



AUDIT

OF

UNDP COUNTRY OFFICE

IN

SIERRA LEONE

Report No. 1187
Issue Date: 3 December 2013

Report on the audit of UNDP Sierra Leone Executive Summary

From 10 to 26 June 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Sierra Leone (the Office). The audit covered the activities of the Office during the period from 1 January 2012 to 31 March 2013. During the period reviewed, the Office recorded programme and management expenditures totalling \$37 million. The last audit of the Office was conducted by OAI in 2009.

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.” The rating was mainly due to weaknesses in programme activities and operations. Ratings per audit areas 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 | Satisfactory | | | |
| 1.2 Leadership, ethics and values | Satisfactory | | | |
| 1.3 Risk management, planning, monitoring and reporting | Partially 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” | Not Applicable | | | |
| 2.4 Harmonized Approach to Cash Transfers | Satisfactory | | | |
| 3. Programme activities | | | | |
| 3.1 Programme management | Partially Satisfactory | | | |
| 3.2 Partnerships and resource mobilization | Satisfactory | | | |
| 3.3 Project management | Partially Satisfactory | | | |
| 4. Operations | | | | |
| 4.1 Human resources | Satisfactory | | | |
| 4.2 Finance | Satisfactory | | | |
| 4.3 Procurement | Satisfactory | | | |
| 4.4 Information and communication technology | Satisfactory | | | |
| 4.5 General administration | Unsatisfactory | | | |
| 4.6 Safety and security | Not Assessed | | | |
| 4.7 Asset management* | Unsatisfactory | | | |
| 4.8 Leave management* | Satisfactory | | | |
| 4.9 Global Environment Facility* | Not Applicable | | | |

* Cross-cutting themes

Key issues and recommendations

The audit raised 6 issues and resulted in 7 recommendations, of which 4 (57 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.”

The high priority recommendations are as follows:

| | |
|----------------------------------|---|
| Programme management (Issue 2) | <u>Lack of programme/project oversight systems.</u> The Office did not have Outcome Boards in place and Project Boards were not fully exercising their oversight roles. OAI recommends that the Office put into place formal assurance, oversight and reporting systems by: (a) establishing Outcome Boards to provide monitoring and assurance for each Country Programme outcome; and (b) ensuring Project Boards meet regularly for all projects and provide substantive oversight thereof. |
| Project management (Issue 3) | <u>Inadequate project assurance controls.</u> The Office had weak controls in place for project design and appraisal. Project activities totalling \$5 million on the Election Project were not appraised by a Local Project Appraisal Committee; Results and Resources Frameworks were formulated vaguely; field monitoring visits were not undertaken regularly by programme staff; projects were not closed in Atlas in a timely manner; micro-capital grant beneficiaries were selected on a non-competitive basis; and Letters of Agreement were not signed with partners to whom funds were advanced. A total of \$3.3 million was disbursed by Implementing Partners in 2012 with whom Letters of Agreement were not signed. OAI recommends that the Office that: (a) new projects are reviewed and appraised by a Local Project Appraisal Committee; (b) Results and Resources Frameworks are clearly formulated in accordance with UNDP corporate results-based management principles and contain accurately defined indicators, targets, outputs and activities; (c) field monitoring is undertaken for all projects as per the UNDP Programme and Operations Policies and Procedures; (d) all projects that are operationally complete are closed in Atlas; (e) Letters of Agreement are signed with all government and United Nations Implementing Partners; and (f) micro-capital grant agreements are awarded based on a competitive process. |
| General administration (Issue 4) | <u>Lack of controls over fuel management.</u> The Office had not recorded diesel usage and could not account for 3,247 litres of fuel. Furthermore, one payment voucher with a value of \$49,020 for 43,000 litres of fuel and four payment vouchers with a total value of \$172,800 for diesel reserves were processed without adequate supporting documentation. OAI recommends that the Office initiate a special review to determine the causes of discrepancies and lack of justification regarding: (a) ad hoc diesel replenishments and the 3,247 litres of diesel that were not accounted for in the consumption report; (b) payment of \$49,020 for 43,000 litres of diesel which was purchased for the Elections Project but had no documentation to support the request, delivery or physical receipt; and (c) payments for diesel without supporting documents, including diesel request forms, coupons, and usage summary reports prior to payment approval in Atlas. |
| Asset management (Issue 5) | <u>Non-compliance with asset management procedures.</u> The Office was not compliant with asset management procedures. As a result, asset year-end reporting was not properly done and relevant documentation for capitalization of new assets was not uploaded in the Document Management System. There were risks of misappropriation of assets and |

misstatement of assets in the annual financial reports of the organization. OAI recommends that the Office enforce asset management procedures by: (a) adjusting in-service assets with the identification and removal of non-asset items of \$72,900 and Global Agency assets of \$5,000 wrongly entered in the asset register; (b) uploading the five-year lease agreement of \$950,000 for the building premises in the Document Management System in order for the Global Shared Service Centre to classify and record the transaction in UNDP books accordingly; (c) notifying the Administrative Services Division about lease improvement and installation costs of \$257,000 so that they could be duly capitalised; (d) following up on assets of \$618,000 that were not physically verified as of the 2012 year-end; (e) documenting all sales receipts and compiling reconciliation reports of sold and remaining items to be signed-off on by senior management; and (f) implementing a regular review of the asset register by the supervisor.

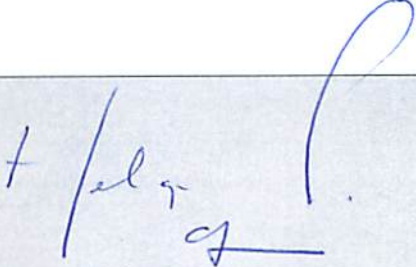
Cross-cutting themes

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 analysed at the 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 5
- **Leave management.** Satisfactory. Discrepancies were noted from a sample of leave records for five staff members. There were cases where leave balances recorded in Atlas did not match the physical leave records compiled by the Leave Monitor. Considering the actions taken and agreed to by management, no issue was raised.
- **Global Environment Facility.** No reportable issues noted.

Management comments and action plan

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



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