



AUDIT

OF

UNDP SIERRA LEONE

**Support to the Electoral Cycle in Sierra Leone
(Directly Implemented Project, Output No. 77588)**

Report No. 1326

Issue Date: 26 June 2014

**Report on the audit of UNDP Sierra Leone
Support to the Electoral Cycle in Sierra Leone (Output No. 77588)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 3 to 28 February 2014, through B & C Services Consulting (the audit firm), conducted an audit of Support to the Electoral Cycle in Sierra Leone, Output No. 77588 (the Project), which is directly implemented and managed by the UNDP Country Office in Sierra Leone (the Office). The last audit of the Office was conducted by OAI in 2013.

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 assessing compliance with UNDP regulations, rules, policies and procedures and donor agreements. The audit covered the Project's Combined Delivery Report which includes expenditure for the period from 1 January 2012 to 31 December 2013 and the accompanying Funds Utilization statement¹ as of 31 December 2013 as well as Statement of Assets as of 31 December 2013. It also reviewed the relevant systems, procedures and practices in place as they relate to the Project, in the areas of: organization and staffing, human resources management, financial and cash management, asset management, procurement, project management and information systems and communication.

The audit also covered the activities undertaken by an implementing partner, the Political Parties Registration Commission (PPRC) in 2011, 2012 and 2013.

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

Overall audit rating

Based on the audit reports and corresponding management letters submitted by the audit firm, OAI assessed the management of the Project as "**partially satisfactory**" which means "Internal controls, governance and risk management processes as applicable to the Project's financial statements 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 irregularities in 2012 with supporting documents, ineligible expenditure, and a difference between the opening cash balance reported by PPRC and the amount verified by the auditors. The details of the audit results are presented in the table below:

Financial Year	Project Expenditure			Project Assets	
	Amount (in \$ '000)	Opinion	NFI (in \$ '000)	Amount (in \$ '000)	Opinion
2012	10,931*	Qualified	340	5,011	Unqualified
2013	2,004**	Unqualified	n/a	5,195	Unqualified

NFI = Net Financial Impact

* The audited amount excludes \$10,385,044 which was directly incurred by UNDP Headquarters and supporting documents were not retained by UNDP Sierra Leone

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) depreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

** The audited amount excludes \$6,373,930 which was directly incurred by UNDP Headquarters and supporting documents were not retained by UNDP Sierra Leone

The audit firm qualified its opinion on project expenditure for the year 2012 due to: irregularities on supporting documents submitted by PPRC to account for expenditure incurred regarding procurement amounting to \$187,625; unsupported expenditure of \$3,735; ineligible expenditure of \$4,323; and a difference of \$144,299 between the opening the cash balance reported by PPRC and the amount verified by the auditors.

Key recommendations: Total = **39**, high priority = **13**

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 (grouped according to issues):

UNDP Sierra Leone

Inadequate supporting documents submitted by implementing partners

Implementing partners submitted copies of invoices and receipts for expenditure incurred, procurement documents, training documents and statements of receipt and payment. However, the implementing partners did not submit cash book, bank statements and bank reconciliation for funds received.

Issue No. 3.6.2 (FY 2012), No. 3.6.1 (FY 2013)

Recommendation: Indicate on the Letter of Agreement the specific documents to be submitted by the implementing partners. Additionally, when the implementing partners maintain original copies of invoices and receipts, UNDP should perform periodic financial reviews to ensure that adequate supporting documents are provided for expenditures reported.

PPRC

Inadequate segregation of duties

Subsequent to the signing of the Letter of Agreement, all aspects of the procurement process were carried out by the Procurement Officer. These tasks included the initiation of the request for quotation, the evaluation of quotations, the awarding of contracts, and the preparation of the local purchase orders for approval by the registrar. At the time of the audit, the Procurement Officer was acting as the Finance Officer and was responsible for raising requests for the payment for goods and services procured as well. The Procurement Unit was headed by the Finance Manager.

Issue No. 4.1.3.3 (FY 2011), No. 4.2.3.3 (FY 2012), No. 4.1.3.2 (FY 2013)

Recommendation: Design a duty matrix for the procurement process which indicates the various procurement activities and specifies which staff member is responsible for each activity. The duty matrix should be designed in such a way so that no one person is responsible for all aspects of the procurement process. Instead, the matrix should appropriately segregate duties, and specify the appropriate levels of authority involved in each stage of the procurement process.

<p>Irregular supporting documents for training activities conducted</p> <p>Issue No. 4.1.4.2 (FY 2011), No. 4.2.4.2 (FY 2012)</p>	<p>Some payments for transport allowance and Daily Subsistence Allowance paid to training participants were not supported by appropriate documents. This raised doubts as to whether the activities actually took place, and whether the total amount paid was accurate.</p> <p>Recommendation: Use appropriate documents as support for all payments made, and in instances where community members are unable to sign for allowances paid, ensure thumb prints are taken instead. In addition, UNDP should demand a refund from the implementing partner for the amount in question, unless the implementing partner is able to provide justification for not providing supporting documents.</p>
<p>Some expenditures incurred not supported</p> <p>Issue No. 4.1.5.1 (FY 2011)</p>	<p>Supporting documents, such as invoices, receipts, or payment schedules, were not provided for \$19,749 in expenditures reported by PPRC. This amount represented 1.4 percent of the total expenditure incurred by PPRC.</p> <p>Recommendation: Provide supporting documentation for these expenditures or refund the amount involved.</p>
<p>Difference between funds received from UNDP and amount reported by PPRC</p> <p>Issue No. 4.1.5.2 (FY 2011)</p>	<p>A difference of \$401,612 between funds received from UNDP and the amount reported by PPRC was unaccounted for. PPRC subsequently provided documentation for some expenditure, resulting in a variance of \$56,834 in unsupported expenditure.</p> <p>Recommendation: Provide adequate and relevant supporting documentation to account for the variance. The total amount in question should be refunded if PPRC management is unable to account for the funds received.</p>
<p>Huge procurement of goods and service by PPRC</p> <p>Issue No. 4.1.3.1 (FY 2011)</p>	<p>Funds were disbursed to PPRC for the procurement of assets that required international competitive bidding given the amount involved. However, the organization had no track record of handling procurements involving international competitive bidding.</p> <p>Recommendation: Strengthen the capacity of the Procurement Unit of PPRC so that it can manage procurement more effectively.</p>
<p>Irregularities with procurement documents</p> <p>Issue No. 4.2.3.1 (FY 2012)</p>	<p>There were irregularities on supporting documents for goods and services procured. Most of the requests for quotations, local purchase orders, evaluation reports, and delivery notes indicated that the entire procurement process was carried out on the same day. Instances were noted where items were received before requests for quotations and local purchase orders were issued to vendors.</p> <p>Recommendation: Set a threshold for procurement carried out by PPRC, and any procurement exceeding the threshold should be handled directly by UNDP. In addition, the Procurement Unit of PPRC should be resourced with experienced staff capable of managing procurement.</p>

Error in opening cash balance of Peace Building Fund account	The financial returns from PPRC had a difference of \$47,167 between the opening cash balance of the Peace Building Fund account for 2012 and the closing cash balance for 2011.
Issue No. 4.2.5.5 (FY 2012)	<u>Recommendation:</u> Investigate the difference between the balances and resubmit the corrected 2012 financial returns for the Peace Building Fund. Where the difference has been utilized for implementation of project activities, PPRC should provide adequate supporting documents to account for the difference in amount.
Two quotations obtained from same vendor	Quotations submitted by two companies for the reproduction of an election day training manual for party agents were from the same vendor. This undermined the competitiveness of the procurement process.
Issue No. 4.2.3.4 (FY 2012)	<u>Recommendation:</u> Review only one quotation from each vendor to ensure that a competitive procurement process takes place.

Implementation status of previous OAI audit recommendations: Report No. 1092, 26 April 2013.

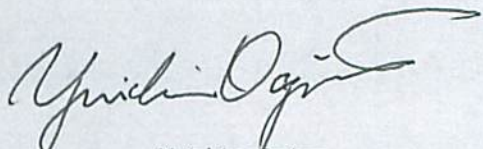
Total recommendations: 3

Implementation status: 100 percent

Management comments and action plan

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

The audit report was shared with PPRC, which provided extensive comments to clarify and provide context to certain audit observations. Furthermore, PPRC gave details regarding actions already undertaken or planned to address the control deficiencies noted in the audit report. OAI acknowledges this and will validate the implementation status of recommendations as part of its regular follow-up process.



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