

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE DEMOCRATIC REPUBLIC OF THE CONGO

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(REDACTED)

Report on the audit of UNDP Democratic Republic of the Congo Executive Summary

From 10 to 28 September 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in the Democratic Republic of the Congo (the Office). The audit covered the activities of the Office during the period from 1 January 2011 to 30 June 2012. In view of the security conditions in the field, the audit team was not able to visit the sub-office in Goma, where transactions were also carried out and related documents kept. During the period reviewed, the Office recorded programme and management expenditures totalling \$300 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 **partially satisfactory**, which means “Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.” This rating was mainly due to weaknesses in project monitoring, finance and procurement. 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				
1.1 Financial sustainability 1.2 Delegations of authority	Satisfactory Partially Satisfactory			
2. United Nations system coordination				
2.1 Development activities 2.2 Resident Coordinator Office 2.3 Role of UNDP – “One UN” 2.4 Harmonized Approach to Cash Transfers	Satisfactory Satisfactory Satisfactory Partially Satisfactory			
3. Programme activities				
3.1 Programme management 3.2 Partnerships and resource mobilization 3.3 Project management	Partially Satisfactory Satisfactory Partially Satisfactory			
4. Operations				

4.1	Human resources	Partially Satisfactory
4.2	Finance	Unsatisfactory
4.3	Procurement	Partially Satisfactory
4.4	Information and communication technology	Satisfactory
4.5	General administration	Partially Satisfactory
4.6	Safety and security	Partially Satisfactory
4.7	Asset management	Partially Satisfactory

Key issues and recommendations

The audit raised 16 issues and resulted in 15 recommendations, of which eight (53 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.”

Delegation of authority (Issue 1) Insufficient assurance obtained over operations of the sub-office in Goma. The Deputy Country Director/Operations issued a delegation of authority to the staff members of the sub-office in Goma (North Kivu Province) to process payments, recruit individual contractors and service contract holders and to conduct procurements for amounts less than \$30,000. According to the Office, the payment vouchers approved within the delegated authority in Goma for the period under review (Jan 2011-Jun 2012) totalled \$9.5 million. The Office did not obtain sufficient assurance regarding the operations of the sub-office. All supporting documentation for transactions conducted in Goma remained at the sub-office and had not been submitted to the main office in Kinshasa for review. Further, the Office had not conducted any field missions to Goma in 2011 or 2012 to review the supporting documents for the recruitments or contracting conducted by the sub-office. OAI recommends that the Office exercise oversight over the delegation of authority to staff members in the sub-office in Goma, including the establishment of a process for regular systematic review of transactions and related supporting documents processed at the sub-office.

Project management (Issue 3) Weak controls over NGO selection, contracting and management of service delivery. OAI noted the following weaknesses: (a) for at least 35 NGOs, the Office had not consistently complied with the Programme and Operations Policies and Procedures which require that NGOs as responsible parties be selected through a competitive and transparent process which includes submission to the Contracts, Assets and Procurement Committee for review; and (b) for at least 25 cases, the Office did not conduct a capacity assessment of the NGOs as implementing partners, which is required whenever funding exceeds \$100,000 per programme cycle. OAI recommends that the Office improve controls over the selection of, and contracting with NGOs by ensuring that the staff members involved in the selection of NGOs as responsible parties or implementing partners, or working with other NGO matters are adequately trained and are fully aware of and comply with all relevant corporate policies and procedures, including but not limited to the requirements that: (a) professional services retained from NGOs and other service providers as responsible parties must be through a competitive and transparent process; and (b) capacity assessments must be conducted for NGO implementing partners receiving funds over \$100,000 during a programme cycle.

Project management (Issue 4) Weaknesses in project monitoring. There were shortcomings in project monitoring, reporting and oversight, including the lack of annual review meetings, weaknesses in the functioning of Project Boards and in project reporting, and inaccurate project tracking in Atlas. OAI recommends that the Office improve its project monitoring and oversight, as required in the

Programme and Operations Policies and Procedures, to ensure transparency and accountability in using programme funds. These include: (a) holding regular Project Board meetings for all projects and preparing minutes of such meetings; (b) preparing annual project reports for each project; (c) maintaining issue and risk logs for each project in Atlas; (d) updating/correcting project exceptions noted in Atlas; and (e) maintaining an accurate and up-to-date list of assets for all projects.

Finance
(Issue 7)

Inadequate management of cash advances. Cash advances to project staff members were not properly monitored and accounted for. Some advances remained outstanding and unliquidated for more than six months, with the supporting documentation either incomplete or unreliable. Also, a large number of cash advances exceeded the threshold of \$500 without the prior approval of the Office of Financial Resources Management. In this weak control environment, some project staff members received cash advances exceeding \$125,000 each. OAI recommends that the Office strengthen its monitoring and oversight of cash advances to projects by: (a) discontinuing the processing of new cash advances until all outstanding advances are cleared and supporting documents submitted and verified by the Office; (b) ensuring that cash advances do not exceed the threshold of \$500. If an advance exceeding \$500 threshold is necessary, prior approval should be obtained from the Office of Financial Resources Management; (c) ensuring that, provided proper supporting documentation is available, cash advances are promptly liquidated, including recovery and timely deposit of any remaining balance; (d) ensuring that project staff members understand their responsibilities and accountability prior to receiving cash advances; and (e) promoting direct payment to suppliers, whenever feasible, in order to limit cash advances to staff members.

(Issue 9)

Weak banking management. Two bank accounts, reportedly closed since 2005, were still active in Atlas as of September 2012, and were used to process transactions until October 2008. The Office paid \$1.6 million in bank charges for transactions in US dollars paid by Electronic Fund Transfer or cheque to local vendors, when it could have used an Electronic Fund Transfer within the same financial institution at no cost. Unreconciled items could not be explained or justified for the bank reconciliations performed in May, June and July 2012. The bank reconciliations for the sub-office in Goma had not been reviewed or certified by the Operations Management Team in Kinshasa. OAI recommends that the Office strengthen its banking arrangements by: (a) improving its banking management and, in consultation with the Treasury Division, exploring ways to reduce bank charges; (b) reinitiating with the Office of Financial Resources Management the closing procedures in respect to the two identified bank accounts, and ensuring that proper documentation confirming the closure is maintained; and (c) ensuring that senior management reviews bank reconciliations, including the list of outstanding cheques and the bank statements to enable proper follow-up and to deter and detect any errors or fraudulent activity. Furthermore, the Office should review and certify bank reconciliations submitted by sub-offices.

Procurement
(Issue 10)

Weaknesses in procurement process. The Office lacked a mechanism to monitor the cumulative value of contracts in order to ensure their submission to the appropriate procurement review committee once the thresholds requiring this independent review had been reached. Further, some procurement payments were paid under the direct payment modality whereas they should have gone through the normal procurement process and a purchase order should have been raised. OAI recommends that the Office strengthen its procurement management by: (a) adhering to procurement procedures regarding the requirements for submission to the Contracts, Assets and Procurement Committee and/or the Advisory Committee on Procurement; and (b) raising purchase orders when commitments are

made based on a contract.



Asset
management
(Issue 16)

Weaknesses in asset management. Several issues were noted relating to the 2011 Certification Letter for non-expendable assets, including: a lack of support documentation for the December 2011 inventory and reconciliation; delays relating to asset disposals; annual rents paid for offices not being included; and rents for offices being paid in advance without seeking the required authorization. Further, the Office lacked an accurate list of project assets and the vehicle list was incomplete. OAI recommends that the Office improve asset management by: (a) closely monitoring inventory adjustments and requiring that they be properly justified; (b) disposing of obsolete items when approved and recording the disposals in a timely manner; (c) including the value of the rent paid for field offices and requesting proper authorization to pay rents in advance; and (d) preparing and maintaining an accurate list of assets for the Office and projects.

Management comments and action plan

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



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