

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

MOZAMBIQUE

Report No. 2035
Issue Date: 15 May 2019

Report on the Audit of UNDP Mozambique Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Mozambique (the Office) from 4 to 16 February 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 \$9.2 million. The last audit of the Office was conducted by OAI in 2015.

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/major improvement needed**, which means “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.” This rating was mainly due to the reliance on development resources to fund staff costs, low Office delivery, and inefficient project implementation.

Key recommendations: Total = 10, high priority = 3

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1, 5	High
Reliability and integrity of financial and operational information	4	Medium
Effectiveness and efficiency of operations	6	High
	7, 9	Medium
Safeguarding of assets	8	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	2, 3, 10	Medium

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:

Continued reliance on development resources to fund staff costs not sustainable (Issue 1)

In 2018, the Office underwent a transformation plan to reduce both staff costs and the reliance on development funds (TRAC resources). However, even after the transformation plan, the Office was still relying on TRAC funding to fund staff costs.

The Office required a total of \$987,000 for staff costs for 2019. A review of the various resource mobilization initiatives showed that out of a total of \$15.4 million that could be mobilized in 2019, \$4.6 million could be eligible for cost recovery, estimated at 7 percent (i.e., \$322,000). This would be insufficient to meet the required salary costs.

Recommendation: To reduce the dependency on development resources to fund staff costs, the Office should prioritize and increase the number of resource mobilization initiatives.

Low and declining Office delivery (Issue 5)

The Office's delivery during 2017 and 2018 was low, with a declining trend. According to the 2017–2020 Country Programme Document, the Office was to implement \$72 million in projects for development results during the Country Programme Document period. At the time of the audit, the Office was more than half way through the programme cycle, but it had implemented only \$16.9 million (23 percent) of planned resources.

Recommendation: The Office should improve programme delivery by: (a) consulting with the Regional Bureau for Africa on how to prioritize outcomes and activities planned in the Country Programme Document for the remainder of the programme cycle; (b) developing an accelerated implementation plan to speed up the implementation and improve the Office's delivery; and (c) in coordination with the Regional Bureau for Africa and government partners, consider revising the Country Programme Document so that it reflects a realistic plan until the end of the programme cycle.

Weaknesses noted in performance audit of a sample of projects (Issue 6)

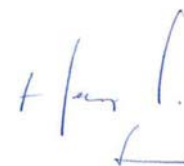
The audit team carried out a performance audit of four projects. Of the four projects sampled, one of them (25 percent) failed to achieve all the results set in 2018, while the others had implemented close to 80 percent of the intended scope of work. The audit team also noted poor timeliness of projects, delays in the approval of annual work plans, weakness in project monitoring and oversight and inefficiencies in the allocation of planned resources.

Recommendation: The Office should improve the effectiveness and efficiency of projects by: (a) ensuring that the implementation of projects is done in line with the planned activities and timeliness as per the project document; (b) having project monitoring and oversight systems instituted for all projects; and (c) having annual work plans approved during the last quarter of the previous year.

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.

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Helge Osttveiten

2019.05.16

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Helge S. Osttveiten

Director

Office of Audit and Investigations