

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



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**AUDIT**  
  
**OF**  
  
**UNDP PACIFIC OFFICE**  
  
**IN**  
  
**FIJI**

**Report No. 1877**  
**Issue Date: 26 July 2017**

## Report on the Audit of UNDP Pacific Office in Fiji Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Pacific Office in Fiji (the Office) from 5 to 16 June 2017. 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation, knowledge management);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2016 to 31 May 2017. The Office recorded programme and management expenditures of approximately \$45 million during the audit period. The last audit of the Office was conducted by OAI in 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 / some improvement needed**, which means “the assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area”. This rating was mainly due to the absence of a Standard Basic Assistance Agreement and lack of refunds of value added tax payments, and inadequate controls in the management of cash advances, and procurement cases not submitted to the Contract, Assets and Procurement Committee.

**Key recommendations:** Total = 10, high priority = 4

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	2, 4	Medium
Effectiveness and efficiency of operations	8, 10	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	1, 5, 6, 9	High
	3, 7	Medium

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. The high (critical) priority recommendations are presented below:

Absence of a Standard Basic Assistance Agreement and lack of refunds of value added tax payments (Issue 1)

During the last audit of the Office undertaken in 2012, OAI raised an issue on the absence of the signed Standard Basic Assistance Agreement (SBAA) with the Government of Fiji. Subsequently, upon request from the Regional Bureau for Asia and the Pacific in 2013, and after mainly considering the political instability prevailing at the time, OAI withdrew the recommendation. However, the current audit noted that, despite follow-up actions undertaken by the Office, the SBAA had not been signed with the Government. The Office management explained that the Government of Fiji was not agreeable to sign the SBAA. The Office also informed the audit team that in 2016, the Government did not agree to reimburse the United Nations for value added tax (VAT) payments.

Recommendation: The Office should, in consultation with the Regional Bureau for Asia and the Pacific, pursue its efforts the matter on signing the SBAA with the Government and reimbursing VAT payments.

Inadequate controls in the management of cash advances (Issue 5)

Although project activities were completed in 2015 and expenses of \$920,000 were incurred in 2015, the respective advances were liquidated in 2016 and the expenses were recorded in financial year 2016. As a result, the 2015 programme expenses were understated and the 2016 expenses overstated by this amount.

Further, there were significant delays ranging from 7 to 11 months in the liquidation of advances amounting to \$345,000 for five projects. As at the date of the audit fieldwork, national implementation advances of \$361,000 for nine projects were outstanding for more than six months.

Recommendation: The Office should enhance controls over management of advances to implementing partners by: (a) ensuring that expenses are recorded in the financial period in which they were incurred; (b) providing clear guidance to implementing partners on the requirements of liquidating the advances to ensure timely liquidation of the advances; and (c) establishing internal procedures to monitor outstanding advances.

Inadequate controls over the management of project cash advances (Issue 6)

During the audit period, the Office made project cash advances of \$1.2 million to implement workshops, seminars, and training, in remote locations. There were inadequate controls over the management of these project cash advances such as the UNDP Sub-office in Solomon Islands did not formally appoint Project Cash Advance custodians to manage this cash; there were delays in liquidations of these advances; inadequate supporting evidence to support payments made to beneficiaries; and absence of regular spot checks when custodians were handling large amounts of advances.

Recommendation: The Office should ensure the management of project cash advances is in compliance with the 'UNDP Programme and Operations Policies and Procedures'. This should include: (a) that all recipients of project cash advances sign the cash custodian forms; (b) establishing a standard operating procedure for tracking and monitoring project cash advances so that advances are liquidated within the stipulated timeframe as well as supporting documents required from workshop participants such as photo IDs; these procedures should

be complimented with random spot-checks by the Finance Unit; and (c) exploring alternative means of transferring payments to beneficiaries and documenting these for record purposes.

Procurement cases not submitted to the Contract, Assets and Procurement Committee (Issue 9)

The procurements from 16 different vendors exceeded the threshold of \$50,000 by varying amounts, but the cases were not presented to the Contract, Assets and Procurement Committee for review. The total value of the purchase orders issued to the 16 vendors was approximately \$1.5 million. There were no procedures in place in both the Office and the Sub-office in Solomon Islands to track vendors reaching the Contract, Assets and Procurement Committee threshold amount.

Recommendation: The Office should enhance procurement management by: (a) establishing a tracking system to ensure that the procurement cases reaching the threshold of Contract, Asset and Procurement Committee review are submitted to the committee for review; and (b) submitting all cases which exceeded the relevant procurement threshold to the respective procurement review committees for post facto review.

#### Management comments and action plan

The Resident Representative and Resident Coordinator accepted all of the recommendations and is in the process of implementing them. 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.



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