



AUDIT

OF

UNDP COUNTRY OFFICE

IN

HAITI

Report No. 1416
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Report on the audit of UNDP Haiti Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Haiti (the Office) from 17 to 28 November 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, Global Environment Facility).

The audit covered the activities of the Office from 1 January 2013 to 30 September 2014. The Office recorded programme and management expenditures totalling \$31 million. The last audit of the Office was conducted by OAI in 2011.

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 the financial sustainability of Office being at risk and abuse of salary advances.

Key recommendations: Total = 12, high priority = 2

The 12 recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 3); (b) effectiveness and efficiency of operations (Recommendations 1, 2, 11); and (c) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 4, 5, 6, 7, 8, 9, 10 and 12).

There were two issues requiring action by the Bureau of Management (Issues 9 and 10) referred to as 'Corporate Issue'.

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:

Financial sustainability
of Office at risk
(Issue 3)

The financial sustainability of the Office had been a concern for senior management, both at the Office and the Regional Bureau, mainly due to the closure of the Global Fund project (representing 30 percent of total delivery) scheduled for the second half of 2015. Financial sustainability was also impacted by increased operational costs, reduction in the inflow of core resources, and reduced possibilities for mobilizing resources from traditional donors in the Country. The Office developed a Resource Mobilization Strategy as well as an extrabudgetary strategy in an effort to identify and expand partners and donors base as a way to enhance the inflow of resources. However, no significant results had materialized in regard to resource mobilization at the time of audit.

Recommendation: Continue to address the challenge of reduced income by containing operational costs within acceptable limits to keep reserves at the required level. Also, expand partners and donors by developing innovative project interventions to enhance inflow of resources.

Abuse of salary
advances
(Issue 6)

Granting of salary advances was not in line with UNDP policies and procedures. At the time of the audit, the outstanding balance for salary advances amounted to \$107,000 of which \$35,000 pertained to separated staff or unidentified personnel. Some staff members were granted advances before settling prior advances. Salary advances were also advanced to service contract holders contrary to the guidelines on salary advances. In addition, some staff members as well as service contract holders often requested their monthly salary to be paid in advance, specifically at the beginning of the month, on the grounds of urgent matters. These requests for advance payment of salary were not reviewed nor approved by senior management.

Recommendation: Comply with UNDP policies and procedures on salary advances by: (a) approving salary advances in line with delegation of authority; (b) limiting the approval of salary advances; (c) establishing proper controls to ascertain that advances are justified; (d) adjusting current balances to eliminate unrecoverable salary advances; (e) discontinuing the approval of salary advances to service contract holders; and (e) discontinuing the practice of paying monthly salaries in advance to the extent possible.

Management comments and action plan

The Senior Country Director and the Office of Financial Resources Management accepted all of the recommendations and are 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