

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

SOUTH AFRICA

Report No. 1313

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Report on the audit of UNDP South Africa Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP South Africa (the Office) from 9 to 20 June 2014. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, Harmonized Approach to Cash Transfers);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security, asset management, leave management).

The audit covered the activities of the Office from 1 January 2013 to 20 June 2014. The Office recorded programme and management expenditures totalling \$16.5 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*.

Overall 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 systemic weaknesses in governance and strategic management, United Nations system coordination, programme activities, and operations.

Key recommendations: Total = 10, high priority = 5

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 guidance and supervision on office governance (Issue 1)	Management oversight and governance were inadequate, as the Office had not: (a) established a local internal control framework or formal delegations of authority for staff to define their roles and responsibilities; (b) developed action plans to address the persistent low Global Staff Survey ratings; (c) established terms of reference and standard operating procedures for the Development Solutions Team and the recently formed Programme Support Unit; or (d) exercised adequate monitoring and oversight of programme and project management and operations.
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Recommendations: Strengthen existing internal controls and operating procedures by: (a) granting formal delegations of authority to office staff; (b) establishing a local internal control framework; (c) documenting formal action plans to address concerns highlighted in Global Staff Survey results; and (d) establishing clear terms of reference and standard operating procedures for the newly established Programme Support Unit and Development Solutions Team.

Inadequate project management
(Issue 4)

Project management was inadequate, as local project appraisal committees were not convened, regular project board meetings were not held and there were weaknesses in project progress reports submitted to stakeholders. Project monitoring was also inadequate as there were limited field visits; risk and issue logs were not regularly updated and mitigated; and project financial statements were not reviewed. In addition, operationally completed projects were not financially closed within the established 12-month period.

Recommendation: Strengthen project management processes by holding regular project board meetings, and improving project monitoring and reporting.

Weaknesses in financial management
(Issue 6)

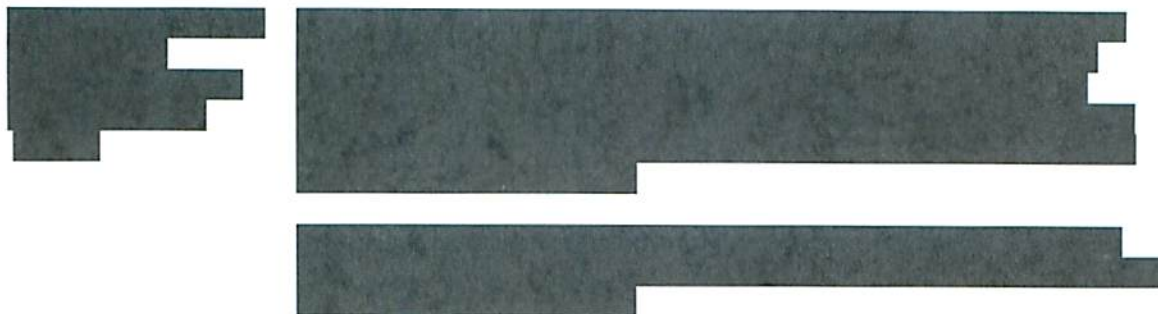
A total amount of \$393,000 was paid to 23 different vendors, even though the original vendor invoices were not available. OAI noted that 20 budget overrides totalling \$143,000 were performed by finance staff that did not have the delegated authority to do so. There were also weaknesses in making payments to implementing partners, as expenses were not validated by authorized personnel.

Recommendation: Strengthen financial management controls and adhere to the 'Programme and Operations Policies and Procedures' by: (a) processing payment vouchers based on original documents; (b) using the cheque writer software developed by UNDP; (c) establishing a policy for budget overrides, and ensuring that only designated authorized staff perform overrides; and (d) monitoring funds advanced to implementing partners and ensuring they are validated by authorized personnel.

Weaknesses in procurement management
(Issue 7)

Procurement controls were inadequate as purchase orders and e-requisitions were not issued for all procurement actions, presenting the risk that liabilities for purchases were not fully recorded in Atlas (the enterprise resource planning system used by UNDP). Controls also needed to be improved in the recruitment of independent contractors as well as the sourcing of procurement vendors. Approximately 50 vendors in the database had duplicate bank accounts, and vendor performance was not evaluated.

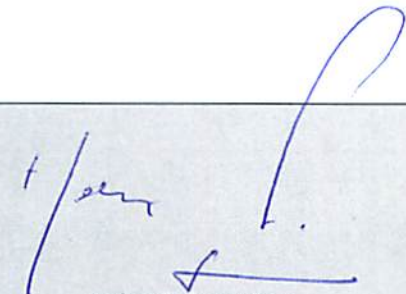
Recommendation: Enhance controls over procurement processes by: (a) ensuring the use of e-requisitions and purchase orders; (b) establishing a list of pre-vetted vendors and developing a consultant's roster to source independent consultants; (c) evaluating vendor performance; and (d) cleaning the vendor database.



Management comments and action plan

The Resident Representative a.i. 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 significance (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