordered and received; a lack of consistent maintenance or analysis of vehicle usage and fuel logs; there was no control procedure for bulk fuel issued from the reservoir to projects; and a lack of monitoring of generator fuel consumption. OAI made three recommendations that call for a number of corrective actions, such as: (a) developing and implementing a plan to relocate office operations to the premises provided by the Government; (b) identifying, registering and tagging all unregistered and untagged assets; (c) undertaking a comprehensive asset inventory and subsequent reconciliation with the asset register (repeat of recommendation raised in the 2007 audit); (d) implementing an automated vehicle management system to facilitate control and monitoring of vehicle fuel usage; (e) installing meters from the gas reservoir at the main office to the two generators to facilitate control of fuel distribution; and (f) implementing a monthly management review of fuel consumption for each vehicle and generator to identify variances warranting further action.

The implementation status of previous OAI audit recommendations (Report No. 778, 1 April 2011) was also validated. Of the 22 recommendations, 20 were fully implemented and the remaining 2 were in progress.

Management's comments

The Resident Representative accepted all recommendations and is in the process of implementing them.

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