



**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**MALI**

**Report No. 1569**

**Issue Date: 19 May 2016**

**(REDACTED)**

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## Report on the audit of UNDP Mali Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Mali (the Office) from 10 to 26 February 2016. 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 and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, business continuity, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – “One UN”, Harmonized Approach to Cash Transfers);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security).

The audit covered the activities of the Office from 1 January to 31 December 2015. The Office recorded programme and management expenditures of approximately \$51 million during the period under audit. The last audit of the Office was conducted by OAI in May/June 2013.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

### Overall audit rating

OAI assessed the Office as **partially satisfactory** which means, “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 entity.” This rating was mainly due to mandatory training courses not being completed, ineffective oversight over pending transactions, and ineffective oversight over procurement practices.

### Good practice

The Office developed an e-application system to better monitor its operations, which offered the following: (1) an asset module to control all assets, regardless of their costs; (2) a database recapitulating all HR information of staff members, including security and health-related information; and (3) a service request tracking system for the online follow-up of all requests. This database also allowed for locating staff members at any time and a Global Positioning System (GPS) for locating their residences. This module was accessible to requestors and all operations staff, which contributed to improving workflow. These innovations should strengthen internal controls and improve the performance of the Office.

**Key recommendations:** Total = 11, high priority = 3

The 11 recommendations aim to ensure the following objectives:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	3, 4, 6	Medium
Effectiveness and efficiency of operations	10	Medium
Safeguarding of assets	1,11	Medium
	8	High
Compliance with legislative mandates, regulations and rules, policies and procedures	2, 7	Medium
	5, 9	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. All high (critical) priority recommendations are presented below:

Mandatory training courses not completed (Issue 5)

The review of the human resources statistics showed that only two staff members completed all of the mandatory courses and none of the service contract holders completed the security training courses required by UNDP.

Recommendation: The Office should set up a timetable for all staff members and service contract holders to complete all mandatory training courses and monitor and track completion.

Ineffective oversight over pending transactions (Issue 8)

The Office had not reviewed or followed up on 165 transactions amounting to \$0.8 million that were pending finalization in Atlas (enterprise resource planning system of UNDP) from 2010 to 2015. These pending transactions comprised of vouchers with missing supporting documentation, vouchers that were to be cancelled or reprocessed, vouchers with cheques to be printed, and vouchers without sufficient details to be investigated.

Recommendation: The Office should strengthen oversight over pending transactions by: (a) regularly and timely reviewing pending transactions and taking appropriate actions based on the review of these transactions; and (b) ensuring cancellations of transactions are fully processed, leaving no option in Atlas to reprocess payments on cancelled vouchers.

Ineffective oversight over procurement practices (Issue 9)

The review of the procurement function through a sample of 20 procurement cases, amounting to \$6.9 million, identified the following exceptions: (a) negotiation and splitting of a contract, which resulted in bypassing a higher-level procurement review committee (Regional Advisory Committee on Procurement); and (b) a lack of evidence of substantive review of procurement cases by the Contracts, Assets and Procurement Committee.

Recommendation: The Office should strengthen oversight over procurement practices by:  
(a) submitting procurement cases to the appropriate review committee;  
(b) providing evidence of substantive review from the Contracts, Assets and

Procurement Committee to support the evaluation results.

**Implementation status of previous OAI audit recommendations:** Report No. 1143, 11 December 2013.

Total recommendations: 15

Implemented: 15

**Management comments and action plan**

The Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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## I. About the Office

The Office, located in Bamako, Mali (the Country), comprised of 58 staff members, 113 service contract holders and 26 United Nations Volunteers at the time of the audit. The new Country Programme Document, covering the period 2015-2019 focused on the following: (a) restoration of social cohesion, return of refugees and displaced people, and promotion of early recovery activities; (b) sustainable and diversified growth along with resilience to climate change and disaster risks; (c) reinforcement of national and local institution capacities; and (d) intensification of the fight against seropositivity.

## II. Good practice

The Office developed an e-application system to better monitor its operations, which offered the following: (1) an assets module to record and oversee all assets, regardless of their costs; (2) a database recapitulating all HR information of staff members, including security and health-related information; and (3) a service request tracking system for online follow up of all requests. This database also allowed for locating staff members at any time and GPS tracking for locating their residences. This module was accessible to requestors and all operations staff, which contributed to improving workflow. These innovations should strengthen internal controls and improve the performance of the Office.

## III. Audit results

Satisfactory performance was noted in the audit sub-areas of programme management, asset management and information and communication technology, where key controls were adequate and in place.

- (a) Programme management. Programme design and monitoring were found to be adequate and no reportable issues were noted.
- (b) Asset management. Controls over assets were well established and functioning.
- (c) Information and communication technology. There were adequate back-up mechanisms and safeguarding of equipment and data.

OAI made three recommendations ranked high (critical) and eight recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

### High priority recommendations:

- (a) Set up a timetable to complete all mandatory training courses (Recommendation 5).
- (a) Strengthen oversight over pending transactions (Recommendation 8).
- (b) Strengthen oversight over procurement practices (Recommendation 9).

### Medium priority recommendations, arranged according to significance:

- (b) Improve the initiation, monitoring and closure of projects (Recommendation 4).
- (c) Improve leave management (Recommendation 7).
- (d) Strengthen internal controls (Recommendation 1).
- (e) Strengthen administration of travel (Recommendation 10).
- (f) Establish a spot-check mechanism (Recommendation 2).
- (g) Establish resource mobilization strategy and improve partnerships (Recommendation 3).

- (h) [REDACTED]
- (i) Strengthen human resources management (Recommendation 6).

The detailed assessment is presented below, per audit area:

## A. Governance and strategic management

### 1. Organizational structure and delegation of authority

#### Issue 1 Conflicting user profiles in Atlas

The heads of offices have overall responsibility for establishing and maintaining adequate internal controls in their offices, including issuing clear written delegation of authority to staff members. UNDP's Internal Control Framework requires that each staff member be assigned only one Atlas profile that is consistent with his or her role. It further states that a single staff member may not, at any given time, hold both the first and secondary level of control in Atlas. When this is not possible, offices are required to institute mitigating controls, including more monitoring, that help reduce risks associated with the lack of segregation of duties.

The audit team noted the following instances where staff members' Atlas profiles were found to be in conflict with the Internal Control Framework:

- Four staff members had both human resource administrator (first level of control) and global payroll administrator (second level of control) profiles in Atlas. The Office explained that the two staff members served as alternates to two other staff members. However, there was no mechanism put in place, such as strengthening controls on transactions initiated by these staff members, to prevent them from exercising first and second level controls on the same transactions.
- One staff member had both project manager and senior manager profiles in Atlas, without this being detected by the management of the Office. During the audit period, there were 17 instances where the staff member exercised both the first and secondary level of controls and approved requisitions and associated purchase orders on the same transactions for a total of \$91,000. However, the audit team further reviewed the transactions and did not detect any irregularities.
- Fourteen staff members with project manager profiles in Atlas had not been provided with written delegations of authority, as required.

These exceptions occurred because of a lack of oversight. The failure to properly segregate duties or to implement mitigating controls in cases where conflicting roles are assigned to the same staff member could lead to errors and irregularities not being detected in a timely manner.

<b>Priority</b>	Medium (Important)
<b>Recommendation 1:</b>  The Office should strengthen internal controls by: <ul style="list-style-type: none"> <li>(a) regularly and timely reviewing staff profiles and ensuring that no staff members hold both the first and second level of controls in Atlas without mitigating controls in place; and</li> <li>(b) issuing written delegations of authority to 14 staff members with project manager profiles in Atlas, and defining their roles and responsibilities.</li> </ul>	
<b>Management action plan:</b>  <ul style="list-style-type: none"> <li>(a) The Office will comply with the recommendation.</li> <li>(b) The Office has already issued to staff members with project manager profiles the proper written delegations of authority, defining their roles and responsibilities.</li> </ul> <b>Estimated completion date:</b> September 2016	
<b>OAI Response</b>  OAI acknowledges the action taken by management pertaining to recommendation (b); this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

## B. United Nations system coordination

### 1. Harmonized Approach to Cash Transfers

#### Issue 2 No established mechanism for spot-check reviews

The 'Framework for Harmonized Approach to Cash Transfers' (HACT) requires that participating United Nations agencies agree on and coordinate HACT activities, to reduce the burden that the multiplicity of United Nations procedures creates for its partners. Compliance is achieved when the following components have been completed: (a) a macro-assessment of the public financial system; (b) micro-assessments of implementing partners; (c) agreement with the government on implementing HACT; and (d) development and implementation of an assurance and audit plan for implementing partners.

The review of HACT implementation disclosed that, through the Resident Coordinator Office, macro- and micro-assessments had been conducted. However, there were disparities in the implementation of HACT among the implementing agencies in the development and implementation of the assurance plans. For instance, while two of the main HACT implementing agencies were performing spot checks, the Office had yet to implement an assurance plan and conduct financial spot checks and set up the mechanism in place to ensure that the outcomes of the spots checks yielded the expected results. This mechanism should have included the definition of the sample size, and the oversight mechanism to review the work done by the spot checkers, and ensure that issue notes and recommendations from the spot checks were followed up on.

A weak assurance mechanism may prevent the Office from building the capacities of implementing partners, which might lead to poor project implementation and to not detecting errors and irregularities in a timely manner.

<b>Priority</b>	Medium (Important)
<b>Recommendation 2:</b>	
The Office should establish a spot-check mechanism that includes defining the sample size, training of the spot checkers, and defining oversight mechanisms of the spot-check process.	
<b>Management action plan:</b>	
The Office will establish a spot-check calendar for 2016 and will also conduct additional training of spot checkers.	
<b>Estimated completion date:</b> December 2016	

## C. Programme activities

### 1. Partnerships and resource mobilization

#### **Issue 3**      Lack of resource mobilization strategy and low partnership survey results

The 'UNDP Programme and Operations Policies and Procedures' require offices to establish effective partnerships and to develop resource mobilization strategies aligned with their cycles. This should allow them to meet the financial requirements in order to deliver on their commitments.

The UNDP Partnership Survey, which was first launched in 2001, is conducted every two to three years, to solicit feedback from partners on the role and performance of UNDP. The results are used to gain a better understanding of the perceptions of partners and improve the work of UNDP. The results of the survey are shared with Country Offices and Regional/Central Bureaux for analysis and action, and factored into reporting to the Executive Board and performance assessments.

For the existing programme cycle (2015-2019), the non-core resources to be mobilized as per the Country Programme Document amounted to \$152 million, as shown below:

	Targeted amount in the CPD in \$ million (a)	Amount mobilized in 2015-2016 in \$ million (b)	Difference (a-b)
Global Fund to Fight AIDS, Tuberculosis and Malaria	30	72.6	-42.6
Other donors	122	23.3	98.7
<b>Total</b>	<b>152</b>	<b>95.9</b>	<b>56.1</b>

While the Office far exceeded the target amount with regards to the Global Fund to Fight Aids, Tuberculosis and Malaria, the Office had to mobilize \$99 million from other donors to fulfil its commitments. As of the audit fieldwork, the Office had not developed a written resource mobilization strategy, indicating its strengths and weaknesses as well as opportunities and threats of the external environment, which would serve as a basis for mobilizing the remaining required funds.

The Office acknowledged the need for a written strategy and committed to its development. The Office also indicated that since 2013, it had undertaken significant efforts to provide high quality policy advice to the national counterpart and to develop strategic partnerships with the donor community. The Office further added that this resulted in the mobilization of \$124 million from 2013 to 2016.

Additionally, the results of the latest Partnership Survey (2015) disclosed that, in general, there were not enough responses from bilateral and multilateral agencies and donors or from civil society organizations in order to understand the perceptions of partners on the role and performance of the Office. Instances were noted where the Office scored lower average results than those of UNDP or the Bureau. The areas where the Office received lower scores included the following: the image of UNDP is favorable; UNDP is considered a valued partner for my organization; UNDP plays a relevant role in the development of the programme country/countries, and implements projects that reflect the national priorities of the programme country/countries; UNDP delivers high quality programmes through effective project design, planning, monitoring and evaluation; UNDP ensures best value for money and cost effectiveness; and UNDP provides innovative solutions. At the time of the audit, the Office had not developed any action plan to take into account the recommendations for improvement.

The lack of a resource mobilization strategy may jeopardize the Office's ability to sustain long-term operations, and may have a negative impact on the achievement of development results.

<b>Priority</b>	Medium (Important)
<b>Recommendation 3:</b>	
The Office should establish a resource mobilization strategy and improve partnerships with stakeholders by:	
(a) developing a strategy that takes into account its strengths and weaknesses as well as external environment opportunities and threats; and	
(b) developing an action plan from the feedback received on the Partnership Survey to make improvements in low-scoring areas.	

### Management action plan:

- (a) The Office will establish a resource mobilization strategy that takes into account the Office's strengths and weaknesses as well as external environment opportunities and threats. A steering committee has been tasked to this effect and is already working under the leadership of the Senior Economist. The first draft of the resource mobilization strategy is due in the coming weeks.
- (b) The Office will prepare an action plan to improve in areas where it scored low. In addition, it will establish a communication action plan to increase the Office's visibility and better strategize with the donor community and all of the UNDP programme stakeholders. A training session will also be organized for the programme staff on the project implementation in the 'UNDP Programme and Operations Policies and Procedures' for a better understanding and correct use of the pipeline module in Atlas.

**Estimated completion date:** September 2016

## 2. Project management

### Issue 4 Weaknesses in definition, monitoring and financial closure of projects

According to the 'UNDP Strategic Plan: 2014-2017', offices are required to focus their interventions on programme delivery and development results. Moreover, the 'UNDP Programme and Operations Policies and Procedures' set out the following provisions for the definition, monitoring and closure of projects: (i) project developers and concerned Country Office programme personnel should assess the project implementation capacity of all potential partners that have been identified; (ii) for projects under direct implementation modality, offices should obtain prior authorization from the Director of the Regional Bureau; (iii) a physical inventory of assets should be undertaken at least once a year and the assets list should be certified by the project manager and partners; (iv) Combined Delivery Reports should be prepared on a quarterly basis; and (v) a project closure checklist should be completed and relevant documentation attached to justify final closure in Atlas.

#### (a) Absence of authorization for directly implemented projects

The Office's portfolio comprised of seven projects under direct implementation modality. For five out of seven projects, the Office did not provide the authorization from the Regional Bureau for Africa to directly implement the projects. For another project, the authorization expired in late January 2015; however, the Office did not request for an extension. Therefore, there was no assurance that the use of the direct implementation modality was relevant and justified.

#### (b) Non-compliance with corporate guidelines on project initiation, monitoring and closure

OAI reviewed five projects (excluding the Elections project and the Global Fund project, which were audited under different modalities) representing 32 percent of project expenditures during the period under review and found the following:

- In two cases, capacity assessments of national implementing partners were not performed prior to entrusting them with project management. The assessment was conducted after the audit mission.
- Quarterly Combined Delivery reports were not prepared for Project Nos. 73048 and 87117.

- The list of 2015 certified assets were not provided for Project Nos. 80170 and 87611. As of the end of the audit fieldwork, Programme Managers indicated that they were being finalized.

Furthermore, the audit team reviewed records of 7 out of 48 projects that were financially closed in 2015. The Office did not make available the project closure checklists and related supporting documentation. The Office also did not provide an explanation for the reasons for the exception.

Weaknesses in project initiation and monitoring may lead to issues not being addressed in a timely manner, and may lead to non-delivery of expected outputs. In addition, not maintaining proper records, including checklist, does not provide assurance that the Office followed all policies and procedures when financially closing a project.

Priority	Medium (Important)
<b>Recommendation 4:</b>  The Office should improve compliance with UNDP's requirements regarding the initiation, monitoring and closure of projects by: <ul style="list-style-type: none"> <li>(a) obtaining the Regional Bureau's authorization for any directly implemented projects and monitoring their expiration dates for extension purposes;</li> <li>(b) systematically assessing the capacities of national implementing partners before entrusting them with project implementation;</li> <li>(c) preparing quarterly Combined Delivery Reports; and</li> <li>(d) keeping an updated project closure checklist and required supporting documentation during the financial closure of projects in Atlas.</li> </ul>	
<b>Management action plan:</b>  <ul style="list-style-type: none"> <li>(a) The Office will obtain the Regional Bureau for Africa's authorization for all new projects under direct implementation modality.</li> <li>(b) The Office will conduct capacity assessments for current and/or future national entities selected as implementing partners. The Office would like to recall and stress that capacity assessments have been done for all current national entities selected as implementing agents for all the ongoing nationally implemented projects. The Local Project Appraisal Committee is always requested to report on its recommendations before the approval of any Project Document by the Resident Representative/Country Director.</li> <li>(c) All the missing quarterly Combined Delivery Reports have been prepared and signed. In addition, the programme staff and all of the project teams have been requested to do so from now on a quarterly basis. The Combined Delivery Reports will be part of the project quarterly report.</li> <li>(d) The Office will keep an updated project closure checklist and all the required supporting documents for the financial closure of projects in Atlas. A training session will be organized internally on the topic for the programme staff and the national counterparts.</li> </ul>	
<b>Estimated completion date:</b> December 2016	

### OAI Response

OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

## D. Operations

### 1. Human resources

#### Issue 5 Mandatory training courses not completed

UNDP has instituted mandatory training courses to raise and strengthen awareness of some of its core values. The mandatory courses are as follows: Basic Security in the Field; Advanced Security in the Field; Legal Framework; Ethics and Integrity at UNDP; Gender Journey; and Prevention of Harassment, Sexual Harassment and Abuse of Authority. Staff members are required to complete the training courses in the Learning Management System within six months following entry on duty.

Only 2 out of 58 staff members completed all mandatory training courses. Specifically, 39 (67 percent) staff members did not complete the mandatory training on Ethics and Integrity at UNDP; 54 (93 percent) did not complete the Legal Framework training and 45 (78 percent) did not complete the course on the Prevention of Harassment, Sexual Harassment and Abuse of Authority. With regards to the security courses, 13 staff (22 percent) had not completed the Basic Security in the Field training and 22 staff (38 percent) had not completed the Advanced Security in the Field course. Furthermore, none of the 113 service contract holders had completed the mandatory security training courses.

The very low completion rate of the mandatory training was caused by ineffective management oversight over the training courses. Specifically, the Office did not develop a timetable for all staff members to complete the mandatory training courses, and did not properly monitor the progress of training completion.

Not completing mandatory training courses may result in staff members not being aware of UNDP's mandate, their roles and responsibilities, and the highest ethical standard and behavior expected from them. This could lead to practices or behavior that could have a negative impact on the reputation of UNDP.

<b>Priority</b>	High (Critical)
<b>Recommendation 5:</b>	
The Office should set up a timetable for all staff members and service contract holders to complete all mandatory training courses, and monitor and track completion.	
<b>Management action plan:</b>	
A timetable will be established for all staff members to complete all mandatory trainings.	
<b>Estimated completion date:</b> December 2016	

## Issue 6 Weaknesses in human resources management

The 'UNDP Recruitment and Selection Framework' provides that recruitment shall be guided by the principles of competition, objectivity, transparency, diversity and accountability. Objectivity requires screening to be conducted with professional rigor and candidates to be measured against clearly articulated criteria, job skills, competencies and corporate priorities. According to the transparency principle, "the recruitment and selection criteria and all phases of recruitment processes will be transparent to staff and candidates to the fullest extent possible."

Moreover, the 'Service Contract User Guide' (26 June 2015) provides a template for the service contract, which is the legal document between UNDP and the individual being contracted. This contract cannot be modified without consultation with, and clearance of, the Office of Human Resources Policy Unit and the Legal Office.

The audit team reviewed the recruitment process of all professional staff in 2015 (4 international staff with fixed-term appointments, 3 international staff on temporary appointments and 1 national officer) and 10 out of 71 service contract holders recruited during the audit period. The exceptions noted are summarized below:

### Screening criteria not disclosed

For two international staff holding temporary appointments and four service contract holders, the criteria used for either longlisting or shortlisting candidates were not shared. As an illustration, for position nos. 49853, 54752, 55927 and 56608, only overall comments were provided on the shortlisted candidates. For position 49850, the comments were provided for some longlisted applicants only. Further, there was no documented process to determine how candidates went from being longlisted to shortlisted.

Non-adherence to the principles of objectivity and transparency does not guarantee that the best candidate will be selected and may result in the hiring of individuals who might not meet the highest standards of competence.

### Legal framework for service contracts not adhered to

The Office was not using the appropriate template for service contracts. For all contracts reviewed, it was noted that Annex A representing the positions' terms of reference was not attached to all 10 contracts reviewed. Furthermore, the paragraph referring to performance bonus was not included in Annex B of all 10 contracts reviewed. Therefore, there was no guarantee that staff under the service contract modality were aware of their duties and responsibilities, as well as benefits and entitlements of the contracts.

<b>Priority</b>	Medium (Important)
<b>Recommendation 6:</b>  The Office should strengthen human resources management by: <ul style="list-style-type: none"> <li>(a) disclosing evaluation criteria for all steps of the recruitment process especially for longlisting and shortlisting and documenting them in recruitment files; and</li> <li>(b) ensuring completeness of all service contracts as prescribed in the 'Service Contract User Guide'.</li> </ul>	

**Management action plan:**

The Office will disclose more criteria for all steps of recruitment processes and will revise all service contracts to include the missing parts as per the 'Service Contract User Guide' prescriptions. From 1 January 2016, this is being done for all service contracts.

**Estimated completion date:** December 2016

**Issue 7**      Weaknesses with leave management

According to the 'UNDP Programme and Operations Policies and Procedures' related to the monitoring of staff absences, offices should ensure that annual leave requests are entered and approved in the Atlas system before the staff members go on leave. On 1 April of each year, any days of accumulated annual leave in excess of 60 days are forfeited.

The audit tested the reliability of Atlas leave records for all professional staff members (40) by comparing them with the attendance records (Attendance Record Cards and the Monthly Leave Reports). The following exceptions were noted:

- The analysis of Atlas queries on staff leave information showed that in 73 instances, leave requests were approved after the start date. In five cases, it took between 111 and 279 days, and in eight other instances, between 52 and 86 days for the Office to approve the leave after the start date.
- In one case, the leave balance was erroneous. At the cut-off date, the portion exceeding 60 days was not deducted, leading to an overestimated balance of 30 days as of the 2015 year-end closure. This could result in financial losses for UNDP if the staff member separates from the organization before utilizing his leave days.

The above exceptions indicated that the Office did not adequately monitor leave requests. Consequently, the Office may not be able to ensure that all leave requests are duly authorized and that proper resources are allocated to ensure continuity and efficiency of operations. Additionally, there is a risk that staff members may take leave in excess of their entitlements if not properly recorded.

<b>Priority</b>	Medium (Important)
<p><b>Recommendation 7:</b></p> <p>The Office should improve leave management by:</p> <p>(a) ensuring that leave requests are timely submitted and approved via Atlas; and</p> <p>(b) reviewing and adjusting the erroneous balance.</p>	
<p><b>Management action plan:</b></p> <p>The Office will comply and ensure that all leave requests are timely submitted and approved via Atlas.</p> <p>On point (b), the Office will do a monthly review of data and an adjustment will be made accordingly.</p>	

**Estimated completion date:** December 2016

## 2. Finance

### Issue 8 Ineffective oversight over pending transactions

The Internal Control Framework provides that all pending/unreconciled transactions must be reviewed regularly to promptly detect errors and to reduce the risk of occurrence of irregularities or fraud. The 'UNDP Programme and Operations Policies and Procedures' further state that the payment process includes the following: (a) finance staff members running the pay cycle; and (b) the Disbursing Officer checking the details of supporting documents prior to finalizing payment in Atlas and authorizing the bank to transfer funds to the payees.

The Office had not reviewed and followed up on 165 transactions amounting to \$0.8 million, which were pending finalization in Atlas from 2010 to 2015. These pending transactions comprised of vouchers with missing supporting documentation, vouchers that were to be cancelled or reprocessed, vouchers with cheques to be printed, and vouchers without sufficient details to be investigated.

The lack of proper and timely review and oversight of pending transactions were the causes for these long-outstanding irregularities that remained undetected until the OAI audit. Without adequate review and follow-up, these payments could have been inadvertently finalized when they should have been rectified or cancelled.

Ineffective oversight over pending transactions and inappropriate cancellation of vouchers could lead to undetected fraud or financial irregularities.

<b>Priority</b>	High (Critical)
<b>Recommendation 8:</b>	
The Office should strengthen oversight over pending transactions by:	
<ul style="list-style-type: none"> <li>(a) regularly and timely reviewing pending transactions and taking appropriate actions based on the review of these transactions; and</li> <li>(b) ensuring cancellations of transactions are fully processed, leaving no option in Atlas to reprocess payments on cancelled vouchers.</li> </ul>	
<b>Management action plan:</b>	
A monthly review of all pending transactions will be done, and transactions without proper supporting documentation have already been cancelled.	
<b>Estimated completion date:</b> December 2016	

### 3. Procurement

#### Issue 9 Ineffective oversight over procurement practices

Effective oversight of procurement practices ensures that all appropriate rules and regulations are being followed. Furthermore, procurement review committees are established in UNDP with the mandate to determine whether a procurement process is conducted in accordance with the UNDP rules, policies, procedures and principles, and to submit written recommendations to the heads of the business units. Except for countries operating under increased delegation of authority, all procurement actions with a value of \$50,000 and above shall be submitted to the appropriate procurement review committee.

The Office did not provide evidence that they were operating under increased delegation of authority. Only activities related to "*Restauration de l'autorite de l'Etat et acces a la justice au nord Mali*" were under the fast-track modality, and as such benefitted from an increased delegation of authority.

The review of 20 procurement submissions amounting to \$6.9 million disclosed the following weaknesses related to the oversight functions of the procurement committees:

##### (a) Procurement cases not submitted to the appropriate review committee

Procurement cases were not reviewed by the appropriate procurement committees, as explained below:

##### *Price negotiation:*

- Procurement Case No.11110 amounting to \$282,557 was only assessed by the Contracts, Assets and Procurement Committee even though the total volume exceeded the related delegation of authority. The Office explained that it negotiated the supplier's offer down to \$149,858, which was below the Regional Advisory Committee on Procurement submission threshold of \$150,000.
- Purchase Order No. 10827: The winning offer of \$55,156 should have been submitted to the Contracts, Assets and Procurement Committee. The Office explained that it negotiated the offer down to \$49,229, and also this was caused by budget restrictions. However, this was not substantiated.
- Purchase Order No. 10788: The winning offer of \$52,803 was assessed by the Evaluation Committee and not submitted to the Contracts, Assets and Procurement Committee even though the value of procurement exceeded the Evaluation Committee's delegation of authority. The Office explained that it negotiated the price down to below the Contracts, Assets and Procurement Committee submission threshold after the outcome of the evaluation.

The above practices did not comply with UNDP's procurement principles, which require the Office to first submit the case to the appropriate review committee together with the negotiation strategy. Negotiations should only be undertaken after clearance of a case by those review committees based on the winning bid's initial proposal.

##### *Splitting of contract:*

- A single procurement process for the selection of two Long-Term Agreements for travel services amounting to \$196,536 was split into two submission cases for \$98,268 each, and therefore was only reviewed by the Contracts, Assets and Procurement Committee instead of the Regional Advisory Committee on Procurement. The division of the total Long-Term Agreement value bypassed the Regional Advisory Committee on Procurement review.

*Unjustified absence of submission:*

- Procurement Case No. 8485 was only assessed by the Contracts, Assets and Procurement Committee while two bidders' financial proposals exceeded this Committee's delegation of authority (\$150,000). This should have been submitted to the next highest procurement review committee, which in normal operating conditions should be the Regional Advisory Committee on Procurement.

(b) No evidence of substantive review by the Contracts, Assets and Procurement Committee

There was no evidence of substantive review in five procurement cases (ACP Case ID Nos. 10681, 10820, 8610, 8485 and 11110) submitted to the Contracts, Assets and Procurement Committee. These cases, which included cases that should have been submitted to the Regional Advisory Committee on Procurement, were endorsed by the Contracts, Assets and Procurement Committee without evidence that it fully exercised its oversight mandates. For instance, there was no documented evidence that the Committee questioned the rational of the procurement process, requested clarification on complex cases, and instructed that cases over its mandated threshold be submitted to Regional Advisory Committee on Procurement. As an example, the splitting of Long-Term Agreements and lack of submission of Procurement Case No. 8485 to the Regional Advisory Committee on Procurement were not questioned or rejected.

This was caused by ineffective oversight by the Contracts, Assets and Procurement Committee members over procurement cases submitted before them.

Ineffective oversight over procurement practices may lead to unfair procurement practices and may result in UNDP not obtaining best value for money.

<b>Priority</b>	High (Critical)
<b>Recommendation 9:</b>	
The Office should strengthen oversight over procurement practices by:	
(a) submitting procurement cases to the appropriate review committee; and	
(b) providing evidence of substantive review from the Contracts, Assets and Procurement Committee to support the evaluation results.	
<b>Management action plan:</b>	
The Office will implement the recommendation.	
<b>Estimated completion date:</b> December 2016	

#### 4. General administration

**Issue 10**      Weaknesses in administration of travel

The UNDP travel policy was revised in 2014 to align with UNDP's strategic objectives by emphasizing cost reduction, including purchasing the lowest restricted ticket. The analysis leading to the travel decisions, including the payment of travel entitlements must be properly documented. Travel claims should be filed within two weeks of returning from travel on official business.

OAI reviewed the management of travel in the Office by testing a sample of 14 out of 76 air ticket purchases for official mission totalling \$45,000 and the related Daily Subsistence Allowances. The following weaknesses were noted:

- The Office used three vendors (two travel agencies and one airline) for the procurement of travel amounting to \$348,500 during the audit period. The Office did not have a valid contract with the three suppliers. The Office explained that it piggybacked on Long-Term Agreements from other agencies such as MINUSMA, UNICEF and WFP. However, the copies of such Long-Term Agreements were not available at the time of the audit.
- The Office did not consistently request three quotations from the travel agencies as required by the travel policy. Consequently, the choice of the itinerary was not substantiated by a comparative analysis.
- The Office used direct contracting with one airline for the purchase of air tickets on two occasions for a total of \$7,500 without competition and without seeking alternative routes or completing a cost comparison.
- In two cases, the Office procured air tickets in economy premium and full fare economy class, which is contrary to the UNDP policy that calls for the lowest, non-refundable restricted ticket.
- In five cases, travel claim forms were not completed.

These weaknesses were caused by ineffective oversight over the administration of travel.

Inadequate administration of travel could undermine UNDP procurement principles and might lead to undue benefits paid to travellers.

Priority	Medium (Important)
<b>Recommendation 10:</b>  The Office should strengthen the administration of travel by: <ul style="list-style-type: none"> <li>(a) signing agreements with travel agencies for the provision of travel services or obtaining a copy of the Long-Term Agreements of other United Nations agencies to ensure compliance with their terms;</li> <li>(b) seeking three quotations from travel agencies whenever applicable and demonstrating compliance with the travel policy by adequately documenting the choice of the itinerary; and</li> <li>(c) requiring travellers to submit completed travel claim forms within two weeks upon return from official missions.</li> </ul>	
<b>Management action plan:</b>  The Office will comply with travel rules with regard to documentation of itineraries and travel claim completion.	
<b>Estimated completion date:</b> December 2016	

## 5. Safety and security

[NOTE: This section has been redacted as it is deemed to contain sensitive information.]

### Issue 11 Inadequate security measures

The host government is responsible for the security and safety of United Nations staff and property. The United Nations as an employer is also expected to reinforce and where necessary supplement the capacity of the host government to fulfil these obligations. Minimum Operating Security Standards address the security requirements associated with premises, telecommunications, the security plan, training and equipment. Designated officials and Security Management Team members have important responsibilities in deciding what Minimum Operating Security Standards apply at the duty station. At the level of UNDP, senior management is responsible for the implementation of those Minimum Operating Security Standards, as well as for the drafting and testing of a Business Continuity Plan.

OAI reviewed the Minimum Operating Security Standards self-assessment completed by the Office and after discussions with the United Nations Department of Safety and Security and the UNDP focal point, found the following weaknesses:

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



## Definitions of audit terms - ratings and priorities

### A. AUDIT RATINGS

- **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 entity.
- **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 entity.
- **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 entity could be seriously compromised.

### B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** 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.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.
- **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.