

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

ANGOLA

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Report on the Audit of UNDP Angola Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Angola (the Office) from 11 to 24 May 2016. 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, business continuity, 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).

The audit covered the activities of the Office from 1 January 2015 to 31 March 2016. The Office recorded programme and management expenditures of approximately \$15.1 million. The last audit of the Office was conducted by OAI in 2013.

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 weaknesses identified in the areas of financial sustainability, finance, and general administration

Key recommendation(s): Total = 9, high priority = 4

The nine recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1	Medium
Reliability and integrity of financial and operational information	5, 6	High
Effectiveness and efficiency of operations	2, 3, 4, and 8	Medium
	7	High
Safeguarding of assets	9	High

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 controls over disbursement process (Issue 5)

The audit identified lack of a proper segregation of duties and control weaknesses in the finance workflow processes as follows:

- The same individual was creating and finalizing the paycycle.
- In 42 instances (with a total value of approximately \$152,000), the same individual who finalized the paycycle also performed the bank reconciliation.
- Out of 46 payment vouchers reviewed, 11 vouchers amounting to \$577,000 were approved by the same individual who signed/certified the Funding Authorization and Certification of Expenditure form.

Recommendation: The Office should implement a clear workflow matrix for payment processing and disbursements, that will guarantee proper segregation of duties, by ensuring that: (a) the staff member creating the paycycle is not the same as the one finalizing it; (b) the individual finalizing the paycycle is different than the one performing the bank reconciliation; and (c) the staff member signing/certifying the Funding Authorization and Certification of Expenditure form is different from the one approving the related payment voucher in Atlas.

Weak vendor management (Issue 6)

The Office had a total of 524 active vendors and the audit identified the following weaknesses in vendor management:

- There was no clear procedure for filing vendor forms and the relevant supporting documents.
- Out of 18 vendor forms that were selected for review, the Office could only provide supporting vendor forms for 7 and they were not adequately completed, while only 2 of them had supporting verification documents.
- There were 16 vendors that had different Atlas vendor numbers but shared the same banking details.
- The Office had created two generic vendor numbers that were being used for payments of Daily Subsistence Allowance to all government staff and to all consultants. A total 237 vouchers of approximately \$384,000 was paid to these vendors during the period under review.

Recommendation: The Office should strengthen vendor management by: (a) conducting a full vendor verification exercise for all active vendors which should include a review of proof of vendor identity, bank account details and proof that vendor was checked against the United Nations banned vendor listings before contracting; (b) deactivating all duplicate vendors and adopt a naming convention for entering vendors into the database; and (c) putting in place a clear system of filing vendor forms and the relevant supporting documents.

Weak management of common services and common premises (Issue 7)

The United Nations Country Team in Angola had established two Memorandum of Understanding (MOU), one for common premises and the other for common services. The audit review performed showed the following weaknesses:

- There was a lack of controls over purchases of supplies and services by the three service contract holders responsible for common services, due to

inadequate supervision. The service contractors were purchasing supplies and equipment for common services and they were claiming reimbursement using the voucher for reimbursement of expenses form (F10), instead of following the regular procurement procedures.

- The two MOUs did not have the required annexures detailing the framework of services to be provided, and the method of apportionment.
- Five United Nations agencies had signed the MOU for common premises, however the budget for 2016 common premises was apportioned among 10 United Nations agencies. Similarly, the MOU for common services was signed by five agencies, while the 2016 budget was apportioned among 15 agencies.

Recommendation: The Office, through the United Nations Country Team/Operations Management Team should enhance management of common services by: (a) strengthening controls and accountability over purchases of supplies and services under common services, by applying UNDP procurement procedures, (b) updating the Memorandums of Understanding MOUs for common premises and services to include the relevant annexures and ensure that all participating United Nations agencies sign to endorse implementation; and (c) putting in place procedures that will ensure that budgets for common premises and common services are presented and agreed upon by all participating agencies and that expenditure reporting is regularly prepared and presented to agencies as part of the United Nations Country Team/ Operations Management Team meetings.

Weaknesses in asset
management
(Issue 9)

The audit review and assets verification identified that the Office did not effectively manage its assets, as there was no full control over its equipment, i.e. purchasing costs, time of purchase and current status. Furthermore, the assets physical verification and reconciliation was not properly conducted, as the verification team did not ensure that all assets were tagged and that they could be traced to the In-service Report and did not investigate discrepancies as required. Computer equipment items and material that were kept in the storeroom at the mezzanine floor of the Office premises were not recorded and their condition was not properly assessed.

Recommendation: The Office should improve asset management by: (a) conducting a full asset and inventory verification exercise to establish the existence, condition of assets, cost price and purchase date, and update the Atlas Asset Management In-Service Report; (b) ensuring that all assets, regardless of value, are tagged; and (c) recording all assets in the store room at the mezzanine floor and establishing their condition with a view to dispose of these assets.

Implementation status of previous OAI audit recommendations: Report No. 1244, 14 March 2014.

Total recommendations: 6

Implemented: 6

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



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