UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

COTE D'IVOIRE

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Report on the Audit of UNDP Côte d'Ivoire
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Côte d'Ivoire (the Office) from 18 to 29 March 2019. 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);

(b) programme (quality assurance process, programme/project design and implementation, knowledge management);

(c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and

(d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January to 31 December 2018. The Office recorded programme and management expenses of approximately $16.6 million. The last audit of the Office was conducted by OAI in 2014.

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/some improvement needed***,* which means "The assessed governance arrangements, risk management practices and controls were generally established and functioning but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to weaknesses in governance, programme activities, and operations.

Key recommendations: Total = **8**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There are nine medium (important) priority recommendations, which means "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP."

The nine recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 2, 3, 4	Medium
Reliability and integrity of financial and operational information	5	Medium
Safeguarding of assets	6	Medium
Effectiveness and efficiency of operations	7	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	8	Medium

Management comments and action plan

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

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Abidjan, Côte d'Ivoire (the Country), comprised 30 staff and 31 service contract holders at the time of the audit. The 2017-2010 programme was structured around two pillars:

(a) Governance, rule of law and social cohesion, built around two sub-components:

i. democratic governance, with target support to the Government, Parliament, anti-corruption bodies, the Independent Electoral Commission and local authorities; and
ii. peace consolidation, access to justice and national reconciliation.

(b) Inclusive growth and sustainable development, with a focus on initiatives seeking to promote access to renewable energy, improve sustainable production capacities and forest protection, and create jobs and income-generating opportunities benefitting the poor, especially women, youth and vulnerable populations.

II. Audit results

Satisfactory performance was noted in the following areas:

(a) Governance. The Office exercised proper oversight and appropriate risk management to steer towards achieving its intended objectives. Adequate controls were in place.

(b) Operations/Financial management. The review of voucher processing, project cash advances and advances made to national implementing partners indicated that adequate and effective controls were in place. Except for the inadequate implementation of direct project costs, no reportable audit issues were noted.

(c) Operations/Human resources. A review of processes relating to recruitment, separation, leave management, and trainings indicated that controls were adequate and worked effectively.

(d) Operations/Safety and security. A review of the Office's security plan, security risk assessment, and security management team meeting minutes did not disclose any reportable issues.

(e) UN coordination and leadership. Adequate and effective controls were established and functioning.

OAI made nine 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) Strengthen organizational structure (Recommendation 1).
(b) Improve partnerships and resource mobilization (Recommendation 2).
(c) Improve project design and implementation (Recommendation 3).
(d) Improve project closure (Recommendation 4).
(e) Strengthen implementation of Direct Project Costing (Recommendation 5).
(f) Strengthen asset recognition process (Recommendation 6).
(g) Strengthen controls over the management of UNDP resources (Recommendation 7).
(h) Strengthen procurement processes (Recommendation 8).

The detailed assessment is presented below, per audit area:

A. Governance

1. Leadership

Issue 1 Inefficiencies in organizational structure

Timely filling of key positions is crucial to the achievement of the objectives assigned to UNDP Country Offices. The management efficiency ratio monitors the management efficiency of UNDP (with a target of 8.1 percent). It aims to foster management practices whereby a larger share of resources is used for programmatic activities and all activities are implemented with increased efficiency and greater value for money. Finally, the 'UNDP Programme and Operations Policies and Procedures' set out requirements that need to be met prior to establishing a local presence.

(a) Key positions not timely filled

At the time of the audit, the following posts were either not created despite having been identified as critical or were vacant:

- The post of Monitoring and Evaluation Specialist, which had been identified in evaluation reports as critical to the implementation of the Country Programme Document since 2016, had not yet been created.
- The post of head of the Procurement Unit had remained vacant for more than a year.

(b) High management efficiency ratio

The management efficiency ratio or percentage of total UNDP expenditure related to management activities stood at 25.80 percent in 2018 as compared to 9.47 percent for the Regional Bureau for Africa and 6.90 percent for the Integrated Results and Resources Framework target. A high management ratio implies high management costs compared to the resources devoted to programme implementation. The Office explained this high ratio by the increase in the salary scale in 2018 and the fact that 48 percent of the Resident Coordinator/Resident Representative salary was paid by UNDP.

An inadequate organizational structure leads to inefficiencies in the management of resources and in the achievement of results.

Priority	Medium (Important)
Recommendation 1: The Office should strengthen its organizational structure by: (a) finalizing ongoing recruitment processes and ensuring timely filling of future vacant posts; and (b) analysing its management ratio to align it with the Integrated Results and Resources Framework targets.	
Management action plan:	

(a) The recruitment process of the Monitoring and Evaluation Specialist post is underway and will be finalized by mid-July. The Office is now finalizing the recruitment of the Procurement Unit head. A new Deputy/Programme will be assigned to the Office following the new structure established as a result of the de-linking.

(b) The structure of the Office with the level of the post of senior management assigned to the Office, the massive investments to make the Officer greener and the increase in staff salaries constituted major constraints, which have negatively impacted the management ratio. Aware of the need to improve its management ratio, the Office will reflect on ways to improve it.

Estimated completion date: December 2019

2. Corporate External Relations and Partnership

Issue 2 Challenges in resource mobilization

The financial sustainability of UNDP Country Offices depends on their ability to mobilize resources and develop partnerships. Therefore, the 'UNDP Programme and Operations Policies and Procedures' require Country Offices to establish an effective partnership and resource mobilization action plan, identifying the needed resources for programmes and projects, along with an analysis of the external resource environment to determine existing and potential new donors. The resource mobilization action plan should be updated on an annual basis and serve as a strategic document to mobilize resources. The audit noted the following:

(a) Insufficient resources mobilized

- For the 2017-2020 programmatic cycle, the Office committed to mobilize $13.2 million for Governance and $38.3 million for Sustainable Development. As of April 2019, the Office exceeded its target for the Governance area. However, it still needed to fill a gap of $36.3 million for Sustainable Development. At the time of the fieldwork, the Office was moving towards the implementation of the second half of the cycle and yet, there was no indication as to how the funding gap would be filled. In the 2018 Results Oriented Annual Report, four Country Programme Document outputs were not fully achieved due to lack of resources.

(b) Weak response to shift in donor priorities

- The Office commented that the funding gap was mainly because donors significantly reduced support to development programmes, especially in a context where the Country is no longer seen as a humanitarian priority by the donor community. Despite these difficulties, at the time of the audit, there were no efforts made to find alternative funding mechanisms, such as government cost-sharing on projects or reaching out to private sector donors or funding through the South-South Cooperation. In its Country Programme Document, the Office strongly advocated for mobilizing resources with non-traditional donors like the BRICS countries (Brazil, Russian Federation, India, China and South Africa) and private donors. Yet, its resource mobilization actions plan did not make specific references to this strategy, which could have helped raise additional resources.

(c) Weaknesses assigning responsibilities in resource mobilization

- Furthermore, the resource mobilization plan specifies specific roles and responsibilities for several staff members of the Country Office. Except for a simple reference to resource mobilization, these specific actions were not tracked and indicated as key performance indicators in their Performance Management and Development plans.

(d) Weaknesses in planning resource mobilization actions

- At the time of the audit fieldwork, the Office had not developed annual resource mobilization action plans for 2017, 2018 and 2019. As such there was no clear and formalized mechanism as to how to effectively implement and follow up on the resource mobilization plan's actions and activities.

Weaknesses in resource mobilization might not capture changes in the external environment, therefore reducing the Office's ability to raise funds. If not resolved, the funding gap for programme activities will prevent the Office from delivering on its commitments for the current cycle, which could affect its reputation.

Priority	Medium (Important)
Recommendation 2: The Office should improve partnerships and resource mobilization by: (a) revising the resource mobilization action plans on an annual basis and taking necessary actions to reduce the resource mobilization gap; (b) considering innovative and new mobilization approaches, including better communication of UNDP results and actions to non-traditional donors; and (c) indicating in their Performance Management and Development plans, the specific roles and responsibilities of staff members involved in resource mobilization.	
Management action plan: (a) The Office will take all necessary measures to ensure that the resource mobilization action plan is revised on an annual basis and to reduce the resource mobilization gap. (b) The Office had decided to organize round tables on emerging cooperation programmes (new mobilization approaches). (c) The Office will include the specific roles and responsibilities of staff members involved in resource mobilization. **Estimated completion date:** December 2019	

B. Programme

1. Project Design and Implementation

Issue 3 Weaknesses in project design and implementation

The 'UNDP Programme and Operations Policies and Procedures' on project management provide guidance on the various steps and the documentation to be provided at the project definition stage, including: (i) defining results to be achieved that are specific, measurable, achievable, realistic and time-bound (SMART) through a results and resources framework or annual work plan; (ii) identifying the outputs, indicators, and baselines for each of the activities being implemented; (iii) planning for monitoring activities through a matrix that ties expected results, indicators, monitoring and evaluation events (with data collection method), schedule and frequency, responsible person, means of verification, and resources and risks; and (iv) drafting transition and phase-out arrangements including a scale and sustainability plan. The policies further establish a limit of $150,000 for a single grant, and implementing partners are not to receive more than $300,000 or more during the programme cycle.

The audit team reviewed a sample of 7 development projects out of 25 and found weaknesses in project design and implementation.

(a) Lapses in project formulation

- Project formulation: The theory of change linking the actions to higher-level results was not clear, and the defined results were not SMART. A note on the theory of change was developed following the audit fieldwork to explain the logic of interventions and its contributions to the results.
- Results framework: The baselines and targets were missing, and indicators were not SMART. Some targets were under-estimated, leading to achievements of 700 percent or more for some indicators.
- Two projects faced significant funding gaps while half way into the implementation of the projects, exposing the Office to reputational risks for not achieving intended objectives.

(b) Weaknesses in reporting

- Progress reports did not always highlight progress towards meeting targets and visible impacts.
- Final reports did not report on the project performance based on indicators established in the results framework.

(c) Weaknesses in the management of grants

- On three occasions, the individual grant amount given to individual implementing partners exceeded the threshold limit of $150,000.
- The Office signed a Letter of Agreement with the grantees instead of the standard grant agreement, which includes specific clauses related to the management of the grants.
- Part of the grants were recorded as National Implementation Modalities advances, which made their monitoring complex for the Office.

Weaknesses in project design and implementation could lead to not achieving programme objectives, which may expose the organization to reputational damage.

Priority	Medium (Important)
Recommendation 3: The Office should improve project design and implementation by: (a) addressing the weaknesses in project formulation and reviewing the resource mobilization perspectives for the projects facing funding gaps and making strategic decisions on the future of projects along with the stakeholder; (b) strengthening the content of reports (quarterly and financial) focusing on results and impacts; and (c) ensuring compliance with grant modalities, including limits established for individual grants.	
Management action plan: The Office has developed SOPs on project formulation, monitoring and reporting in line with UNDP standard development project guidelines. A Country Office Monitoring and Evaluation mechanism does also exist. The observations do not apply to newly formulated and approved projects. The Office has elaborated on a memo on grant management and an internal mechanism was put in place to ensure that the Office uses the appropriate standard template. **Estimated completion date:** December 2019	

Issue 4 <u>Delayed project closure</u>

Offices are required to close a project operationally when the last financed inputs have been provided and the related activities have been completed.

The audit team reviewed a sample of 3 financially and 3 operationally closed outputs out of 41 and noted the following:

- At the time of the audit, the Office had 11 ongoing outputs that were expired based on output end dates in Atlas. These outputs should have been operationally closed in Atlas, unless evidence was provided to extend the output end dates.
- None of the projects selected for review had completed the operational closure checklist in Atlas.

Without adequate project closure, the Office runs the risk of not being able to capture the lessons learned and comply with donor requirements in a timely manner.

Priority	Medium (Important)
Recommendation 4: The Office should improve project closure by:	

(a) ensuring that operational and financial closure checklists in Atlas are fully completed; and
(b) setting projects' status as operationally closed when the last financed inputs have been provided and the related activities have been completed.

Management action plan:

The Office will comply with the recommendation and take the necessary corrective actions.

Estimated completion date: December 2019

C. Operations

1. Financial Resources Management

Issue 5 Inefficiencies in the implementation of Direct Project Costing mechanism

Direct project costs (DPC) are organizational costs incurred in the implementation of a development activity or service that can be directly traced and attributed to that development activity (projects & programmes) or service.

A review of the implementation of DPC in the Office disclosed the following shortcomings:

- DPC was charged to projects based on their maturity and available budget rather than time spent on a specific project. This rational used by the Office led to overstating some project's expenses and understating others.
- Only staff costs were charged to DPC. General Operating Expenses were yet to be included in the DPC.
- At the time of the audit, the Office had not performed and managed the quarterly reconciliations between budgeted and actual amounts as per the guidelines for the use of standalone projects.

Inadequate implementation of the DPC could negatively impact the Office's financial sustainability by not charging full project implementation costs.

Priority Medium (Important)

Recommendation 5:

The Office should strengthen its implementation of Direct Project Costing by:

(a) updating the workload study to allocate the real portion of direct project costs and redistributing as either staff costs or General Operating Expenses as per the guidelines; and
(b) Performing regular reconciliations between budgeted and actual amounts.

Management action plan:

The Office will:

(a) Update the workload study and allocate the costs as per the policies.

(b) Perform regular reconciliations.

Estimated completion date: December 2019

Issue 6 Challenges in recognizing assets in Office's registry

The 'UNDP Programme and Operations Policies and Procedures' define property, plant, and equipment as a tangible or physically verifiable items that meet certain criteria, including those that are "used and controlled by UNDP'' and that have "a cost that can be reliably determined.'' In addition, property is defined as a class of assets that is either (a) land, or (b) a building owned and/or controlled by UNDP with a cost (or value if donated) of $1,500 or more.

The audit team noted weaknesses, specifically in the recognition of the Office's building as part of its property.

- The Office was provided a letter of assignment for the Office's building by the Government in 1967. However, it had not undertaken steps to convert this into a title of property to integrate its value in its asset registry and had not requested support from the Administrative and Services Division.

Without recognizing the Office building in the asset registry, investments in the property cannot be correctly accounted for.

Priority Medium (Important)

Recommendation 6:

The Office should strengthen the asset recognition process by pursuing discussions with the local authorities to clarify the status of ownership of the building.

Management action plan:

The Office has already "inquired with the local authorities about the way forward in securing the property title." A regular follow up will be done until status is clarified.

Estimated completion date: July 2019

2. ICT and General Administration

Issue 7 Delays in recovering undue benefits

A review of the general administration and staff benefits disclosed non-compliance with the organization's policies. Illustrative examples were as follows:

A staff member was unduly paid $6,590 in 2017 for Home Leave. At the time of the audit, no reimbursement had been processed.

Between 2015 and 2018, one staff member benefited from the personal use of an Office vehicle without authorization from the Bureau for Management Services (but with the authorization of the Resident Representative/Resident Coordinator) as required by the policies. At the time of the audit, no recovery for such use had been made.

Between 2017 and 2018, the Office paid $5,500 for mobile communication, in excess of the allowance limits given to staff members. At the time of the audit, one staff member had not yet fully reimbursed the costs related to the personal use of mobile communications for the previous two years.

This lack of recovery of known undue benefits may result in financial losses

Priority	Medium (Important)
Recommendation 7: The Office should strengthen controls over the management of UNDP resources by: (a) reinforcing due diligence when approving entitlements for Home leave, personal use of vehicles and allowance for mobile phones; and (b) ensuring that undue benefits are timely recovered.	
Management action plan: The Office will: (a) Reinforce the monitoring of the above-mentioned entitlements by performing quarterly reviews. (b) Perform close monitoring of undue benefits and ensure that reimbursements are made promptly. **Estimated completion date:** December 2019	

3. Procurement

Issue 8 Weaknesses in procurement processes and activities

The 'UNDP Programme and Operations Policies and Procedures' state that Offices are required to develop an annual consolidated procurement plan, and review and update it regularly. The Individual Contractor guidelines stipulate that for contracts over $5,000, a minimum of three qualified offers must be considered. Under certain circumstances, and subject to proper justification, it may be appropriate to consider a single offeror as the only suitable individual for the selection. Finally, contract management ensures that all residual obligations, such as warranties, guarantees, and after sales services and support are clearly defined in terms of responsibility, liability, procedures and timeframes.

The following weaknesses were noted during the review of procurement and individual contract management activities:

(a) Inadequate procurement plans

The 2018 and 2019 consolidated procurement plans did not include requisition plans from all project activities. The large variance between the planned procurement of $0.6 million and the actual procurement volume of $4.6 million in 2018 did not allow for the development of an efficient procurement strategy, such as developing rosters or prequalifying suppliers and contractors.

(b) Inadequate management of individual consultants

Eight individuals out of 10 were directly contracted for approximately $120,000 mainly due to time constraints. The "standardization" exception used by the Office should only be used for other purposes than individual consultants.

In 5 cases out of 10 sampled above $5,000, the Office was unable to identify at least three qualified candidates as required by the policies.

(c) Exceptions to the competitive process

In a sample of 7 out of 32 procurement cases (amounting to $340,682), contracts were awarded even though there wasn't a minimum of three vendors competing, as required by UNDP procurement policies. In three cases amounting to $202,000, the sole offeror was selected by default.

(d) Lack of adequate liability insurance coverage

As per the UNDP policy on civil work contracts, contractors shall provide and thereafter maintain liability insurance for at least the amount specified in the contract. At the time of the audit, at least four civil contracts did not provide suitable liability insurance.

Priority	Medium (Important)
Recommendation 8: The Office should strengthen procurement processes by: (a) establishing a consolidated procurement plan that contains requisitions from all projects at the beginning of the year and regularly updating this plan to include major changes during the year and developing a sourcing strategy based on and analysis of the plan; (b) complying with UNDP policies and procedures for goods and services and individual contractor recruitment; and (c) documenting the liability insurance for at least the amount specified in the contract.	

Management action plan:

The Office will comply with this recommendation.

Estimated completion date: December 2019

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** — The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.

- **Partially Satisfactory / Some Improvement Needed** — The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.

- **Partially Satisfactory / Major Improvement Needed** — The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.

- **Unsatisfactory** — The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

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. Failure to take action could result in 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 <u>not included in this report</u>.