UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

GABON

Report No. 2295

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Report on the Audit of UNDP Gabon
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Gabon (the Office) from 25 October to 9 November 2021. 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
(b) Development activities
(c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

The audit covered the activities of the Office from 1 January 2020 to 31 August 2021. The Office recorded programme and management expenses of approximately $5.4 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*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

(a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.

(b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team's understanding of the Office's working environment.

(c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.

(d) A physical verification of assets was not performed.

(e) Safe contents and petty cash were not verified.

(f) The information communication and technology area were not reviewed on-site.

Overall audit rating

OAI issued an audit rating for the Office of **partially satisfactory/major improvement needed**, which means "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 the Office's financial sustainability and inefficiencies in the banking payment processes.

Key recommendations: Total = **7**, high priority = **2**

The seven recommendations aim to ensure the following:

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

Inefficiencies in the banking payment processes (Issue 6)	At the time of the audit, the Office could not use EFT to process payments as its local bank did not have an electronic banking system that could be interfaced with Atlas. Payment vouchers were processed through a pay cycle and extracted to an electronic file. The banking information was manually entered in a database before a transfer order was issued. <u>Recommendation:</u> The Office should strengthen the efficiency of payment processing by undertaking an analysis of the local banking market to identify a provider that supports the Electronic Fund Transfer format.
Office's sustainability at risk (Issue 1)	Over the past three years, the Office had incurred deficits between the institutional revenue and the related institutional expense, amounting to \$444,040 in 2019, \$691,480 in 2020, and \$304,297 in 2021. These deficits have been financed by the Regional Bureau for Africa. The deficits can be attributed to the following: a) Outstanding GLOC that has accumulated since 2015 to \$4.07 million. b) The ratio (management expense/programme expense) indicates how efficient the Country Office is in using its resources to implement its programme, taking into consideration the size of that programme. Over the previous three years, the ratio had been significantly higher than the Regional Bureau for Africa average, due to low programme expenditure. <u>Recommendation:</u> The Office should improve its financial sustainability by: (a) actively pursuing the recovery of the Government Contributions to Local Office Costs arrears through a formalized payment plan, and, if necessary, escalate this issue to the Regional Bureau for Africa; and (b) developing and implementing a financial sustainability action plan.

Management comments and action plan

The Resident Representative accepted all seven 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.

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