



**OIOS**

Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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## **Adequacy of IDEP Administrative Arrangements**

**2 July 2008**

**Assignment No. AA2008/710/01**

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United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE

TO: Mr. Abdulie Janneh, Executive Secretary  
A: Economic Commission for Africa

DATE: 2 July 2008

Mr. Diery Seck, Director  
African Institute for Development and Planning

REFERENCE: IAD: 08- 01475

FROM: Dagfinn Knutsen, Director  
DE: Internal Audit Division, OIOS



SUBJECT: **Assignment No. AA2008/710/01 - Adequacy of IDEP Administrative Arrangements**  
OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. In order for us to close the recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Your response indicated that IDEP did not accept recommendations 3, 16, 25 and 30. In OIOS' opinion however, these recommendations seek to address significant risk areas. We are therefore reiterating them and requesting that you reconsider your initial response based on the additional information provided in the report.
4. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e., recommendations 2, 3, 5, 12, 17, 20, 21, 25 and 30), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Ms. Lalla Ben Barka, Deputy Executive Secretary, ECA  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat  
Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management  
Mr. Byung-Kun Min, Programme Officer, OIOS  
Mr. Christopher F. Bagot, Acting Chief, Nairobi Audit Service, OIOS

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## INTERNAL AUDIT DIVISION

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### FUNCTION

*“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).*

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## **EXECUTIVE SUMMARY**

### **Adequacy of IDEP Administrative Arrangements**

OIOS conducted an audit of the adequacy of the administrative arrangements of the African Institute for Development and Planning (IDEP). The overall objective of the audit was to assess the adequacy and effectiveness of the system of internal control established by the management of IDEP. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

IDEP is a subsidiary body of the Economic Commission of Africa (ECA) that was required to operate in accordance with United Nations Regulations and Rules. However, there were inadequate administrative arrangements in place to ensure compliance with the prescribed regulations and rules. Among others, it was noted that budget approval and financial reporting standards were not in line with requirements of the United Nations, posts had not been classified and staff were not fully aware of their duties and obligations under United Nations Regulations and Rules. The absence of adequate documentation to demonstrate compliance with United Nations rules also meant that OIOS could not satisfy itself that contracts had been entered into and administered in line with United Nations Regulations and Rules. OIOS made several recommendations aimed at aligning IDEP administrative arrangements to the United Nations regulatory framework.

IDEP, in consultation with ECA, has agreed to take action on most of the issues identified and ECA has requested OIOS to consider undertaking a more in-depth management review of IDEP.

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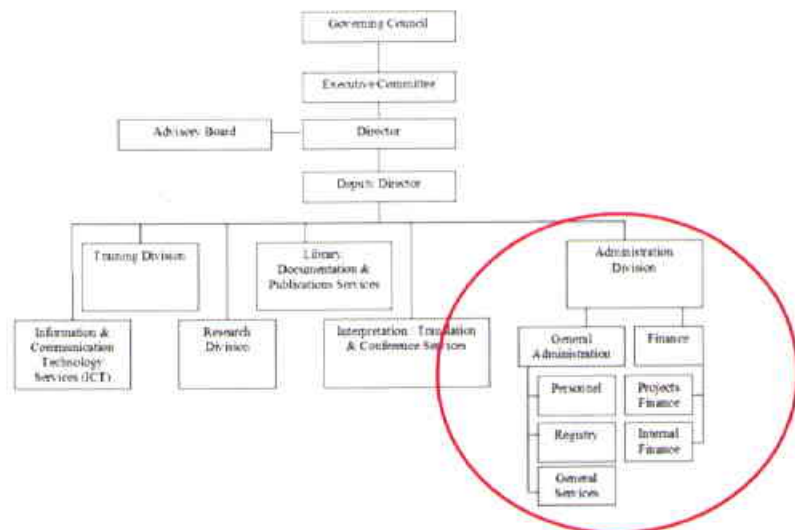
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# I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the adequacy of the administrative arrangements of the African Institute for Development and Planning (IDEP). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. IDEP is a Pan African institution created in 1962 by the General Assembly of the United Nations as a subsidiary body of the Economic Commission for Africa (ECA). It began its operations on 21 November 1963. The primary mission of IDEP is to assist policymakers and other stakeholders in enhancing their skills in the areas of policymaking, long-term perspective planning, and institutional and regulatory reforms, as well as to facilitate the emergence of policy ideas and consensus positions in Africa. Through its research programme, IDEP also seeks to act as an interface between research and policymaking communities.
3. IDEP is governed by the IDEP Governing Council (GC), which is composed of the Executive Secretary of ECA as *ex-officio* Chairman, a representative of the Government of Senegal and members appointed by the ECA Conference of Ministers. The IDEP GC, *inter alia*, lays down the general principles and policies governing the functioning of the Institute and approves its work programme and budget. It meets once every two years to review IDEP's performance report and to approve the programs and plans.
4. IDEP is structured as follows with the Administration Division, the main focus of the audit, highlighted:

**ORGANIZATION CHART OF IDEP**



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5. IDEP staff comprises five professionals and 18 general service staff. Total expenditure amounted to \$2.7 million in 2006 and \$2.5 million in 2007.

6. Comments made by IDEP are shown in *italics*. In addition, ECA, who requested the audit on behalf of IDEP GC, also provided comments to specific recommendations addressed to IDEP.

## **II. AUDIT OBJECTIVES**

7. The major objectives of the audit were to:

- (a) Evaluate the effectiveness and efficiency of operations;
- (b) Assess the reliability and integrity of financial and non-financial information/reporting (excluding financial statements);
- (c) Assess compliance with applicable regulations and rules of the United Nations and any other administrative instructions; and
- (d) Evaluate the adequacy of arrangements for safeguarding of assets against loss, misuse and damage.

## **III. AUDIT SCOPE AND METHODOLOGY**

8. The audit focused on the administrative arrangements in place in the areas of procurement, property, finance, and human resources management for the biennium 2006-2007. While the audit considered some elements of the governance framework, this report does not include an assessment of the appropriateness of IDEP's governance and funding mechanisms, its relationship with ECA or the respective allocation of administrative responsibilities. These matters will be the subject of a future audit.

9. The audit entailed reviews of documentation, interviews with staff and analyses of samples of relevant transactions and records.

## **IV. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. Governance framework**

#### Organizational structure

10. The organization chart reflects the structure required to implement IDEP's mandate but the research unit existed in name only. No post had been assigned to this unit and the functions were in reality carried out by staff members located in other organizational units (the Director, the Deputy Director/Chief of Training and the Regional Advisor). In addition, with the exception of the training unit, the organizational chart of IDEP was not

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accompanied by a clear indication of the functions and responsibilities of each unit.

### **Recommendation 1**

**(1) The IDEP Administration should review its organizational chart to ensure that it is aligned with the actual structure of the organization and define clear responsibilities and duties for all its organizational units.**

11. *The IDEP Administration accepted recommendation 1, which remains open pending receipt of documentation showing that IDEP has reviewed its organizational chart and aligned it with its actual structure, and has defined clear responsibilities and duties for all its organizational units.*

### Board of Auditors

12. IDEP GC adopted the Financial Regulations and Rules of the United Nations, which made the Board of Auditors (BOA) the external auditors for IDEP. However, IDEP never approached the BOA to request their services. Rather it retained the services of an external audit firm to provide an opinion on its accounts, but the basis on which this was done was not clear. The external audit firm was short-listed based on its international affiliation with Deloitte and then awarded the contract worth \$8,212 based on the principle of lowest economic offer. The contract, however, was not available on file but only a memorandum with a statement of the decision was available. In addition, the audit opinion was not produced in the expected format, as per United Nations practice, and was referring to financial statements, while the object of the audit opinion was in fact a schedule of accounts.

### **Recommendation 2**

**(2) The IDEP Administration should liaise with the Controller and the Board of Auditors, and prepare a paper on the conduct of the annual audit of its accounts for consideration by the Controller and approval by its Governing Council.**

13. *The IDEP Administration accepted recommendation 2, which remains open pending receipt of documentation showing that IDEP has prepared a paper on the conduct of annual audits of its accounts, which has been approved by IDEP GC.*

## **B. Finance**

### Non-United Nations grant budget

14. In accordance with its statute (Article IV.2), the GC should review and approve the annual non-United Nations grant budget prior to implementation by IDEP. However, IDEP had no mechanism in place to seek formal approval of



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the budget by the GC. Therefore, there was no documentation demonstrating that the budget for the 2006-2007 biennium was actually approved by the GC.

15. IDEP exceeded the total non-United Nations grant budget by approximately \$24,000 and \$14,000 in the years 2006 and 2007, respectively. IDEP did not inform the GC about the over-expenditures and there were no arrangements in place to seek prior approval from the GC (or its subsidiary organ, the Executive Committee) for a revised non-United Nations grant budget. The lack of approval weakened the oversight exercised by the GC and the accountability of IDEP to operate within the financial framework agreed with its governing body.

### **Recommendation 3**

**(3) The IDEP Administration should establish a mechanism for seeking approval of its non-United Nations grant budget and any related budget revision by its Governing Council.**

16. *The IDEP Administration did not accept recommendation 3 stating that regular budget and extra-budgetary (non-United Nations grant budget), are submitted to the GC for their review and approval prior to implementation. The over-expenditure was on the regular budget due to security requirements and shortfall in salaries which ECA required IDEP to pay. In future, if there is an over-expenditure IDEP will seek prior approval from the GC. OIOS notes the clarification provided by IDEP but, as stated in paragraph 14, no documentation was presented to demonstrate the budget was approved by the GC. Recommendation 3 remains open pending receipt of documentation showing that a mechanism has been developed for seeking approval of non-United Nations grant budget and any revisions from the GC.*

### Monitoring and reporting

17. IDEP statute required IDEP management to provide the GC with a budgetary and financial report for the preceding year. IDEP provided audited financial accounts and management reports for the preceding year but the information provided did not include any analysis or discussions on how IDEP had performed financially. It lacked such information as a variance analysis between the approved budget and actual expenditure which is required by the GC to effectively discharge its oversight role.

18. The subsidiary organ of the GC, the Executive Committee, was supposed to meet semi-annually to oversee IDEP operations on behalf of the GC in accordance with the statute. However, due to financial constraints, the Executive Committee met only annually. Meeting once a year does not allow enough opportunity for the GC to adequately monitor IDEP operations and take any corrective actions required.

19. Internal monitoring was done through the provision of quarterly financial information to the Director of IDEP. However, this frequency was not always

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met and while there was a comparison between overall budget and total expenditure, there was no detailed analysis of expenditures against individual budget lines. The absence of a detailed analysis did not enable the Director to adequately monitor expenditures against individual budget lines. In addition, such analysis should have been performed on a monthly basis, which would have permitted timely detection and correction of expenditure overruns.

#### **Recommendations 4 and 5**

**(4) The IDEP Administration should create a standard operating procedure, dealing with the provision of financial information to the Governing Council and the Director. This should include the nature and the frequency of the information to be presented.**

**(5) The IDEP Governing Council should review the need to have semi-annual meetings of the Executive Committee in line with the requirements of the Statute.**

20. *The IDEP Administration accepted recommendation 4 and stated that the present system of reporting financial information has been in use for several years and copies were sent to United Nations Headquarters and ECA at the time of budget review. Further, IDEP's reporting methods are very transparent and clearly indicate how funds are used. No comments have been received from any source, including donors. IDEP will liaise with ECA to prepare the standard operating procedure and get proper training. Recommendation 4 remains open pending receipt of a copy of the standard operating procedure which deals with the provision of financial information to the GC and the Director.*

21. *The IDEP Administration accepted recommendation 5 and stated that due to financial constraints this was not implemented in the past; and that the Council will be asked to revisit its decision. Recommendation 5 remains open pending receipt of documentation showing that the IDEP GC has been asked to review the need to have semi-annual meeting of the Executive Committee in line with the requirements of the Statute.*

#### **Controls over expenditures (obligations and certification)**

22. IDEP did not have adequate controls in place to ensure its expenditures were within the authorized limits. It did not have a mechanism to ensure funds were obligated prior to payments, and hence did not comply with United Nations Financial Rule 105.7. Furthermore, the over-expenditure incurred by IDEP in 2006 and 2007 demonstrated the inadequacy of the certifying control process, which was supposed to ensure availability of allotted funds before authorizing expenditures in conformity with United Nations Financial Rule 105.5.

#### **Recommendations 6 and 7**

**The IDEP Administration should put in place procedures to:**

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**(6) Ensure compliance with United Nations Financial Rule 105.7 with respect to recording of obligations prior to payments.**

**(7) Ensure that its certifying officers are informed and understand their roles and responsibilities under the United Nations Financial Rule 105.5.**

23. *The IDEP Administration accepted recommendation 6 and stated that they would need to change the software they are using with the assistance of ECA as the current one does not accommodate obligations prior to payments. Recommendation 6 remains open pending receipt of documentation showing that procedures have been put in place to ensure compliance with United Nations Financial Rule 105.7 with respect to recording of obligations prior to payments.*

24. *The IDEP Administration accepted recommendation 7, which remains open pending receipt of documentation showing that procedures have been put in place to ensure certifying officers have been informed and understand their certification function roles and responsibilities.*

#### Establishment of bank accounts

25. IDEP operates four bank accounts: three accounts in a local bank in Senegal and one in New York. IDEP maintained that three out of the four accounts had been opened with the approval of the Controller but was unable to demonstrate this, and that the accounts were exempt from taxation in line with the United Nations Financial Rule 104.4. For the fourth account, opened with a local bank in 2007, it confirmed that this had been done without the assistance of ECA or the United Nations Controller, in violation of the United Nations Financial Rule 104.4 and ST/SGB/129 Paragraph 14.

#### **Recommendation 8**

**(8) The IDEP Administration should liaise with ECA and put in place procedures to ensure there is documentation on file demonstrating all bank accounts have been opened in conformity with United Nations Financial Rule 104.4.**

26. *The ECA and IDEP Administration accepted recommendation 8 and ECA stated that with respect to bank accounts opened several years back, it will be difficult to document compliance with the United Nations Financial Rules. However, in future, IDEP should comply with the United Nations Rules. Recommendation 8 remains open pending receipt of documentation that bank accounts have been opened in conformity with Financial Rule 104.4. This documentation should be approved by the Controller.*

#### Bank signatories

27. In order to avoid any conflict of interest, IDEP had established the practice that no signatory was permitted to sign cheques where s/he was the

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beneficiary but such practice had not been formally communicated in writing in a policy document. The lack of a policy may result in inconsistent compliance and enforcement of the control.

#### **Recommendation 9**

**(9) The IDEP Administration should amend existing procedures to formally document its practice of preventing conflict of interest by ensuring bank signatories do not sign cheques where they are a beneficiary.**

28. *The IDEP Administration accepted recommendation 9 and stated that it had initiated this procedure and, as suggested, the policy will be put in writing. Recommendation 9 remains open pending receipt of documentation stipulating that bank signatories should not sign cheques where they are a beneficiary.*

#### Bank reconciliations

29. IDEP conducted timely and complete bank reconciliations in compliance with United Nations Financial Rule 104.11. However, on two occasions cheques were issued while funds in the bank were not sufficient to honour them. This occurred while funds to replenish the local bank accounts were still in transit and informal arrangements were then made with the bank to hold back the cheques until funds were available. This practice is a violation of Rule 104.5 (a) of the Financial Regulations and Rules of the United Nations which requires that sufficient funds should be available before cheques are issued.

#### **Recommendation 10**

**(10) The IDEP Administration should put a mechanism in place to ensure sufficient funds are available prior to issuing cheques, to ensure compliance with rule 104.5 (a) of the Financial Regulations and Rules of the United Nations.**

30. *The IDEP Administration accepted recommendation 10, which remains open pending receipt of details of the mechanism put in place to ensure sufficient funds are available prior to issuing cheques.*

#### Interest on accounts

31. IDEP does not earn any income on the surplus cash balances on its four bank accounts as required by ST/SGB/129 Para. 15, and could not explain why. IDEP JPMorgan Chase bank account had historically a minimum balance of \$600,000 in a given month.

#### **Recommendation 11**

**(11) The IDEP Administration should take steps to ensure it earns interest on excess cash balances in its bank accounts.**

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32. *The IDEP and ECA Administration accepted recommendation 11 and ECA stated that the fact that IDEP has excess cash balances is surprising taking into account the reports received by ECA of the precarious financial position of the Institute. Under the circumstances, a determination should be made as to whether all the approved programmed activities have been implemented as scheduled or whether there are substantial accounts payables not settled. The bank account held with JPMorgan Chase Bank is not an interest bearing account. If indeed IDEP has excess cash balances based on sound cash flow forecasts, the amount should be invested so that it earns interest. IDEP stated that banks in Senegal do not pay interest. JPMorgan Chase Bank had been requested several times to give an explanation why IDEP does not earn interest on its deposits, but they had not replied. IDEP will keep on trying. OIOS acknowledges IDEP's action in approaching JPMorgan Chase bank however, this matter should be referred to the UN Treasurer. Recommendation 11 remains open pending receipt of documentation showing that IDEP, with assistance from ECA, has approached the Treasurer to obtain an interest bearing account.*

#### Presentation of financial accounts

33. The financial statements of IDEP were not compiled in compliance with Rule 106.10 of the Financial Regulations and Rules of the United Nations. IDEP financial accounts included several schedules but none of the mandatory statements that form an integral part of financial statements such as: (i) a statement of income, expenditures and changes in reserves and fund balances; (ii) a statement of assets, liabilities, reserves and fund balances; (iii) a statement of cash flows; and (iv) notes to the financial statements. The current presentation of the financial accounts did not allow the reader to capture easily the financial position of IDEP. For example, one has to compute manually, from two different schedules, the surplus or loss of the year as the information was not readily available in the statements.

#### **Recommendation 12**

**(12) The IDEP Administration should establish a procedure to ensure that it produces a set of financial statements, which complies with the Financial Regulations and Rules of the United Nations.**

34. *The IDEP Administration accepted recommendation 12 commented that it can only be implemented when ECA identifies the focal person in Finance and gives appropriate orientation and documents.* Recommendation 12 remains open pending receipt of documentation showing that IDEP has produced a set of financial statements which are in compliance with the Financial Regulations and Rules of the United Nations.

#### Accounting system

35. IDEP uses an off the shelf accounting system which was customized to its operations. A check of the 2007 data revealed that the accounts were incorrect, as the debits did not equal credits. The finance staff explained that such

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a problem had occurred in the past and had been corrected by the support staff of the vendor. IDEP does not know whether the errors originated from an accounting problem or a software problem. If this is an accounting problem, it undermines the accuracy and the completeness of the financial transactions captured in the system.

### **Recommendation 13**

**(13) The IDEP Administration should undertake an assessment of its accounting system with the view of ensuring the integrity of its financial data.**

36. *The IDEP Administration accepted recommendation 13 and stated that it will look for another software.* Recommendation 13 remains open pending receipt of a copy of the results of the assessment and details of action taken to ensure the integrity of financial data.

### Financial disclosure

37. The Director of IDEP submitted his financial disclosure statement to the Ethics Office but was not aware that he had to identify all staff who had to submit a financial disclosure statement based on ST/SGB/2006/6, 2.1(b) “Financial Disclosure and Declaration of Interest Statements”.

### **Recommendation 14**

**(14) The IDEP Administration should identify all staff members who are required to submit a financial disclosure statement based on ST/SGB/2006/6 2.1(b) “Financial Disclosure and Declaration of Interest Statements” and submit the list to the Ethics Office.**

38. *The IDEP Administration accepted recommendation 14, which remains open pending receipt of confirmation that IDEP Administration has identified all staff required to submit a financial disclosure statement and submitted the list to the Ethics Office as required by ST/SGB/2006/6.*

## **C. Human Resources**

### Job classification and review

39. While job descriptions were available, no documentary evidence was provided that the job descriptions for Professional and General Service Staff had been classified as required under Regulation 2.1 of the Staff Rules.

### **Recommendation 15**

**(15) The IDEP Administration should ensure that all established posts in IDEP are correctly classified as required under Regulation 2.1 of the Staff Rules.**

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40. *The IDEP Administration accepted recommendation 15 and stated that it will request assistance from the Human Resources Services Section, ECA. Recommendation 15 remains open pending receipt of documentation showing that established posts in IDEP are correctly classified as required under Regulation 2.1 of the Staff Rules.*

Employment contract for General Service (GS) staff

41. IDEP GS employment contracts did not include full disclosure of the terms and conditions of employment and staff were not aware of the United Nations Staff Rules. Furthermore, there was no formal induction process designed to inform staff of their entitlements, obligations and rights, including procedures for grievance. IDEP failed to provide an explanation on the reason why staff had not been informed.

**Recommendation 16**

**(16) The IDEP Administration should ensure that its General Service staff are fully aware of the terms and conditions of their employment and the United Nations Staff Rules pertaining to their employment.**

42. *The IDEP Administration did not accept recommendation 16 stating that the GS acceptance letter provides the following information: (i) grade & effective date of employment, (ii) base salary, (iii) pension fund, (iv) dependency allowance, (v) medical insurance, and (vi) annual leave. At the end of the letter, the prospective staff member is requested to sign it to indicate acceptance of the offer. The signed copy is kept in the personal file of the staff. OIOS notes IDEP's disagreement and reiterates that the information provided for audit review did not fully address its recommendation with regard to the induction process and communication of United Nations Staff Rules. Recommendation 16 remains open pending receipt of details of the induction process and the arrangements put in place to communicate pertinent United Nations Staff Rules to General Service Staff.*

Performance appraisal

43. All IDEP staff were employed under the 200 series of the United Nations Staff Rules and therefore, according to ST/AI/2002/3 "Performance Appraisal System", a decision had to be made whether to appraise them under the provisions of this administrative instruction or opt for an alternative mechanism of staff appraisal. While IDEP adopted forms and procedures from the United Nations Development Programme (UNDP), no documentation was available to explain what method of performance appraisal had been formally adopted.

**Recommendation 17**

**(17) The IDEP Administration should document its decision on the appraisal system and get approval from the**

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**Governing Council on whether to adopt ST/AI/2002/3 (Performance Appraisal System) or opt for an alternative mechanism for staff appraisal.**

44. *The IDEP Administration accepted recommendation 17 and stated that it will be presented at the next GC meeting.* Recommendation 17 remains open pending notification of the outcome of the GC discussion on whether to adopt the United Nations Secretariat performance appraisal system (ST/AI/2002/3) or an alternative mechanism for staff appraisal.

Training

45. IDEP did not prepare a training plan for its staff and did not seek access, in the audited period, to training courses offered by the United Nations or other providers despite an unspent yearly allocation of \$10,000 to the training budget line and a clear lack of awareness of key United Nations Regulations and Rules. In addition, IDEP staff members were not aware of training initiatives such as the Integrity Awareness Online learning programme, Working together: Professional ethics and integrity in our daily work and Prevention of Workplace Harassment, Sexual Harassment and Abuse of Authority (mandatory for all staff), and the new half day course named “Professional Ethics and Integrity in our procurement”.

**Recommendation 18**

**(18) The IDEP Administration should conduct a training needs assessment and develop a training plan for its staff, which includes training in the United Nations Regulations and Rules and United Nations mandatory training in ethics and sexual harassment, and ensure certificates are retained in the personnel file.**

46. *The IDEP Administration accepted recommendation 18 and stated that they will coordinate with ECA.* Recommendation 18 remains open pending receipt of documentation showing that a training needs assessment has been done and a training plan for staff members has been developed.

Use of consultants/external contractors

47. Based on the review of five contracts out of 143 entered into the period 2006-2007, IDEP was found not to be compliant with the requirements of the ST/AI/1999/7 (consultants and individual contractors). Areas of non-compliance were: (i) the selection process was not formally documented; (ii) standard United Nations consulting contract was not used; (iii) performance evaluation was not routinely done; and (iv) remuneration was not in line with the United Nations salary scale for professionals.



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## **Recommendation 19**

**(19) The IDEP Administration should establish a mechanism to monitor compliance with the ST/AI/1999/7 “Consultants and Individual Contractors”.**

48. *The IDEP Administration accepted recommendation 19 and stated that they are using the old format provided by ECA and that they were not informed of the ST/AI/1999/7. It will be implemented after they get the ST/AI/1999/7 and the necessary orientation from the Human Resources Services Section, ECA. Recommendation 19 remains open pending receipt of details of the mechanism put in place to monitor compliance with ST/AI/1999/7.*

## **D. Procurement**

### Arrangements for approving procurement actions

49. IDEP put in place the following arrangements for approving procurement actions:

- Procurement of goods and services with a value below \$5,000 was approved by the Chief of Administration;
- Procurement with a value comprised between \$5,000 and \$20,000 went to the Procurement Committee for written advice and was then authorized by the Director;
- Procurement valued above \$20,000 went to ECA, in the person of the Chair of IDEP GC; and
- A threshold at \$10,000 was set for the adoption of formal bid or proposal procedures.

50. These arrangements have been developed in the absence of any delegation of authority for procurement, and a lack of awareness of the United Nations Procurement Manual. While these arrangements provided a measure of control, they should have been reviewed and approved as part of a formal delegation of authority for procurement under the framework of the United Nations Regulations and Rules.

## **Recommendation 20**

**(20) The IDEP Administration should review arrangements for procurement and prepare a paper for approval by its Governing Council once the delegation of authority to IDEP has been resolved.**

51. *The IDEP Administration accepted recommendation 20 and stated that it will be implemented at the next GC meeting. Recommendation 20 remains open*

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pending receipt of documentation showing that procurement arrangements have been reviewed by the GC and the delegation of authority issue has been resolved.

#### Procurement process

52. IDEP performed procurement planning and submitted a list of items to procure for the following fiscal period to the GC for approval on an annual basis. IDEP procured goods and services totaling approximately \$335,000 in 2006 and \$305,000 in 2007. However, as IDEP lacked a procurement filing system it could not demonstrate that its procurement actions were undertaken in line with its internally developed procedures and were in compliance with United Nations Regulations and Rules. There were no case files to provide an audit trail from requisition through to payment. The information was not kept in one location but could be found in several offices (administration, registry, finance) and some key documents such as initial specifications and quotes were not available, as well as receiving and inspection reports.

#### **Recommendation 21**

**(21) The IDEP Administration should review its procurement processes to ensure compliance with the Financial Regulations and Rules of the United Nations, the United Nations Procurement Manual and its internally developed procedures, including minimum filing requirements for procurement actions.**

53. *The IDEP Administration accepted recommendation 21 and stated that it will be implemented after ECA identifies a focal person in Procurement Unit and provides IDEP with the United Nations Procurement Manual and necessary orientation.* Recommendation 21 remains open pending receipt of a copy of the paper outlining the results of the review of the procurement process and details of changes made to ensure procurement actions comply with United Nations rules.

#### Vendor roster

54. IDEP did not have a vendor roster as required by the United Nations Procurement Manual.

#### **Recommendation 22**

**(22) The IDEP Administration should arrange to create a vendor roster and assign vendor roster management duties to a staff member in line with the requirements of the United Nations Procurement Manual.**

55. *The IDEP Administration accepted recommendation 22, which remains open pending receipt of details of arrangements put in place for creation and management of a vendor roster.*

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### Security contract

56. On 1 May 2006, IDEP entered into a one-year contract for security services with a security company Vigassistance S.A. The company was selected and recommended by UNDP, as the regional coordinator, at an annual cost of CFA 9,408,000 (\$22,000 at an exchange rate of \$1 = 430 CFA francs). The contract did not include the United Nations General Conditions of Contract (UNGCC) as required by the United Nations Procurement Manual. The contractor notified IDEP on 22 November 2006 of a change in the name of the company. Despite this, no amendment was done to reflect the change. Furthermore, no formal renewal was performed as the contract included, in Article 6, a clause for tacit renewal in the absence of any formal communication 60 days before the anniversary of the contract. Therefore, the contract was renewed tacitly without a prior evaluation of satisfactory service as required by the United Nations Procurement Manual.

### **Recommendations 23 and 24**

#### **The IDEP Administration should:**

**(23) Seek from the United Nations Development Programme, a confirmation that the current provider of the security services (Vigassistance S.A.), identified in 2006, is still the recommended security service provider for United Nations agencies and offices in Senegal; and**

**(24) Ensure the security contract with Vigassistance S.A. conforms to the format requirements in the United Nations Procurement Manual and includes the United Nations General Conditions of Contract properly countersigned by the contractor and a clause for renewal which is based on a satisfactory evaluation of services rendered.**

57. *The IDEP Administration accepted recommendation 23, which remains open pending notification of the outcome of discussions with UNDP on who the recommended security service provider is and action taken if the provider is different from the one currently used by IDEP.*

58. *The IDEP Administration accepted recommendation 24 and stated that it will be implemented after ECA identifies a focal person in the Procurement Unit and provides IDEP with the United Nations Procurement Manual and necessary orientation. Recommendation 24 remains open pending receipt of a copy of the security contract that conforms to the requirements in the United Nations Procurement Manual.*

### Landscaping contract

59. On 1 September 2006, IDEP entered into a contract for the provision of gardening services with a provider who had been previously selected to provide a one-off landscaping service. The contract had an initial duration of four months

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in the contract countersigned by the two parties but the duration was omitted in what seemed to be a more formal contract, which also did not include any provision for renewal and the required UNGCC. The contract stated a monthly amount of approximately \$780 with a total annual value of approximately \$9,000. The contract was renewed for a period of six months at the same rate on 1 January 2007 and then again for another six months from 1 July 2007 until the end of the year. No renewal was available on file for 2008 despite services being rendered throughout February 2008. Renewals had been awarded through a contract but no performance evaluation was performed and filed. There was no justification on file to explain why the contracts were for such short terms and the yearly amount of the contract was just below the threshold of \$10,000 set by IDEP as the threshold for tenders or request for quotation procedures. IDEP internally developed rules and procedures for its Procurement Committee stated at paragraph 3 that the \$10,000 threshold is also meant to cover a series of related acquisitions and that any procurement valued between \$5,000 and \$20,000 should be reported to the Procurement Committee for advice. No documentation was available on file to demonstrate such a process had been applied. The contract renewals suggest that this contract was meant to be a long-term contract and should have been subject to a competitive bidding exercise in accordance with the Procurement Manual.

#### **Recommendations 25 and 26**

##### **The IDEP Administration should:**

**(25) In consultation with ECA, address accountability for failure to follow United Nations procurement rules in the hiring of a firm to provide gardening services; and**

**(26) Re-bid the gardening contract in accordance with the United Nations Procurement Manual.**

60. *The ECA Administration accepted recommendation 25 and stated that it will be presented to the next Governing Council meeting. The IDEP Administration did not accept recommendation 25 and stated that copies of the selection process which included the following documents were given to the auditors on the day they left:*

- *Bid offer;*
- *List of organizations that submitted their offers;*
- *Report of the Procurement Committee; and*
- *Contract signed between the Agency and IDEP.*

*A contract for four months was signed to coincide with the end of the year, i.e. September to December. With regard to compliance with the rest of the United Nations Rules, IDEP will implement this subject to ECA identifying a focal person in the Procurement Unit and providing IDEP with the United Nations*

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*Procurement Manual and necessary orientation.* OIOS confirms that IDEP did provide the auditors with some documents on the day of departure. These documents did not, however, relate to the specific contract under review. Recommendation 25 remains open pending confirmation that a staff member has been held accountable for failure to follow United Nations procurement rules in the hiring of a firm to provide gardening services.

61. *The IDEP Administration accepted recommendation 26, which remains open pending receipt of documentation showing that the gardening contract has been re-bid in accordance with the United Nations Procurement Manual.*

#### Cleaning Contract

62. The cleaning contract with the service company Nickel Sarl was entered into on 1 May 2005, however the duration was not specified and Article VIII stated that the contract would be renewed by tacit renewal at an annual value of approximately \$21,500. In addition, the contract did not include the UNGCC. The firm was originally selected in May 2002 based on advice of the IDEP Procurement Committee for an initial annual value of \$18,720. No documentation was available on file to justify the renewal from 2002 to date, as well as the change in the cost of the service.

#### **Recommendations 27 and 28**

##### **The IDEP Administration should:**

**(27) Maintain proper documentation of the cleaning contract with Nickel Sarl, which contains a full history of all actions related to the contract; and**

**(28) Re-bid the cleaning contract in accordance with the United Nations Procurement Manual.**

63. *The IDEP Administration accepted recommendation 27 and stated that it had already been implemented.* Recommendation 27 remains open pending receipt of a copy of procedures put in place to maintain proper documentation of the cleaning contract.

64. *The IDEP Administration accepted recommendation 28 and stated that the contract will be re-bid by 30 June 2008 after examining the United Nations Rules.* Recommendation 28 remains open pending receipt of documentation that the cleaning contract has been re-bid in accordance with the United Nations Procurement Manual.

## **E. Property Management**

#### Non-expendable property

65. OIOS found some minor differences between the results of a physical verification of non-expendable property at five locations and the assets records.

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While adequate procedures were in place for the management of non expendable property, their effective implementation could not be guaranteed because of (i) the lack of awareness of procedures governing movement of property by asset holders, (ii) lack of frequent spot checks to compare records to the actual existence and location of assets, and (iii) use of non removable labels on assets which include the name of the organization. It was also noted that most items were input into the assets record management system without indicating the purchase value making it difficult to assess the total value of the property owned by IDEP.

66. IDEP undertook its last disposal action seven years ago and has been accumulating a stock of obsolete and unusable assets since then. There was no recording system in place during the audited period to enable management to track the composition of its current stock of assets to be disposed of as well as their condition, and there was no procedure to ensure asset disposal was carried out in line with United Nations Rules and Regulations.

#### **Recommendation 29**

**(29) The IDEP Administration should assess the composition and condition of obsolete and unusable assets to be disposed of and undertake a disposal exercise in accordance with the United Nations Regulations and Rules and its internal policy, once formulated and approved.**

67. *The IDEP Administration accepted recommendation 29 and stated that it will be implemented when they receive the applicable United Nations Rules and Regulations and the appropriate orientation from ECA.* Recommendation 29 remains open pending receipt of a copy of the report identifying assets for disposal and documentation outlining the action taken to dispose of the assets.

#### Use of official cars

68. IDEP employed two drivers and had a fleet of three cars, one minivan and one scooter. The use of the vehicles was tracked through individual logbooks, which are also periodically reviewed by the Chief of Administration. The size of the fleet had been justified by the need to cater for transportation of students, delegates and the Director as well as to do errands around Dakar. However, no analysis had been made to assess whether, based on usage, ownership was justified by operational needs and was a better choice than rental in economic terms.

#### **Recommendation 30**

**(30) The IDEP Administration should review its transport arrangements to determine whether owning five official vehicles is fully justified by operational needs or alternative transport arrangements should be considered. The results of this review should be submitted to its Governing Council for their consideration.**

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69. *The IDEP Administration did not accept recommendation 30 and stated that previously they used to rent cars to transport trainees, but they were not reliable and were very expensive. Also for security reasons IDEP prefers to use its own vehicle to transport trainees. The need for the purchase of the minibus was presented to the GC and approved by them. Non-expendable equipments are always purchased after obtaining approval from the GC. The budget proposal submitted to the GC every year for their approval has the details of all purchases to be made. While appreciating the additional information, no evidence was provided to OIOS to support the above position. To justify the position, there is a need for a review of the five official vehicles including an analysis of alternative means of transportation. Recommendation 30 therefore remains open pending receipt of a paper documenting the results of assessment of the vehicle requirements for IDEP, how these requirements will be met and evidence that the recommendations have been reviewed and endorsed by the GC.*

## **V. ACKNOWLEDGEMENT**

70. We wish to express our appreciation to the Management and staff of IDEP and ECA for the assistance and cooperation extended to the auditors during this assignment.

## STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
1.	O	Receipt of documentation showing that IDEP's organizational chart has been reviewed and aligned to the actual structure defining clear responsibilities and duties for all its organizational units.	30 April 2008
2.	O	Receipt of documentation showing that a paper was prepared and approved by IDEP Governing Council on the conduct of annual audits of its accounts.	Not provided
3.	O	Receipt of documentation showing that a mechanism has been developed for seeking approval of non-United Nations grant budget and any budget revisions, from the Governing Council.	Not provided
4.	O	Receipt of copy of the standard operating procedure which deals with the provision of financial information to the GC and the Director.	Not provided
5.	O	Receipt of documentation showing that the IDEP Governing Council has been asked to review the need to have semi-annual meetings of the Executive Committee in line with the requirements of the Statute.	Not provided
6.	O	Receipt of documentation showing that procedures have been put in place to ensure compliance with United Nations Financial Rule 105.7 with respect to recording of obligations prior to payments.	2008
7.	O	Receipt of documentation showing that procedures have been put in place to ensure certifying officers have been informed and understand their certification function roles and responsibilities.	30 April 2008
8.	O	Receipt of documentation that bank accounts have been opened in conformity with Financial Rule 104.4. this documentation should be approved by the Controller.	April 2008
9.	O	Receipt of documentation stipulating that bank signatories should not sign cheques where they are a beneficiary.	30 April 2008
10.	O	Receipt of details of the mechanism put in place to ensure sufficient funds are available prior to issuing cheques.	Not provided
11.	O	Receipt of documentation showing that IDEP has approached the Treasurer to obtain an interest bearing account.	Not provided
12.	O	Receipt of documentation showing that IDEP has produced a set of financial statements, which complies with the Financial Regulations and Rules of the United Nations.	Not provided
13.	O	Receipt of a copy of the results on the assessment of the IDEP accounting system, and details of action taken to ensure the integrity of financial data.	31 July 2008
14.	O	Receipt of confirmation that IDEP Administration has identified all staff required to submit financial disclosure statements and submitted the list to the Ethics Office as required by ST/SGB/2006/6.	May 2008
15.	O	Receipt of documentation showing that established posts in IDEP are correctly classified as required under Regulation 2.1 of the Staff Rules.	Not provided
16.	O	Receipt of details of the induction process and the arrangements put in place to communicate pertinent United Nations Staff Rules to General Service Staff.	Not provided
17.	O	Receipt of notification of the outcome of the GC discussion on whether to adopt the United Nations Secretariat performance appraisal system (ST/AI/2002/3) or an alternative mechanism for staff appraisal.	Not provided
18.	O	Receipt of documentation showing that a training needs assessment has been done and a training plan for staff members has been developed.	2008
19.	O	Receipt of details of the mechanism put in place to monitor compliance with	2008



Recom. no.	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
		ST/AI/1999/7 on consultants and individual contractors.	
20.	O	Receipt of documentation showing that procurement arrangements have been reviewed by the Governing Council and the delegation of authority issue has been resolved.	Not provided
21.	O	Receipt of a copy of the paper outlining the results of the review of the procurement process and details of changes made to ensure procurement actions comply with United Nations rules.	2008
22.	O	Receipt of details of arrangements put in place for creation and management of a vendor roster.	30 April 2008
23.	O	Notification of the outcome of discussions with UNDP on who the recommended security service provider is and action taken if the provider is different from the one currently used by IDEP.	31 March 2008
24.	O	Receipt of a copy of the security contract that conforms to the requirements in the United Nations Procurement Manual.	2008
25.	O	Confirmation that a staff member has been held accountable for failure to follow United Nations procurement rules in the hiring of a firm to provide gardening services.	Not provided
26.	O	Receipt of documentation showing that the gardening contract has been re-bid in accordance with the United Nations Procurement Manual.	30 June 2008
27.	O	Receipt of a copy of the procedures put in place to maintain proper documentation of the cleaning contract.	31 March 2008
28.	O	Receipt of documentation that the cleaning contract has been re-bid in accordance with the United Nations Procurement Manual.	30 June 2008
29.	O	Receipt of a copy of the report identifying assets for disposal and documentation outlining the action taken to dispose of the assets.	2008
30.	O	Receipt of a paper documenting the results of assessment of the vehicle requirements for IDEP, how these requirements will be met and evidence that the recommendations have been reviewed and endorsed by the GC.	Not provided

1. C = closed, O = open

2. Date provided by IDEP and ECA in response to recommendations.