

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



*Empowered lives.  
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**AUDIT**  
  
**OF**  
  
**UNDP COUNTRY OFFICE**  
  
**IN**  
  
**CHAD**

**Report No. 1330**  
**Issue Date: 28 August 2014**  
**(REDACTED)**

## Report on the audit of UNDP Chad Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Chad (the Office) from 7 to 23 April 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, role of UNDP – “One UN”, 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 to 31 December 2013. The Office recorded programme and management expenditures totalling \$26.5 million. The last audit of the Office was conducted by OAI in 2006.

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 **unsatisfactory**, which means, “Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.” This rating was mainly due to weaknesses in organizational structure and delegations of authority, financial sustainability, project management, human resources, finance, procurement, asset management, and safety and security.

### Key recommendations: Total = 16, 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:

Poor control environment and low staff member morale (Issue 1)

Several shortcomings negatively impacted the control environment, leading to harmful practices and potential misuse of UNDP resources. For instance, there was an inadequate office structure and poor communication between senior management and staff, there was no updated organogram or job descriptions, several positions remained vacant, and core functions were performed by consultants, which created a shadow office and led to negative Global Staff Survey results. In addition, there were no documented internal control procedures, which could have clarified roles and responsibilities among staff, and

the Resident Representative did not issue a delegation of authority to the Country Director, Deputies, or other staff. Furthermore, UNDP ethical values were not fully adhered to and some cases of wrongdoing were noted and shared with the Investigations Section of OAI. Moreover, Atlas profiles were poorly managed which led to a poor control environment and a lack of segregation of duties.

**Recommendation:** Adhere to the UNDP Accountability Framework and Oversight Policy and strengthen all dimensions of the control environment.

Office not financially sustainable and poor management of donor resources (Issue 2)

The Office's extrabudgetary reserves declined from 23 months at the end of 2012, to 15 months at the end of 2013. Further decline was expected in 2014. This situation was due to poor management of donor contributions, failure to collect government cost-sharing amounts totalling \$35.6 million, and lack of follow-up on the Government Contributions to the Local Office Costs amounting to \$750,000. Additionally, the Office returned \$251,000 to a national partner for the cost recovery of General Management Support services incurred by UNDP and charged to the project. The national partner indicated that the Office did not share the organization's policy on cost recovery and therefore, all related amounts charged by UNDP had to be returned. The reimbursement was made out of the Office's core resources instead of its extrabudgetary account where the General Management Support recovery was initially recorded.

**Recommendation:** Ensure accountability over the efficient and effective management of resources.

Deficient project initiation, monitoring and closure (Issue 4)

Several weaknesses were noted in project initiation, monitoring and closure. Local Project Appraisal Committee meetings were not organized, project board meetings did not take place, annual review reports were not prepared, and combined delivery reports (the most comprehensive and definitive document showing expenditure incurred on a project) were not extracted and certified. In addition, there were weak controls over the selection and management of services by non-governmental organizations.

**Recommendation:** Improve project initiation, monitoring and closure.

Deficient management of audits of nationally implemented projects (Issue 5)

For the last three years, audit plans and audit reports for nationally implemented projects were submitted late and the Office received an unsatisfactory rating for the overall audit results with a net financial impact total of \$7 million. The Office did not cooperate effectively or provide adequate support to the national partners or the auditors conducting audits of the nationally implemented projects.

**Recommendation:** Strengthen the management of the audit of nationally implemented projects.

Deficient management of salary advances (Issue 7)

The Office did not monitor the recovery of salary advances. Salary advances were not recovered for 13 staff members. On another hand, the Office recovered more than the advances given to 12 staff members. Also, 32 staff members systematically received salary advances at the beginning of each year (2013, 2014) for a total of \$273,000 for both years, making this a routine request rather

than an exception.

Recommendation: Improve the management of salary advances.

Deficiencies in the  
payment process  
(Issue 8)

There were deficiencies in payment processes. An advance to a nationally implemented project amounting to \$300,851 was liquidated and recorded as expenditure with inadequate supporting documentation. The cheque printer did not function, and there were weak controls over cheques prepared manually. Also, five vouchers amounting to \$110,000 did not have any supporting documents. Additionally, 75 payments totalling \$407,000 were on hold since 2005 due to missing or incomplete documentation, resulting in an overstatement of disbursements by the same amount.

Recommendation: Strengthen the payment process.

Inefficiencies in bank  
reconciliations  
(Issue 9)

The Office did not follow up and clear external unreconciled items in the bank reconciliation in a timely manner. As of 21 April 2014, the Office had an outstanding unreconciled Electronic Fund Transfer for \$100,000 from 2012 and an unreconciled cheque for \$8,000 from 2013. A bank deal of \$688,000 that was mistakenly linked to a closed bank account was incorrectly deactivated and resulted in the amount appearing as an unreconciled item. No conclusive corrective action was taken by the Office and after more than a year, the amount continued to show as unreconciled. In addition, there was a long delay (ranging from 8 to 79 days) in creating deposits in Atlas.

Recommendation: Improve efficiency in bank reconciliations.

Inadequate  
management of project  
cash advances  
(Issue 10)

Project cash advances were not managed adequately. The Office directly expensed project cash advances instead of using the appropriate account. The Office had not received supporting documents for five advances amounting to \$222,000, and as of 30 April 2014, the Office had outstanding unliquidated cash advances estimated at \$357,000. Furthermore, the Office provided an advance of \$162,000 to a national partner to carry out some activities under the direct implementation modality. However, this advance was recorded as an expense and, therefore was not monitored and duly reconciled against the actual activities that had been undertaken.

Recommendation: Improve management of project cash advances.

Inadequate vendor  
management and  
unreliable vendor  
database  
(Issue 11)

There was inadequate oversight and control over vendor creation and approval in Atlas. The vendor approver role was assigned to three staff members instead of two, without approval from the Comptroller. There were 42 duplicate vendors and 40 vendors sharing the same bank account number with another vendor. Furthermore, a total of 25 out of 26 vendor forms requested by OAI were missing. Vendor profiles in Atlas did not include relevant details on key personal or full vendor addresses and contact information, and vendors were not reviewed against the United Nations sanctions list.

Recommendation: Improve vendor management.

Weaknesses in  
procurement  
management  
(Issue 12)

OAI identified a number of weaknesses in the procurement business function of the Office, specifically: the absence of a consolidated procurement plan; non-submission of procurement cases to the required procurement review committees; non-submission of post-facto cases to the Regional Central Procurement Office; and procurement processes for directly implemented projects conducted by national partners.

Recommendation: Improve procurement management.

Weaknesses noted in  
hiring process and  
management of  
individual contracts  
(Issue 13)

Several weaknesses in the hiring process and management of individual contracts were noted based on the 10 cases reviewed, specifically: (a) four core functions were being carried out by individual contractors; (b) in three instances, repetitive and incorrect extensions of contracts were noted; (c) terms of references did not comply with UNDP procedures in one case; (d) four contracts were split to avoid submission to procurement review committees; (e) seven contracts were awarded without a competitive process; (f) conflicts of interest were not adequately considered when awarding one contract; (g) best value for money was not considered when determining five consultant fees; and (h) funding was not confirmed prior to issuing individual contracts.

Recommendation: Adhere to UNDP policies relating to individual contracts.

Weaknesses in asset  
management (Issue 15)

Several deficiencies were noted in the management of assets, specifically: (a) 55 assets valued \$156,186 were not found; (b) weak asset verification processes as a Physical Verification Committee was not established; (c) lack of accountability for lost assets; (d) ten vehicles belonging to directly implemented projects retained by national partners after project closure; (e) non-capitalization of assets amounting to \$300,000 used and controlled by UNDP; (f) lapses in recording United Nations Department of Safety and Security assets valued at \$32,596; (g) obsolete and non-working items included in the asset register and not disposed of; and (h) weaknesses in the tagging and tracking of assets.

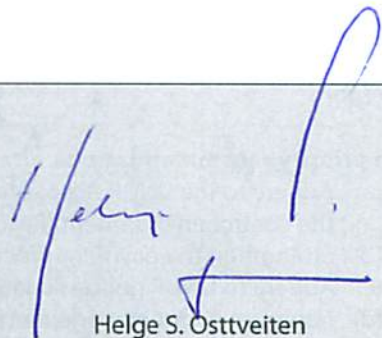
Recommendation: Strengthen management of assets.



### Management comments and action plan

The Resident 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.



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