

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
Resilient nations.*

AUDIT

OF

UNDP COUNTRY OFFICE

IN

DEMOCRATIC REPUBLIC OF THE CONGO

GOMA SUB-OFFICE

Report No. 1262

Issue Date: 5 March 2014

(REDACTED)

Report on the audit of the Democratic Republic of the Congo - Goma Sub-office Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UNDP Democratic Republic of the Congo (the Office), Goma Sub-office (the Sub-office) from 4 to 19 November 2013. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas:

- (a) governance and strategic management (organizational structure and delegations of authority, leadership, ethics and values, financial sustainability);
- (b) programme activities (programme and project management, partnerships and resource mobilization); and
- (c) operations (human resources, finance, procurement, information and communication technology, travel management, safety and security, general administration (including asset management and leave management).

The audit covered the activities of the Office from 1 January 2012 to 31 August 2013. The Sub-office recorded programme and management expenditures totalling \$18.7 million. This was the first audit of the Sub-office.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office's management of the Sub-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 inadequate governance structure, inadequate supporting documents for civil works payments, deficient contract management and inadequate security measures.

Good practice

The Office has a good system for filing and organizing project-related documents. This system ensured that all project documents and other important documents were filed in the same sequence and important documents were readily available.

Key recommendations Total = 12, high priority = 4

For high (critical) priority recommendations, 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. All high (critical) priority recommendations are presented below:

Inadequate governance and oversight of field presence (Issue 1)	Prior to establishing sub-offices, approvals were not sought from the Regional Bureau, the Senior Security Manager or the Administrative Services Division. Also, the final field presence guide had not been approved and a financing scheme to ensure that field offices are self-sustaining had not been developed.
---	--

Recommendation: Comply with UNDP policies when setting up local presence in the field by:

- (a) obtaining clearance from the Regional Bureau for Africa, the Security Office and the Administrative Services Division;
- (b) approving the final field presence guide; and
- (c) developing a financing mechanism to ensure that sub-offices and field offices are self-sustaining.

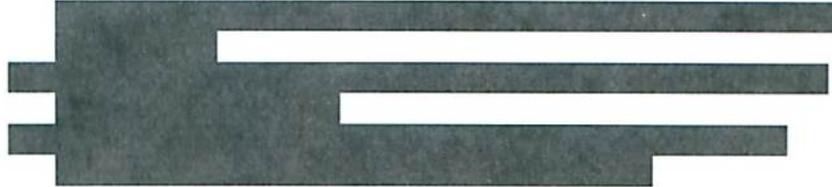
Deficient contract management (Issue 7)

The Office contracted two suppliers for work totalling \$319,000 while the available budget was only \$175,000. Both contracts were signed without any review or validation of the available budget resulting in an excess commitment of \$144,000. The Office contracted another supplier for \$135,000, but the funds were used for other activities before the purchase order was created. In addition, even though four civil works contracts incurred delays, some of these contractors were awarded new contracts. Although most contractors incurred delays, their performance was not assessed and the Office did not enforce the contract penalty clause. A standard four-month completion date was applied to all civil works contracts regardless of their value and complexity.

Recommendation: Strengthen contract management by:

- (a) ensuring that awarded contract amounts are validated before creating purchase orders and contracts and make commitments only upon confirmation of available funds;
- (b) reassessing and validating delays and applying the penalty clause as appropriate;
- (c) evaluating supplier performance and sharing the evaluations with the Procurement Unit for use in selecting contractors; and
- (d) ensuring that project engineers provide realistic timeframes for completing civil works contracts.





Asset management
weaknesses
(Issue 10)

Physical inventories of assets did not take into account assets purchased and entered in Atlas since 2012, including 14 assets valued at \$246,000 which were not included in the asset listing. Furthermore, assets purchased through manual purchase orders (valued at less than \$2,500), were not captured in Atlas and were not detected through the mid-year and year-end physical inventory counts. Also, assets located at project sites were not subjected to adequate oversight.

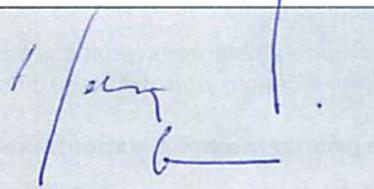
Recommendation: Strengthen asset management by:

- (a) completing physical inventories of all assets;
- (b) ensuring asset purchases are systematically included in the asset listing;
and
- (c) determining accountability for the oversight of assets at project sites.

Management comments and action plan

The Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less impact (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Osttveiten
Director
Office of Audit and Investigations