**UNITED NATIONS DEVELOPMENT PROGRAMME**
**Office of Audit and Investigations**

**AUDIT**

**OF**

**THE UNITED NATIONS COLLABORATIVE PROGRAMME ON REDUCING EMISSIONS FROM DEFORESTATION AND FOREST DEGRADATION (UNREDD) QUICKSTART PROGRAMME IN THE DEMOCRATIC REPUBLIC OF THE CONGO (FAO-UNDP-UNEP)**

**Report No. 1177**
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**United Nations Development Programme**
**Office of Audit and Investigations**

**Report on the audit of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation (UNREDD Quickstart Programme in DR Congo) (Project No. 71908)**
**Executive Summary**

From 14 to 25 January 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through Mazars Cameroun (the audit firm), conducted an audit of the UNDP-implemented portion of the UNREDD Quickstart Programme in DR Congo, Project No. 71908 (the Project), which is directly implemented and managed by the UNDP Country Office in the Democratic Republic of the Congo (the Office). The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing.* This was the first time OAI conducted an audit of the Project.

The Project reported expenditure totalling $2.5 million during the period from 1 January 2009 to 31 December 2011. The Project was funded by the UNREDD Multi-Donor Trust Fund.

**Audit scope and objectives**

The audit work covered financial transactions as well as internal controls and systems for the purpose of expressing an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations, as well as assess compliance with UNDP regulations, rules, policies and procedures and donor agreements. The audit covered the Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 January 2009 to 31 December 2011 and Statement of Assets as of 31 December 2011. An opinion on the Statement of Cash Position was not applicable since the Project did not maintain or hold any cash/petty cash. The audit also reviewed the relevant systems, procedures and practices in place as they relate to the Project, in the areas of: organization and staffing, project management, human resources management, financial and cash management, procurement, asset management, information systems and general administration.

**Audit rating**

Based on the audit reports and corresponding management letter submitted by the audit firm, OAI assessed the management of the Project 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." The details of the audit results are presented in Figure 1.

Figure 1: Summary results of the financial audit

| Financial Year | Project Expenditure | | | Project Assets | | Cash | |
|---|---|---|---|---|---|---|---|
| | Amount | Opinion | NFI | Amount | Opinion | Amount | Opinion |
| 2009 | 329,004 | Unqualified | | 53,513 | Unqualified | N/A | N/A |
| 2010 | 919,021 | Qualified | 9,840 | 65,588 | Unqualified | N/A | N/A |
| 2011 | 1,244,428 | Qualified | 11,855 | 76,147 | Unqualified | N/A | N/A |
| **Total** | **2,492,453** | | **21,695** | | | | |

*NFI = Net Financial Impact*

The qualification in financial year 2010 of $9,840 represents a two-month special living allowance that did not pertain to one of the project personnel. The qualification in financial year 2011 has two elements: (a) expenditure of $2,533 that did not have appropriate supporting documents; and (b) an amount of $9,322 of

travel costs that were considered unrelated to the project's activities.  The total Net Financial Impact of the qualification amounted to $21,695, or less than one percent of the total audited expenditure.

The audit also noted that expenditure for a total of $136,256 in financial year 2009 and a total of $19,116 in financial year 2010 were recorded in incorrect expenditure accounts.  This issue was not considered a qualification as it does not have an impact on the overall validity of the expenditure in the two financial years.

**Key issues and recommendations**

The audit raised eight issues and resulted in eight recommendations, all of which 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 insufficient supervision of accounting entries, non-compliance in the recruitment and procurement processes, improper documentation to support expenditure and inaccurate allocation of expenses to projects.

The high priority recommendations are as follows:

Finance (Issue 1)
Insufficient oversight over accounting. The audit noted the use of inaccurate account codes as well as insufficient supporting documentation for some transactions reviewed, leading to some inaccuracy in the Combined Delivery Report of the project. OAI recommends stronger review and oversight of accounts and supporting documentation.

Assets (Issue 2)
Inadequate replacement of assets. Two assets in the inventory were missing or out of order. OAI recommends that an analysis of assets be conducted and that out of order equipment be replaced.

Consultants (Issue 3)
Insufficient formalization of some of the consultants' recruitment steps. In the review of recruitment cases, the audit noted that steps in the recruitment process were not duly completed, e.g. missing evidence that needed analysis for some positions, absence of reference checks or confirmation that candidates on the rosters were actually contacted. Terms of Reference were also not attached to the contracts. OAI recommends that all of the steps involved in the process of recruiting consultants be properly documented in the recruitment files.

Travel (Issue 4)
Unsupported travel expenses. Some travel expenses were not adequately supported with boarding passes, back to office reports, etc. OAI recommends that all official travel expenses be duly supported with back to office reports, boarding passes for air travel, travel authorizations, etc.

Procurement (Issue 5)
Insufficient procurement planning.  No procurement plan was in place at the time of the audit. OAI recommends that the Project improve its procurement monitoring with the use of procurement plans.

(Issue 6)
Lack of competitive procurement for purchases above $5,000. The auditors noted several instances where the Project contracted services above $5,000 without adequate competition. OAI recommends that all purchases above $5,000 be competitive in accordance with UNDP policies and procedures.

| Assets (Issue 7) | <u>Inadequate management of assets</u>. Assets were not always labeled and the table used for monitoring assets was not systematically updated with the corresponding serial number. OAI recommends that all assets be labeled, that their asset number/serial number be systematically entered in the assets list and that the list be updated on a regular basis. |
|---|---|
| Finance (Issue 8) | <u>Inadequate justification of expenses charged from other projects</u>. In the review of expenditure incurred in 2009, 2010 and 2011, the audit noted several transactions relating to other projects, the authorization for which was not always kept with the relevant transaction detail. As these expenses are only regularized at year-end, this may impact the Project's financial situation if not adequately followed up on and reversed. OAI recommends that all authorizations to charge expenses from other projects be kept with the related transactions and that the regularization be made in due time to allow proper control before the year-end closure. |

## Management's comments

The Resident Representative accepted all of the recommendations except for one (recommendation 2), and is in the process of implementing them.

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