



## **INTERNAL AUDIT DIVISION**

### **REPORT 2014/003**

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**Audit of the United Nations  
Collaborative Programme on Reducing  
Emissions from Deforestation and  
Forest Degradation in Developing  
Countries Quick Start Programme in  
the Democratic Republic of the Congo**

**12 February 2014**

**Assignment No. AA2013/220/07**

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**Consolidated Report on the audit of the UN-REDD Quick Start Programme in  
the Democratic Republic of the Congo  
Executive Summary**

**Background**

The United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD Programme) was created in September 2008 to assist developing countries with building capacity to reduce emissions and to participate in a future REDD+ mechanism, which beyond deforestation and forest degradation, includes the role of conservation, sustainable management of forests and enhancement of forest carbon stocks. The UN-REDD Programme builds on the convening role and technical expertise of its three Participating United Nations Organizations: FAO, UNDP and UNEP. The UN-REDD Programme is funded mainly through the UN-REDD Programme Fund, administered by the UNDP Multi-Partner Trust Fund Office.

From its inception in 2008 through the end of 2011, the UN-REDD Programme Fund received a total of \$118.3 million in contributions from donors. As at 31 December 2011, the UNDP Multi-Partner Trust Fund Office, as the Administrative Agent of the Fund, had transferred about \$90.9 million to the Participating United Nations Organizations, of which \$39.5 million or 43 percent had been expended, with the Programme in the Democratic Republic of the Congo (the Country) representing 10 percent of total UN-REDD transfers up to 31 December 2011.

Organization	Transfers	Expenditure	Delivery
FAO	33,939,160.00	11,505,903.64	34%
UNDP	35,279,411.00	15,451,527.57	44%
UNEP	21,677,192.00	12,533,593.00	58%
<b>TOTAL</b>	<b>\$90,895,763.00</b>	<b>\$39,491,024.21</b>	<b>43%</b>

Source: MPTF Gateway.

Through its partnership at the end of 2011 with 42 countries in Africa, Asia and the Pacific, and Latin America and the Caribbean, and through related global activities, the UN-REDD Programme is supporting Governments to prepare national REDD+ strategies, build monitoring systems, engage stakeholders and assess the multiple benefits of REDD+. The Participating United Nations Organizations have agreed to implement the UN-REDD Programme through joint national programmes. The Country is one of the original nine pilot countries of the UN-REDD Programme.

The Country is at the heart of the Congo Basin, where the second largest tropical forest in the world is located. The Country launched a REDD+ national process in 2009 along with the first "Quick Start Project" under UN-REDD financial and technical support. It basically consisted of capacity building and technical assistance at the national and sub-national levels. In October 2009, a second programme was designed to develop the REDD+ strategy, the institutional framework for implementation, and a monitoring system by March 2013.

In accordance with the Framework for Auditing Multi-Donor Trust Funds, endorsed by the United Nations Development Group in September 2007, and after consultation with the Multi-Partner Trust Fund Office and the UN-REDD Programme, the UNDP Office of Audit and Investigations initiated a coordinated audit of the UN-REDD Programme in the Country. This coordinated audit aimed to provide a summary of the management of risks, the adequacy of internal controls and recommendations related to the implementation of projects and activities undertaken by the Participating United Nations Organizations. The audit work was conducted from 14 to 25 January 2013 by the audit firm Mazars Cameroun on behalf of the Participating United Nations Organizations.

## Coverage

The project expenditures covered by the audit for each of the three organizations in the Country totalled \$4.1 million pertaining to FAO project TF5C35CD09615, UNDP project 00071908, and UNEP project RED/2C05, as indicated in the table below.

Organization	Total expenditure up to 31 Dec 2011	Audited expenditure	% audited / total expenditure
FAO	888,964	696,754	78%
UNDP	2,492,453	2,074,662	83%
UNEP	692,582	690,647	100%
<b>TOTAL</b>	<b>\$4,073,999</b>	<b>\$3,462,063</b>	<b>85%</b>

The expenditure figures are those available for the audit in the Country Offices – with slight variations from data available on the MPTF Gateway (UNDP \$2,481,276 and UNEP \$695,369).

The audit covered the financial transactions as well as internal controls and systems for the purpose of expressing an opinion on whether the financial statements present fairly, in all material aspects, the projects' operations, as well as to assess compliance with the organizations' regulations, rules, policies and procedures and donor agreements. The audit covered the projects' Statements of Expenditure for the period from 1 January 2009 to 31 December 2011 and Statements of Assets as at 31 December 2011, except for the UNEP project which did not have any assets. For each project, the audit also reviewed the organizations' relevant systems, procedures and practices in place in the areas of organization and staffing, project management, human resources management, financial and cash management, procurement, asset management, information systems and general administration, as they relate to the Programme.

This report consolidates the results of the individual audits.

## Audit results

The financial statements of FAO and UNDP projects received qualified audit opinions with a total net financial impact of \$43,129, or 1.2 percent of the total audited expenditure of the three organizations. The main reason for the qualified opinions was the lack of adequate supporting documentation for expenditures.

The auditors concluded that the internal control systems of the FAO and UNDP UN-REDD projects were sound, adequately designed and operating well, although there were minor weaknesses. Overall, the audit resulted in 18 recommendations. A majority of the recommendations were made to UNDP and FAO in the areas of finance and asset management. For the UNEP-implemented project, more significant weaknesses on the quality of the information system and reporting were highlighted. The recommendations in that regard were accepted and were being addressed by UNEP.

UNEP commented that, although relevant, the weaknesses identified by the auditors were not of a nature that would jeopardize the accomplishment of the objective or constitute any significant deviation from established rules and practices. From UNEP's perspective, "significant weakness" would qualify as instances having a direct impact on its capacity to stand by its commitments and present the delivery of the objectives. UNEP cannot be in agreement with the statement that non respect of reporting deadlines for financial and technical reports or non-formal acknowledgement of technical reports, although important, were putting the system objectives at risk. With an implementation rate at nearly 100 percent and the delivery of all outputs in the period under review, UNEP cannot concur with the grading of the weakness which appears, in this context, disproportionate with the observations of the audit itself.

A handwritten signature in blue ink is positioned above the printed name. The signature is stylized and appears to read 'H. Osttveiten'.

Helge S. Osttveiten  
Director  
Office of Audit and Investigations

## I. Introduction

The UN-REDD Programme was created in September 2008, building on the convening role and technical expertise of its three Participating United Nations Organizations: FAO, UNDP, and UNEP. The UN-REDD Programme Fund is intended to facilitate and streamline the provision of donor resources to United Nations Joint Programmes to implement activities for the reduction of emissions from deforestation and forest degradation at the country level.

The UN-REDD Programme Policy Board provides overall leadership and sets the strategic direction of the UN-REDD Programme, decides on programme financial allocations based on submissions by countries, in line with the budget parameters set out in the UN-REDD Programme Strategy,<sup>1</sup> and develops monitoring mechanisms.

The Multi-Partner Trust Fund Office of UNDP is the Administrative Agent of the UN-REDD Programme Multi-Donor Trust Fund, or UN-REDD Programme Fund. This office is responsible for: the receipt, administration and management of contributions from donors; the disbursement of funds to the Participating United Nations Organizations, in accordance with the instructions of the UN-REDD Programme Policy Board; the provision of support to the UN-REDD Programme in their reporting functions and the compilation of consolidated financial reports to the national steering committees, donors, and the Policy Board through the UN-REDD Secretariat. The Participating United Nations Organizations assume full programmatic and financial accountability for the funds received from the Administrative Agent.

From its inception in 2008 through the end of 2011, the UN-REDD Programme received a total of \$118.3 million in contributions from donors. As at 31 December 2011, the UNDP Multi-Partner Trust Fund Office had transferred about \$90.9 million to the Participating United Nations Organizations, of which \$39.5 million or 43 percent had been expended, with the programme in the Country representing 10 percent.

Organization	Transfers	Expenditure	Delivery
FAO	33,939,160.00	11,505,903.64	34%
UNDP	35,279,411.00	15,451,527.57	44%
UNEP	21,677,192.00	12,533,593.00	58%
<b>TOTAL</b>	<b>\$90,895,763.00</b>	<b>\$39,491,024.21</b>	<b>43%</b>

Source: MPTF Gateway.

## II. Audit scope and objectives

The audit covers the UN-REDD Joint Programme in the Country, approved by the UN-REDD Programme Policy Board. This report consolidates the results of the individual audits of the UN-REDD activities in the Country carried out by the three Participating United Nations Organizations for the period 1 January 2009 to 31 December 2011. The audit work covered the following projects: FAO project TF5C35CD09615; UNDP project 00071908; and UNEP project RED/2C05 with expenditures totalling \$4.1 million. The audits covered a total combined audited expenditure of approximately \$3.5 million.

<sup>1</sup> For the case of DRC, the project was funded within the Framework Document (2008-2011)

Organization	Total expenditure up to 31 Dec 2011	Audited expenditure <sup>2</sup>	% audited / total expenditure
FAO	888,964	696,754	78%
UNDP	2,492,453	2,074,662	83%
UNEP	692,582	690,647	100%
<b>TOTAL</b>	<b>\$4,073,999</b>	<b>\$3,462,063</b>	<b>85%</b>

The expenditure figures are those available for the audit in the Country Offices – with slight variations from data available on the MPTF Gateway (UNDP \$2,481,276 and UNEP \$695,369).

All audits were conducted by the audit firm Mazars Cameroun on behalf of the Participating United Nations Organizations. The UNDP Office of Audit and Investigations coordinated these audits and prepared this consolidated report.

The project audits included a review of the financial activities and reporting as well as the internal controls and systems for the purpose of expressing an opinion on whether the financial statements present fairly, in all material aspects, the results of the projects' operations, as well as assessing compliance with applicable regulations, rules, policies and procedures and donor agreements. These audits included a review of the projects' Statements of Expenditure, Statements of Assets and Statements of Cash Position (as applicable). They also reviewed the relevant underlying systems, procedures and practices in place as they relate to the projects, in the areas of organization and staffing, project management, human resources management, financial and cash management, procurement, asset management, information systems and general administration.

### III. Audit results

The projects' financial statements of FAO and UNDP projects received qualified audit opinions with a total net financial impact of \$43,129, or 1.2 percent of the total audited expenditure of the three organizations. The main reason for the qualified opinions was the lack of adequate supporting documentation for expenditures. The results of the review of the financial activities and reports are summarized in the table below:

Organization	Project Expenditure				Project Assets			Cash
	Audited expenditure	Opinion	NFI	% of NFI/ audited expenditure	Amount	Opinion	Variance	
FAO	696,754	Qualified	21,434	3.1%	66,506	Qualified	2,634	N/A
UNDP	2,074,662	Qualified	21,695	1.0%	76,147	Unqualified	-	N/A
UNEP	690,647	Unqualified	-	-	N/A	N/A	N/A	N/A
<b>TOTAL</b>	<b>\$3,462,063</b>		<b>\$43,129</b>	<b>1.2%</b>	<b>\$142,653</b>		<b>\$2,634</b>	

NFI = Net Financial Impact

The auditors concluded that the internal control systems of the FAO and UNDP UN-REDD projects were sound, adequately designed and operating well, although there were minor weaknesses. For the UNEP-implemented project, a different operational policy applies, and more significant weaknesses on the quality of the information system and reporting were highlighted (see under Project Management). The recommendations in that regard were accepted and were being addressed by UNEP.

UNEP commented that, although relevant, the weaknesses identified by the auditors were not of a nature that would jeopardize the accomplishment of the objective or constitute any significant deviation from established

<sup>2</sup> Audited expenditure refer to the amount actually tested by the auditors in order to obtain sufficient assurance on the statements of expenditure.



rules and practices. From UNEP’s perspective, “significant weakness” would qualify as instances having a direct impact on its capacity to stand by its commitments and present the delivery of the objectives. UNEP cannot be in agreement with the statement that non respect of reporting deadlines for financial and technical reports or non-formal acknowledgement of technical reports, although important, were putting the system objectives at risk. With an implementation rate at nearly 100 percent and the delivery of all outputs in the period under review, UNEP cannot concur with the grading of the weakness which appears, in this context, disproportionate with the observations of the audit itself.

The audits resulted in 18 recommendations. The majority of recommendations were made to UNDP and FAO in the areas of financial management (5) and asset management (4).

Area	FAO	UNDP	UNEP	TOTAL
Project management	-	-	3	3
Finance	3	2	-	5
Asset management	2	2	-	4
Human resources	1	1	-	2
Procurement activities	1	2	-	3
Travel	-	1	-	1
<b>TOTAL</b>	<b>7</b>	<b>8</b>	<b>3</b>	<b>18</b>

The significant and/or recurring issues for each area are discussed in detail below.

## 1. Project management

### Delays in submission of financial and technical reports

The auditors reported delays of up to eight months in the Implementing Partners’ submission of technical and financial reports to UNEP. In addition, technical reports did not always indicate whether they had been reviewed and approved by the persons designated in the letters of agreement as being responsible for the performance of these duties.

The auditors recommended that the projects enforce the reporting timelines included in the Small Scale Funding Agreements and that the control of such reports be documented. UNEP accepted the observation, and is working on redefining its internal roles and responsibilities relating to project management in order to exercise stronger oversight over the contractual terms and conditions. UNEP was also working on setting up a system by which it would officially acknowledge receipt of and validates the data reported in progress reports.

## 2. Financial management

### Unsupported expenses

The audit noted instances where expenses were inadequately supported.

For FAO and UNDP, supporting documentation related to the organization of workshops, seminars and forestry surveys was not available to support total expenditures of \$7,000. In addition, travel expenses were not adequately supported with boarding passes, back to office reports, etc. The audit also noted several transactions for \$17,000 that were not directly related to the projects or which had been charged to the projects retroactively.



Lastly, 20 transactions had been posted against the wrong budget lines (\$155,370) or one transaction accounted for twice (\$7,640), resulting in erroneous balances for these accounts and leading to inaccuracies in the Statement of Expenditure for the project. Management indicated that most of the errors had been corrected.

In the case of UNEP, a different operational policy applies, and UNEP management clarified that it builds partnerships with its counterparts for the implementation of its projects. Management further indicated that the project implementation agreement signed with partners defines the substantive outputs to be delivered as well as the expected level of funding necessary to reach these objectives. In line with applicable policy and contractual agreements with partners, UNEP does not directly verify or maintain documentation of individual expenditures, such as vouchers, airline ticket stubs, etc. under these agreements. Verification is based on the certified and externally audited financial reports of the partners.

The auditors recommended better oversight of expenses.

### 3. Assets management

#### Inadequate management of assets - Records not systematically kept

For the FAO project, assets were managed using adequate software applications. However, these assets were not labelled with their assigned unique codes and the table used for monitoring them was not systematically updated with the corresponding serial numbers. For the UNDP project, assets were listed on Excel sheets without the proper coding, and serial numbers were not recorded in the FY2009 asset register. UNEP did not purchase assets during the audit period.

The auditors recommended that all assets be labelled, and the corresponding serial numbers be entered into a central asset database, which is to be updated regularly.

### 4. Human resources management

#### Weaknesses in the recruitment process

In the review of the recruitment cases related to FAO and UNDP, the auditors noted that some steps in the recruitment process were not completed for certain positions. For example, there was no evidence to show that the necessary analysis had been performed, no documentation to show that references had been checked, and no evidence to show that candidates on the rosters were actually contacted. Terms of reference were also not always attached to the contracts.

The auditors recommended strengthening the recruitment process by ensuring that vacancies are posted, terms of reference are signed and attached to consultant contracts, and references are verified.

### 5. Procurement activities

#### Insufficient procurement planning

The auditors noted that procurement plans had not been prepared to adequately support the procurement budget and comply with the required procedures. The auditors also noted several instances where the project contracted services above \$5,000 without adequate competition.



The auditors recommended that procurement plans be established and that the projects ensure that procurement is competitive.

## ANNEX I Definitions of audit terms - ratings and priorities

### A. AUDIT RATINGS

In providing the auditors' assessment, the Internal Audit Services of UNDP, UNFPA, UNICEF and WFP use the following harmonized audit rating definitions.

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entities.
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entities.
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entities could be seriously compromised.

### B. PRIORITIES OF AUDIT RECOMMENDATIONS

The audit recommendations are categorized according to priority, as a further guide to management in addressing the issues. The following categories are used:

- **High (Critical)** Prompt action is required to ensure that the audited entities are not exposed to high risks. Failure to take action could result in major negative consequences for the organizations.
- **Medium (Important)** Action is required to ensure that the audited entities are not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for the organizations.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.