

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

NIGERIA

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Report on the Audit of UNDP Nigeria Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Nigeria (the Office) from 27 July to 10 August 2015. 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, 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 2014 to 31 May 2015. The Office recorded programme and management expenditures of approximately \$65 million. The last audit of the Office was conducted by OAI in 2009.

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 **satisfactory**, which means, “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.”

Key recommendations: Total = 4, high priority = 0

The four recommendations aim to ensure the following: (a) achievement of the organization’s strategic objectives (Recommendation 1); (b) reliability and integrity of financial and operational information (Recommendation 4); and (c) effectiveness and efficiency of operations (Recommendations 2 and 3).

The audit did not result in any high (critical) priority recommendations. There are four medium (important) priority recommendations, which means, “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.” These recommendations include actions to address the following: slow resource mobilization process; inadequate project monitoring and reporting; insufficient controls on cash transfers to responsible parties; and weak compliance with e-procurement.

Implementation status of previous OAI audit recommendations: Report No. 616, 14 July 2009.

Total recommendations: 4

Implemented: 4

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 is located in Abuja, Nigeria (the Country), and at the time of the audit had a staff complement of 65. The Office's programme portfolio consists of 38 projects that focus on governance, social and capital development, and sustainable and equitable economic growth.

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Development activities. Working groups were functional and met regularly within the framework of the UN Country Team to coordinate programming and other activities.
- (b) Governance and strategic management. The Office had implemented its financial sustainability and effectiveness plan and was cognizant of the fact that further efficiency gains had to be undertaken to remain sustainable. Subsequent to the audit mission, allegations relating to possible abuse of authority were made known to OAI. However, these allegations had not yet been reviewed at the time this report was being issued.
- (c) Resident Coordinator Office. Systems for planning and reporting were found to be adequate.
- (d) Harmonized Approach to Cash Transfers. The Office had successfully implemented the new Harmonized Approach to Cash Transfer policy.
- (e) Human resources management. Recruitments and separations of staff and service contractors were generally in line with staff rules, regulations and prescribed procedures.
- (f) Financial management. Payment processing, disbursements and banking activities were found to be compliant with financial policies and procedures.
- (g) Common services. The administration of common services was adequately managed.
- (h) Asset management. The management of assets was found to be in line with organization policies and procedures.
- (i) Safety and security. Security measures implemented were found to be adequate.

OAI made four recommendations ranked medium (important) priority.

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

Medium priority recommendations, arranged according to significance:

- (a) Enhance resource mobilization initiatives (Recommendation 1).
- (b) Improve project monitoring and reporting (Recommendation 2).
- (c) Improve the management and clearing of advances to responsible parties for directly implemented projects (Recommendation 3).
- (d) Strengthen controls in procurement (Recommendation 4).

The detailed assessment is presented below, per audit area:

A. Programme activities

1. Partnerships and resource mobilization

Issue 1 Slow resource mobilization process

UNDP partnership guidelines require offices to mobilize additional resources for the effective implementation of programme objectives.

- (a) For the 2014-2017 programme cycle, the Office required \$161.2 million for project implementation. Based on a preliminary assessment, the Office had secured \$40.9 million, resulting in a funding gap of \$120.3 million. At the time of the audit, the Office had mobilized \$27 million, leaving an unfunded balance of \$93.3 million. Of this \$93.3 million, the Office had pipeline initiatives totalling \$74.8 million (80 percent of unfunded balance) which had yet to materialize into firm commitments and/or agreements with the targeted donors. A review of the pipeline initiatives, which were predominantly at the negotiation stages, showed that \$5.3 million (7 percent of pipeline initiatives) were expected to be finalized by the end of 2015, \$61 million (81 percent) by 2016, and \$8.5 million (11 percent) by 2017. There were no pipeline initiatives for the remaining \$18.5 million, which was equivalent to 20 percent of the unfunded balance of \$93.3 million.
- (b) The Office had no dedicated focal point for resource mobilization. Management commented that all programme officers and senior staff were responsible for resource mobilization and this had been included in the performance assessments of staff. The recruitment of a resource mobilization focal point had been suspended due to organization-wide cost reduction measures, but would be revisited once financial pressure was reduced. As an interim measure, the Monitoring and Evaluation Officer had been assigned to oversee the resource mobilization function.

With the large percentage of pipeline initiatives scheduled for 2016 (the penultimate year of the current programme cycle), and without a staff member dedicated to the resource mobilization function, there is a risk that the Office may not be able to mobilize the resources required for implementing programme activities. There is also a risk of programme results not being achieved.

Priority	Medium (Important)
Recommendation 1:	
The Office should enhance resource mobilization initiatives by:	
<ol style="list-style-type: none"> (a) prioritizing interactions with targeted donors in order to turn pipeline initiatives into concrete commitments and firm agreements; and (b) strengthening the resource mobilization function within the Office either through dedicated staff or by partly involving more personnel in resource mobilization tasks. 	
Management action plan:	
Management will strengthen accountability and monitoring of staff with the resource mobilization function and will continue tracking resource mobilization negotiations and contributions for 2015 and 2016.	

Estimated completion date: December 2015

2. Project management

Issue 2 Inadequate project monitoring and reporting

Based on the Results Based Management Framework guidelines, monitoring activities are key to effective tracking and ensuring progress towards achieving project objectives and results. Implementing partners are also required to submit quarterly progress and financial reports to enable effective monitoring of project implementation.

- (a) During the period under review, monitoring activities were limited and *ad hoc*. The Office did not have a monitoring or a field visit plan for 2014 and 2015. At the time of the audit in July 2015, the Office was in the process of finalizing a monitoring plan that would combine programme oversight, project assurance activities, and a review of the harmonized accounting cash transfer system.
- (b) From a selected sample of six projects, there were two cases where the projects were nationally implemented, and where the implementing partners had not submitted quarterly reports, as required. For one project, only 3 out of the 10 implementing partners submitted progress and financial reports. For the other project, the implementing partner had only submitted one report, which covered nine months of 2014. The Office had no reports from any of these implementing partners for 2015.

In both instances, it could not be established why the Office did not have a monitoring plan and why implementing partners were not submitting the required progress and financial reports.

Management commented that the Office's joint monitoring plan had been finalized and full implementation would begin in September 2015. This would include hands-on training and capacity development to ensure that implementing partners adhered to UNDP's reporting requirements. The monitoring and evaluation training for all implementing partners would continue as part of capacity-building to strengthen the quality of reporting.

Insufficient monitoring and reporting on project progress may result in issues not being detected and addressed in a timely manner.

Priority	Medium (Important)
Recommendation 2:	
The Office should improve project monitoring and reporting by:	
<ul style="list-style-type: none"> (a) finalizing and implementing the monitoring plan that would combine programme oversight, project assurance activities, and a review of a harmonized accounting cash transfer system; and (b) ensuring that implementing partners adhere to reporting requirements as per the organizational guidelines and agreed upon terms. 	

Management action plan:

Management takes note of the recommendations and will comply.

Estimated completion date: November 2015

Issue 3 Insufficient controls on cash transfers to responsible parties

Sound project management would indicate that, in the absence of prescribed guidelines on cash transfers to responsible parties under directly implemented projects, offices should exercise prudent financial management of funds entrusted to third parties.

Cash transfers and clearing of funds advanced to responsible parties implementing certain activities under the Democratic Governance for Development project were not adequate. During the period under review, the Office transferred funds to 16 responsible parties, and in 9 instances, new advances were made before previous advances had been accounted for. Approximately \$1 million in advances given to a government entity in December 2014 were still unaccounted for at the time of the audit.

Management commented that measures had already been put in place for all outstanding advances to be accounted for and cleared. All advances given to responsible parties were to be reviewed and cleared by the Office's Finance Unit and letters were to be sent out to all implementing partners under the Democratic Governance for Development project in relation to outstanding project advances.

Without proper controls over cash transfers to responsible parties, there is a risk that funds may not be properly accounted for or be used for their intended purposes. This may have a negative impact on project objectives and may affect donor confidence in the Office's ability to implement projects.

Priority	Medium (Important)
<p>Recommendation 3:</p> <p>The Office should improve the management and clearing of advances to responsible parties for directly implemented projects by:</p> <ul style="list-style-type: none"> (a) including provisions for cash transfers, management of advances and thresholds for clearing these in the Letter of Agreement between the Office and the implementing partner; and (b) ensuring that all outstanding advances under the Democratic Governance for Development project are cleared and accounted for. 	
<p>Management action plan:</p> <p>Management takes note of the recommendations and will comply.</p> <p>Estimated completion date: November 2015</p>	

B. Procurement

Issue 4 Weak compliance with e-procurement

Procurement guidelines call for the purchasing process to be initiated in Atlas (enterprise resource planning system of UNDP) through the creation and approval of an e-requisition followed by a purchase order. In addition, IPSAS requires that outstanding obligations be accounted for through Atlas as part of the year-end certification process.

From a selected sample of 51 purchase orders totalling \$1.8 million (representing 9 percent of the total value of purchase orders processed for the period under review), there were 16 purchase orders valued at \$424,000 (28 percent of value of selected purchase orders) where both the e-requisitions and purchase orders were created after the selection process had been completed. Of these 16 purchase orders, there were 9 valued at \$389,352 where the purchase order was created and approved after the goods and services had been delivered. An analysis of these 9 purchase orders showed that 5 (totalling \$338,317) were for election printing materials and consultancies; 2 purchase orders (totalling \$34,364) were for fuel and repairs and maintenance; and 2 (totalling \$16,671) were for the purchase of televisions and first aid training. In all nine instances, the procurement was conducted by other units in the Office and not the Procurement Unit, due to time pressure faced by the election project.

Management indicated that plans had already been put in place to correct this practice. No e-requisition and/or purchase orders would be created post facto, and no procurement activities would be made outside the Procurement Unit. Management had also distributed a new standard operating procedure for procurement emphasizing that all procurement should be carried out by the Procurement Unit.

Carrying out procurement activities outside of the Procurement Unit may lead to fraudulent or costly purchases going undetected. Also, by completing procurement activities in Atlas post facto, there is a risk that year-end liabilities will be understated because they are being recorded in the succeeding financial year.

Priority	Medium (Important)
Recommendation 4:	
The Office should strengthen controls in procurement by ensuring that all units in the Office:	
<ul style="list-style-type: none"> (a) discontinue the current practice of creating e-requisitions and purchase orders post facto, carry out better procurement planning; and (b) disallow any procurement activities outside the Procurement Unit. 	
Management action plan:	
Management takes note of the recommendations and will comply.	
Estimated completion date: September 2015	

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.