

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



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**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**TUNISIA**

**Report No. 1740**

**Issue Date: 3 February 2017**

## Report on the audit of UNDP Tunisia Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Tunisia (the Office) from 7 to 18 November 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, role of UNDP – “One UN”, Harmonized Approach to Cash Transfers [HACT]);
- (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 30 September 2016. The Office recorded programme and management expenditures of approximately \$18.3 million. The last audit of the Office was conducted by OAI in May 2012.

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/major improvement needed**, which means, “The assessed governance arrangements, risk management practices and controls were established and functioning, but needed major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.” This rating was mainly due to weaknesses in resource mobilization, project management, and procurement.

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

The eight recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	2	High
Efficiency and effectiveness of operations	6	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	1, 3, 4, 7, 8	Medium
	5, 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, by order of significance:

Lapses in resource mobilization (Issue 2)

The audit found that the resource mobilization strategy was yet to be finalized even though the Office was heading towards the second half of the current cycle. The need for such a strategy was urgent, as some fully staffed projects faced funding gaps that could have compromised their financial sustainability. In addition, arrears of Government Contributions to Local Office Costs (GLOC) amounted to \$2.5 million.

Recommendation 2: The Office should enhance resource mobilization in order to secure long-term operations by: (a) finalizing the resource mobilization strategy and the related action plan soonest; (b) filling project funding gaps or substantively reviewing them to adjust their size and objectives to available resources; and (c) pursuing discussions with the national counterpart to recover GLOC arrears.

Inadequate procurement management processes (Issue 8)

The audit found weaknesses in the management of the procurement process and activities, and this resulted in an inadequate procurement plan, unjustified direct contracting, lack of monitoring of vendors' thresholds, inadequate safekeeping of bidding documents, and inadequate sourcing of individual contracts.

Recommendation 9: The Office should reinforce controls over procurement activities and processes by: (a) establishing a procurement plan that contains requests for all planned activities at the beginning of the year and by regularly updating this plan in order to avoid last minute direct procurement; (b) monitoring vendors' thresholds so that vendors are reviewed by the responsible procurement committees, and ensure the installation of a locked box to receive and safeguard bid offers as well as restricting access to the procurement email; and (c) using appropriate sourcing methods when recruiting individual contractors, including not exceeding direct contract thresholds or using the direct contract modality to bypass competitive processes.

Late project closure and missing justification for closed projects (Issue 4)

The review of eight projects and the analysis of relevant queries identified the following weaknesses:

- Four projects were closed without any justification, and there were no signed project checklists provided for the remaining four.
- Eight projects were still ongoing while showing expired end dates in Atlas (the enterprise resource planning system of UNDP).
- Two projects operationally closed for more than 12 months had not been financially closed because the Office had not received guidance from donors on their outstanding balances.

Recommendation 5: The Office should improve the controls over the closure of projects to ensure: (a) that all records are kept of project closure checklists and all required supporting documents to justify project closure in Atlas; (b) that mechanisms are put in place to monitor project expiration dates and to timely initiate project closure processes or extensions; (c) initiating a practice where donors are followed up on projects with remaining balances, and the Office is seeking guidance from the Office of Financial Resources Management (OFRM) if responses from donors are delayed.

### 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.



Helge S. Osttveiten  
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