



AUDIT

OF

UNDP COUNTRY OFFICE IN CHAD

GRANTS FROM THE GLOBAL FUND

Follow-up of OAI Report No. 1732 dated 13 January 2017

Report No. 2012

Issue Date: 26 October 2018

**Report on Follow-up Audit of UNDP Chad
Grants from the Global Fund
(Previous OAI Report No. 1732, 13 January 2017)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 10 to 21 September 2018, conducted an on-site follow-up audit of one grant from the Global Fund managed by the UNDP Country Office in Chad (the Office). This on-site follow-up audit was undertaken, in addition to regular desk reviews, in view of the 'unsatisfactory' audit rating assigned by OAI in Report No. 1732 dated 13 January 2017. The follow-up audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit scope and approach

The follow-up audit reviewed the implementation of nine audit recommendations. OAI conducted appropriate tests of transactions and activities by the Office from 1 January 2017 to 30 June 2018 and interviewed management and staff concerned to determine whether the reported corrective actions were indeed implemented, as reported by the Office in the Comprehensive Audit and Recommendation Database System (CARDS).

Audit results

Of the nine audit recommendations, the Office had fully implemented eight and initiated action on one, resulting in an implementation rate of 89 percent as per CARDS on 10 October 2018.

Implementation status	Number of recommendations	Recommendation Nos.
Implemented	8	2, 3, 4, 5, 6, 7, 8, 9
In progress	1	1
Total	9	9

The detailed implementation status of the nine recommendations has been updated by OAI in CARDS.

Section I summarizes the nine recommendations that are in progress and implemented. OAI encourages the Office to continue to take appropriate actions to address the remaining recommendation. OAI will continue to monitor the progress of the implementation of the remaining recommendation as and when updates are provided by the Office in CARDS.

Section II presents one additional audit issue. While checking the implementation status of previous audit recommendations, OAI took note of one additional audit issue pertaining to financial management.

OAI addressed the additional audit issue with a high (critical) priority recommendation, for which 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 recommendation is presented below:

Weaknesses in financial management (Issue 1)

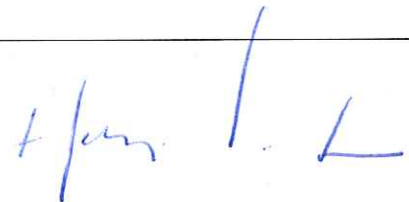
The audit team noted the following weaknesses in financial management:

- inadequate controls on cash advances given to the mobile payment provider such as unliquidated cash advances and non-payment of commissions to the provider amounting to \$1.8 million and \$300,000, respectively;
- excessive advance payments made to suppliers (three instances amounting to \$204,000);
- cash advances given to Sub-recipients not timely liquidated (four instances amounting to \$2.1 million); and
- insufficient validation of supporting documentation relating to invoices from suppliers or requests for reimbursement received from Sub-recipients, prior to making payments (three instances amounting to \$1.1 million).

Recommendation: The Office should strengthen its financial management by: (a) reconciling payments made to the mobile payment provider, including recovering any outstanding cash advances, and paying the applicable commissions based on the amount validated by the audit firm; (b) complying with the 'UNDP Programme and Operations Policies and Procedures' on the limit of advance payments that can be made to suppliers and properly recording advances in Atlas; (c) requiring Sub-recipients to liquidate cash advances within the required timeframe; and (d) validating the supporting documentation prior to processing payments or reimbursements.

Management comments and action plan.

The Resident Representative provided the revised implementation dates for the outstanding recommendation. He also accepted the new recommendation and is in the process of implementing it.



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