UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

SUDAN

Report No. 2327

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Report on the Audit of UNDP Sudan
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Sudan (the Office) from 26 September to 12 October 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)

OAI designed the following performance audit questions to guide the review of the following areas:

(a) Operations/Procurement

Did the procurement activities effectively support the implementation of the programme objectives?

(b) Operations/Finance

Did the Office adequately manage and support its cost recovery to ensure financial sustainability?

The audit covered the activities of the Office from 1 January 2020 to 31 July 2021. The Office recorded programme and management expenses of approximately $149 million. The last audit of the Office was conducted by OAI in 2017.

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) Safe contents and petty cash were not verified.
(e) The information communication and technology area were not reviewed on-site.

Overall audit rating

OAI assessed the Office's performance as **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 HAT implementation and assurance activities; inadequate oversight over procurement and contract management; weaknesses in cost recovery processes, and the need to recover long outstanding cash advances to implementing partners.

Key recommendations: Total = **8**, high priority = **4**

The eight recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	2, 4, 5	High
	3, 6	Medium
Compliance with legislative mandates, regulations and rules, policies, and procedures	1	High
	7, 8	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. All high (critical) priority recommendations are presented below:

Weaknesses within the HACT implementation and assurance activities (Issue 1)	The micro-assessment for two implementing partners receiving cash transfers exceeding the annual threshold of $150,000 was not performed or performed late. In the 2020 HACT audit, the auditors provided a qualified or disclaimer opinion on the on three projects which included a net financial misstatement of $177,468. Only one project assurance activity plan was provided out of six projects sampled. Recommendation 1: The Office should strengthen HACT implementation and assurance activities by: (a) conducting HACT micro-assessments per the policy, prior to making cash disbursements to implementing partners; (b) preparing and implementing project assurance activities plan; and (c) following up on the findings of periodic on-site reviews (spot checks) and audits with a view to strengthening controls.
Inadequate oversight mechanism over procurement and contract management (Issue 2)	(a) Poor performance of contractors not considered in issuing subsequent contracts The same vendor was contracted on three consecutive occasions, totalling $0.5 million, without considering prior poor performance. Additionally, the Office did not adequately document one vendor's non-performance (partial completion of contract) in 2019. In 2020, the vendor was awarded a Long-Term Agreement and awarded further another contract of $0.3 million, despite the issues of previous non-performance not being resolved. (b) Contracts not properly managed The Office issued four contracts amounting to $0.9 million prior to a construction site becoming available. This led to implementation delays and all four contracts expiring before the contractor could complete the work. Additionally, performance securities were not provided in three instances as follows: i. In one procurement amounting to $1.7 million the performance security was not obtained from a vendor despite being a requirement from the Advisory Committee on Procurement (ACP). ii. In two purchase orders amounting to $0.3 million the performance security was not provided, despite being a contractual requirement.

	Recommendation 2: The Office should implement adequate oversight over vendor performance and contract management by ensuring: (a) the procurement evaluation process includes an assessment of vendor past performance; (b) instances of poor performance are documented and corrective action taken; and (c) adherence to contract requirements and monitoring contracts for expiration.
Weaknesses in the cost recovery process (Issue 4)	(a) Long outstanding cost-sharing deficit The Office's Financial Dashboard in Atlas showed a cost-sharing deficit of $1.2 million that had been outstanding for over one year. (b) Delayed cost recoveries for services provided to the UN entities The Office provided services on behalf of UN agencies between 2020 and 2021 valued at $731,522 but only recovered $236,887 as of October 2021. (c) Long outstanding amounts The Office had the long outstanding amounts of $450,000 dating back to 2006 and staff advances of $60,216 dating back to 2011. (d) Outstanding Government Contribution to Local Office Cost (GLOC) and Value Added Tax (VAT): The Office had $2.6 million of outstanding receivables, including: Government Contribution to Local Office Cost (GLOC) of $2.2 million for the period 2006 to 2019 and Value Added Tax (VAT) reimbursements amounting to $0.4 million since 2019. Recommendation 4: The Office should strengthen the cost recovery process by: (a) recovering the costs related to support services provided to other UN agencies in timely manner; (b) resolving cost-sharing deficits on legacy projects and long outstanding legacy figures with headquarters so amounts can be cleared; and
Long outstanding cash advances (Issue 5)	The Office had outstanding National Implementation Modality (NIM) advances amounting to $1.3 million, which had been outstanding over one year. Recommendation 5: The Office should follow up on the long outstanding advances to implementing partners, determine the cause of the issue, and take corrective actions.

Implementation status of previous OAI audit recommendations: Report No. 1760, 26 April 2017.

Total recommendations: 10
Implemented: 8
In progress: 2

The pending recommendations pertains to recovery of Value-Added Tax and Government Contributions to Local Office Costs. Their implementation is in progress.

Management comments and action plan

The Resident Representative accepted all eight 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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