UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE DEMOCRATIC REPUBLIC OF THE CONGO

Report No. 1981

Issue Date: 24 August 2018

(REDACTED)

Empowered lives.
Resilient nations.

Report on the Audit of UNDP Democratic Republic of the Congo
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP in the Democratic Republic of the Congo (the Office) from 22 May to 6 June 2018. 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 2017 to 31 March 2018. The Office recorded programme and management expenses of approximately $130.6 million. The last audit of the Office was conducted by OAI in 2015.

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 that "the assessed governance arrangements, risk management practices and controls were established and functioning, but need 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 programme/project design and implementation activities, financial resources management, and procurement management.

Key recommendations: Total = **12**, high priority = **3**

The 12 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	8	Medium
	6	High
Effectiveness and efficiency of operations	2, 3	Medium
Safeguarding of assets	7, 10	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	4, 9, 12	Medium
	5, 11	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. The high (critical) priority recommendations are presented below:

Delays in DRC Humanitarian Fund disbursement process (Issue 5)	The audit reviewed the disbursement process of funds in February and March 2018 and noted that it ranged from 24 to 29 days in 30 instances of out 49, and 12 to 13 days in four other instances, which were longer than the performance indicator of 10 calendar days. In six other instances, the first payment had not been processed at the time of the audit, while the Humanitarian Coordinator had approved them more than 30 days before. The remaining nine instances met the performance standard. The Office explained that this was caused by the set-up and approval process of the project in Atlas (enterprise resource planning system of UNDP), and by a delay in the receipt of the waiver on the General Management Support. <u>Recommendation:</u> The Office should comply with the 10-day requirement for the disbursement of funds to implementing partners by: (a) addressing the issue of the delays in the set-up and approval process of the project in Atlas; and (b) finalizing the issue of the waiver on the General Management Support.
Weak oversight over financial transactions and payment process (Issue 6)	The audit noted outstanding unpaid invoices from 2011 to 2017, specifically outstanding invoices from one travel agent for $100,000, of which 40 percent had not been cleared at the time of the audit fieldwork. There were other travel invoices outstanding amounting to $24,500, and outstanding invoices amounting to $124,000 from 2008 to 2013 with respect to a telephone company, out of which only $1,000 was paid at the time of the audit. Furthermore, 10 transactions were booked in the wrong balance sheet accounts following the use of the incorrect Chart of Accounts. In addition, the Office's budget override policy was approved in 2015, but it had not been updated since to reflect changes in the senior management in the Office. <u>Recommendation:</u> The Office should strengthen its financial management by: (a) settling outstanding claims and providing adequate training to staff on the correct use of the Charts of Accounts; and (b) updating the budget override policy.
Lapses in procurement management (Issue 11)	The audit identified a need for improvement in procurement management since: (a) negotiations with suppliers were not conducted in line with policies; (b) bid requirements were in some instances too restrictive to guarantee open competition and demonstrate best value for money; (c) conditions set by corporate review bodies for the establishment of Long Term Agreements (LTAs) were not adhered to; and (d) exceptions were noted in contract management. <u>Recommendation:</u> The Office should strengthen procurement management by: (a) ensuring that project activities are adequately planned and budgeted to avoid frequent negotiations; (b) ascertaining that bid requirements are not too restrictive or remain within the local practices or international standards to provide value for money; and (c) following up on recommendations from the procurement review committees regarding lapses in contract monitoring.

Implementation status of previous OAI audit recommendations: Report No. 1495, 13 November 2015.

Total recommendations: 13
Implemented: 13

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 have been incorporated in the report, where appropriate.

Low risk issues (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