



AUDIT

OF

UNDP COUNTRY OFFICE

IN

ESWATINI

Report No. 2595
Issue Date: 12 July 2023

Report on the Audit of UNDP Eswatini Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Eswatini (the Office) from 13 April to 8 May 2023. 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 was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors (The IIA). As per the OAI Annual Work Plan for 2023, 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 content and petty cash were not verified.
- (f) The information communication and technology area was not reviewed on-site.

Overall audit rating

OAI issued an audit rating for the Office of **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 because adequate controls were established and working in the areas of Office governance, human resource management, information and communication technology (ICT) and general administration. However, there were issues related to expenditures being charged to incorrect projects and weak procurement processes.

Key recommendations: Total = 2, high priority = 2

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	1	High
Effectiveness and efficiency of operations	2	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:

Expenditures charged to incorrect projects (Issue 1)	The audit team noted that in 2021, expenditures for Project 128213 (Output 122236) amounting to \$760,000 were charged to two other projects because there was a delay in receiving funds from the donor. Expenditures
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of \$450,000 were charged to Project 77632 (funded by government cost sharing) and \$310,000 to Project 134009 (funded by TRAC-2).¹

During 2022 and 2023, the Office made reversal transactions to charge the costs to the correct projects. The reversals were not done in the same financial years, creating over and under statements of expenditures for the projects involved.

Recommendation: The Office should refrain from charging projects for unrelated expenditures and ensure that funds are received in a timely manner and before project activities start. For exceptional circumstances when there are delays in receiving funds, the Office should apply the budget override policy.

Weak procurement processes (Issue 2)

The audit team noted the following procurement weaknesses valued at \$572,604:

- (a) In seven cases valued at \$210,965, the procurement process was flawed or did not show evidence of a competitive and transparent process.
- (b) In six cases valued at \$207,638, e-requisitions and associated purchase orders were created after goods were ordered and/or contracts signed. The Office stated that this was an oversight.
- (c) In two cases valued at \$20,651, the evaluation process was insufficient and did not clearly show how the selection of suppliers was carried out.

Recommendation: The Office should improve oversight over procurement processes by: (a) approving only procurement resulting from competitive and transparent processes that are well documented; (b) training staff on how to conduct effective procurement evaluations for goods and services that will detect anomalies or weaknesses in a timely manner.

Management comments and action plan

The Resident Representative accepted the two 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.

¹ TRAC is the Targets for Resource Assignments from Core resources. The TRAC is a three-tiered system in which TRAC-1 and TRAC-2 resources are linked in a combined pool, while TRAC-3 resources are made available through a separate tool. TRAC allocations form the financial foundation for the UNDP programmatic presence on the ground.



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