



AUDIT

OF

UNDP COUNTRY OFFICE

IN

BURUNDI

Report No. 1145
Issue Date: 20 December 2013

Report on the audit of UNDP BURUNDI Executive Summary

From 2 to 18 September 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Burundi (the Office). The audit covered the activities of the Office during the period from 1 January 2012 to 30 June 2013. During the period reviewed, the Office recorded programme and management expenditures totalling \$26 million. The last audit of the Office was conducted by OAI in 2007.

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 included review and analysis 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 significant issues in the management of grants and assets. 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 Organizational structure and delegations of authority	Partially satisfactory			
1.2 Leadership, ethics and values	Satisfactory			
1.3 Risk management, planning, monitoring and reporting	Satisfactory			
1.4 Financial sustainability	Satisfactory			
2. United Nations system coordination				
2.1 Development activities	Satisfactory			
2.2 Resident Coordinator Office	Satisfactory			
2.3 Role of UNDP – “One UN”	Satisfactory			
2.4 Harmonized Approach to Cash Transfers	Partially satisfactory			
3. Programme activities				
3.1 Programme management	Satisfactory			
3.2 Partnerships and resource mobilization	Satisfactory			
3.3 Project management	Unsatisfactory			
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	Satisfactory			
4.7 Asset management*	Unsatisfactory			
4.8 Leave management*	Partially satisfactory			
4.9 Global Environment Facility*	Not applicable			

* Cross-cutting themes

Key issues and recommendations

The audit raised 14 issues and resulted in 12 recommendations, of which 4 (33 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.” These recommendations include actions to address: weaknesses in the management of grants, lapses in infrastructure projects design and implementation, inadequate validation of supporting documents for financial transactions, and weaknesses in asset management.

The high risk recommendations are:

Project management (Issue 4)	<u>Lack of compliance with grant management guidelines and inappropriate contracting modality.</u> The Office signed grant agreements amounting to \$9.7 million in 2012-2013 (as of 31 August 2013). In 18 instances, the Office did not comply with the micro-capital grant guidelines and did not seek proper authorizations from relevant headquarters units for individual grants exceeding \$150,000 and cumulative grants over \$300,000. Furthermore, grant agreements were used to contract for civil works instead of using the standard civil works contract. OAI recommends that the Office strengthen its management of micro-capital grants and civil works projects by: (a) seeking post facto authorization from the Regional Bureau for Africa and/or Bureau of Management for the grants which exceeded the established thresholds; (b) complying with established thresholds and seeking appropriate authorizations as required; and (c) using the civil works contract template for construction works..
Project management (Issue 5)	<u>Lapses in approval and implementation of infrastructure projects.</u> The Office could not provide any authorization from the Regional Bureau for Africa to support initiation of infrastructure projects yet it initiated 29 infrastructure projects amounting to \$3.6 million in 2012 and 2013 (up to 31 August 2013). There was no assurance that the contractor capabilities were properly assessed or that the selection process was transparent and fair. Additionally, for the construction of houses for refugees, the beneficiaries had not been identified at the time of the audit. Furthermore, there were significant lapses in project monitoring, which resulted in inability to address issues in a timely manner and in potential additional financial costs. OAI recommends that the Office strengthen its infrastructure project management by ensuring that: (a) post facto approval is obtained from the Regional Bureau for Africa for the on-going infrastructure projects; (b) remedial actions are taken as soon as possible to address the issues of quality of the construction and minimize additional costs required to complete the projects; (c) projects are adequately designed and formulated, and in future, the Office seek authorization from the Regional Bureau for Africa prior to engaging in infrastructure projects, ensure rigorous selection of civil works contractors, and identify project beneficiaries in a more timely manner; and (d) projects are regularly monitored and that that qualified engineers are assigned to monitor construction works and required to submit complete reports.
Finance (Issue 8)	<u>Inadequate validation of supporting documents for financial transactions.</u> The Office signed grants totaling \$9.7 million in 2012 and 2013 which required beneficiaries to provide financial reports and supporting documents for the use of funds disbursed. OAI did not find evidence that the Project Management Unit and Finance Unit systematically validated supporting documents received from beneficiaries to confirm that goods were received and or services rendered. Furthermore, the Office made milestone payments for

construction of houses without validating that target milestones had been achieved. Subsequent validation of the constructions has indicated that target milestones had not been achieved and therefore payments should not have been made. OAI recommends that the Office strengthen financial management by: (a) defining and implementing the internal control framework for the Project Management Unit to clarify accountabilities, roles and responsibilities; (b) validating supporting documents from grant recipients to confirm that goods and services were received prior to payment; (c) ensuring that payments of civil works contracts are based on certification from qualified technicians; and (d) assessing the extent to which NGOs delivered on agreed terms and as necessary, blacklisting those who do not deliver..

Asset
management
(Issue 12)

Weaknesses in asset management. Agricultural equipment valued at \$370,000 were purchased and had not been distributed to beneficiaries. The equipment were inadequately stored in an open area and in poor conditions for almost two years. Additionally, the assets physical inventory count was conducted by one person only, contrary to the requirement of having it done by at least two staff. No certified physical verification could be provided to OAI for 2011, 2012 and 2013 for the Office and the project assets. A reconciliation between asset physical inventory and Atlas- Inservice report was not done, yet the Office submitted its asset certification to the Bureau of Management. OAI recommends that the Office strengthen its asset management by; (a) completing physical inventory of agricultural equipment and reconciling the result with the purchases to ensure that all equipments purchased for the reintegration projects are accounted for; after which, the Office should finalize the asset distribution in a timely manner; (b) reviewing assets purchased since 2010 and tracing them to their current location and status, to ensure that all assets are accounted for; (c) having physical inventory of assets to be conducted by at least two staff and reconciling the results to the Atlas in service report prior to submitting the asset certification letter and any variance properly investigated and justified; and (d) completing the sale of unserviceable or fully depreciated assets as recommended by the Contract, Assets, and Procurement Committee.

Among the 14 issues raised, one issue was noted to be caused by factors beyond the control of UNDP (Issue 2).

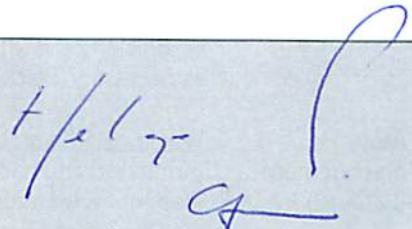
Cross-cutting themes

As part of the 2013 OAI annual work plan, all country office audits will include specific areas to be reviewed in more depth. Results from all audits will be compiled and analyzed at corporate level, and thereafter, a consolidated report will be issued separately. For this particular audit, the following were noted:

- **Asset management.** Unsatisfactory. Refer to issue described under “Key issues and recommendations”.
- **Leave management.** Partially satisfactory. There were no processes in place to ensure that leave of staff members were adequately planned, reported timely to Human Resources and accurately recorded in Atlas. There were also lapses in the administration of compensatory time offs and home leave entitlements. Refer to Issue 13.
- **Global Environment Facility.** There were lapses in the management of GEF project 76705 ‘Biodiversity Conservation’. These include delay in project implementation and changes in staffing plan without notification to GEF as required. Weaknesses were also noted in project monitoring , procurement and asset management. Refer to Issue 14.

Management comments and action plan

The Resident Representative accepted all 12 recommendations and is in the process of implementing them.



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