



**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**THE REPUBLIC OF THE CONGO**

**Report No. 1699**  
**Issue Date: 31 August 2016**

## Report on the Audit of UNDP in the Republic of the Congo Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP in the Republic of the Congo (the Office) from 9 to 20 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, financial sustainability);
- (b) United Nations system coordination (Resident Coordinator Office, Harmonized Approach to Cash Transfers);
- (c) programme activities (development activities, 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 \$11 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 the Office's financial sustainability being at risk, and the inadequate management of the UN Clinic.

**Key recommendations:** Total = 9, high priority = 3

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 2	High
Reliability and integrity of financial and operational information	4, 5	Medium
Effectiveness and efficiency of operations	3, 9	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	6, 7	Medium
	8	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:

Office's financial sustainability at risk (Issue 1)

The 'UNDP Programme and Operations Policies and Procedures' require all offices to maintain a minimum of 12 months of extrabudgetary reserves (this was reduced to 9 months in January 2016 on an interim basis). The financial sustainability of the Office remained a concern for senior management, both at the Office and the Regional Bureau level. As of December 2015, the Office had 6 months of extrabudgetary reserves compared to the 13 months of reserves that it had in December 2013. The fall in reserves was explained by increased operational costs (especially staffing payroll costs), the inability to timely collect Government Contributions to Local Office Costs amounting to \$829,000, and challenges with resource mobilization. Furthermore, the Office was not implementing Direct Project Costing. The audit also disclosed that the Office was using General Ledger Journal Entries (GLJEs) for the transfer of funds to the extrabudgetary reserve. Three such entries amounting to \$329,000 were not adequately justified and supported.

**Recommendation 1:** The Office should improve financial sustainability by fast tracking the implementation of Direct Project Costing to minimize payroll costs charged to extrabudgetary reserves.

**Recommendation 2:** The Office should improve the management of GLJEs by: (a) revisiting and investigating the three GLJEs cited to determine if they can be sustained or if refunds should be made to the relevant projects; and (b) systematically identifying, validating and maintaining appropriate supporting documents for all GLJEs prior to their introduction and approval in Atlas (enterprise resource planning system of UNDP).

Inadequate management of UN Clinic (Issue 7)

The UN Clinic provided treatment to dependents of United Nations Volunteers and employees of contractors who were by default not eligible for treatment at the Clinic. The Office did not obtain the clearance of the Chief, Policy and Compensation Unit, the Legal Office and UNDSS prior to allowing treatment to those individuals. The Office was also not undertaking quarterly counts and certifications of the inventory of the UN Clinic.

The Office pre-financed expenditures of the UN Clinic totalling \$35,000 in 2015 because some participating UN agencies did not make their full contributions. However, the 2016 budget of the UN Clinic did not take into account the amount pre-financed by the Office. Specifically, the balance owed by other UN agencies should have been added to their contributions for 2016 as arrears. On the other hand, the required 2016 contributions of the Office should have been reduced by the pre-financed amount.

**Recommendation 8:** The Office should improve the management of the UN Clinic by: (a) liaising with Headquarters units for concurrence on the principle of providing treatment to dependents of United Nations Volunteers and other non-UN personnel; (b) undertaking quarterly counts and submitting certifications of the inventory of medical items from the UN Clinic; and (c) following up with participating United Nations agencies to ensure that contributions are received timely and obtaining the concurrence of the Operating Committee for a reduction in the Office's 2016 contribution by the pre-financed amount in 2015.

**Implementation status of previous OAI audit recommendations:** Report No. 1140, 15 November 2013.

Total recommendations: 16

Implemented: 16

**Management comments and action plan**

The Resident Representative accepted eight of the nine recommendations and is in the process of implementing them. One recommendation was not agreed upon and the Director of the Regional Bureau for Africa accepted the risk of not taking action on the issue identified by OAI (refer to issue 7, recommendation 8). Comments and/or additional information provided have 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. Ostveiten  
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