UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE ISLAMIC REPUBLIC OF MAURITANIA

Report No. 1431

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(REDACTED)

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Report on the audit of UNDP Islamic Republic of Mauritania
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UNDP Office in the Islamic Republic of Mauritania (the Office) from 16 February to 6 March 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, asset management, leave management).

The audit covered the activities of the Office from 1 January to 31 December 2014. The Office recorded programme and management expenditures totalling $8.7 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 **unsatisfactory**, which means, “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.” This rating was mainly due to the financial sustainability of the Office being at risk along with weaknesses in resource mobilization, lack of synergies in the Office where the units worked independently and did not benefit from the expertise of other units or colleagues, and weaknesses in finance and leave management.

Key recommendations: Total = **16**, high priority = **5**

The 16 recommendations aim to ensure the following: (a) achievement of the organization’s strategic objectives (Recommendation 1, 3, 4, 6, 8, 10); (b) reliability and integrity of financial and operational information (Recommendation 9, 11, 14); (c) effectiveness and efficiency of operations (Recommendation 2, 5, 7, 12); (d) safeguarding of assets (Recommendation 15); and (e) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 13, 16).

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:

Lack of synergies in the Office (Issue 2)	The Office's organizational structure was ineffective due to a lack of synergies between and within units. In general, the units worked independently and did not benefit from the expertise of other units. This contributed to inefficiencies in operations such as processing errors and negatively affected the programme delivery of the Office. Recommendation: Strengthen synergies within the Office by: (a) establishing practices of consultation between the units when projects are being developed, implemented or monitored; (b) establishing regular meetings and effective communication among units in order to timely address issues impacting delivery; and (c) finalizing the review of the organization structure and providing staff team building exercises and trainings.
Office financial sustainability at risk (Issue 4)	The Office's extrabudgetary reserves declined from 24 months in 2012, to 9 and 8 months in 2013 and 2014, respectively. The delay in the implementation of cost-saving measures, insufficient use of Direct Project Costing, inadequate cost recoveries, and outstanding Government Contributions to Local Office Costs raised uncertainties about the Office's financial sustainability. Recommendation: Improve the financial sustainability of the Office by: (a) fully implementing the recommendation to significantly reduce the staff costs charged to the extrabudgetary reserve; (b) implementing the Direct Project Costing methodology; (c) establishing cost recovery methodologies which are proportionate to the services rendered; and (d) continuing its effort in following up with the Government on all outstanding Government Contributions to Local Office Costs.
Weaknesses in resources mobilization (Issue 6)	There were weakness in resource mobilization efforts. The Office had targeted to mobilize a total of $36 million in resources during the 'United Nations Development Assistance Framework' cycle. However, only $13 million in resources were mobilized (36 percent) as of February 2014. Recommendation: Improve resource mobilization by: (a) implementing the resource mobilization action plan and adopting a strategy involving different programme areas that would allow the Office to improve its financial sustainability; and (b) including resource mobilization as one of the key performance indicators in the Performance Management and Development process of staff members with overall responsibilities of mobilizing resources.
Weaknesses in leave management (Issue 9)	The review of leave management revealed several control weaknesses, including a high level of leave adjustments, overstatement of leave balances, and inadequate monitoring of sick leave and compensatory time-off. Recommendation: Improve leave management by: (a) ensuring that leave requests are submitted and approved via Atlas e-service; (b) monitoring and reporting all types of sick leave in compliance with policies and rules; (c) reconciling monthly leave balances with Atlas records and ensuring that discrepancies are corrected in a timely manner; and (d) establishing a system to monitor and ensure eligibility on the use of compensatory time-off by staff.

Gaps in financial oversight (Issue 11)	There was a lack of segregation of duties and oversight over the activities of individuals. In two cases totalling \$190,000, one staff member provided advisory services to national partners, signed the agreement issued for the advisory services, and approved the payment voucher in Atlas. In one out of these two cases, the same staff also signed the payment order. In another case amounting to \$10,000, the same staff member initiated and certified the payment request, approved the voucher and signed the bank transfer forms. Additionally, the trend analyses of the Office's Trial Balances for 2013 and 2014 noted unusual variations that needed to be reconciled and cleaned. There was no practice within the Office to regularly conduct a review and reconciliation of unusual accounts. Recommendation: Strengthen financial oversight by: (a) establishing adequate segregation of duties in processing transactions and validating the financial reports for the use of funds; (b) promoting the correct use of the Charts of Accounts through regular training, and enforcing oversight from the Operations Unit in order to limit errors and irregularities; and (c) establishing a mechanism to review general ledger accounts to timely detect and reconcile unusual balances or account variations.

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.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office is located in Nouakchott, Islamic Republic of Mauritania (the Country). At the time of the audit, it had 29 staff members, 1 service contract holder and 1 United Nations Volunteer. The 'United Nations Development Assistance Framework (2012-2016)' was developed for eight resident and four non-resident United Nations agencies. It was designed to complement and support the development initiatives of the Government. The four areas of intervention noted in the Framework were as follows: the fight against poverty and food insecurity; access to basic social services and the maintenance of HIV seroprevalence to less than 1 percent; strengthening of the environmental governance and the rational use of natural resources; and strengthening of governance and capacity of all stakeholders involved.

II. Audit results

Satisfactory performance was noted in the following area:

Resident Coordinator Office. Key controls were in place and adequate. The United Nations Country Team shared the common goal of improving coordination within the United Nations system in the Country.

OAI made 5 recommendations ranked high (critical) and 11 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, arranged according to significance:

(a) Improve financial sustainability of the Office (Recommendation 4).
(b) Improve resource mobilization (Recommendation 6).
(c) Strengthen financial oversight (Recommendation 11).
(d) Strengthen synergies within the Office (Recommendation 2).
(e) Improve leave management (Recommendation 9).

Medium priority recommendations, arranged according to significance:

(a) Strengthen the control environment (Recommendation 1).
(b) Improve risk management (Recommendation 3).
(c) [redacted]
(d) Strengthen the management of human resources (Recommendation 10).
(e) Improve the efficiency of the procurement process (Recommendation 12).
(f) Strengthen asset management (Recommendation 15).
(g) Comply with travel management policy (Recommendation 14).
(h) Finalize Disaster Recovery Plan (Recommendation 13).
(i) Reassess the Country Office support to national implementing partners (Recommendation 7).
(j) Strengthen project initiation, oversight and monitoring in Atlas (Recommendation 8).
(k) Improve the effectiveness and efficiency of the HACT process (Recommendation 5).

The detailed assessment is presented below, per audit area:

A. Governance and strategic management

1. Organizational structure and delegation of authority

Issue 1 Weak internal controls

The heads of offices have overall responsibility for establishing and maintaining adequate internal controls in the offices that they manage. This entails devising internal control procedures that take into account the context of their operations and ensuring that these controls are documented. Additionally, UNDP's 'Internal Control Framework' requires that a single staff member may not, at any given time, hold both the first and secondary level of control in Atlas (enterprise resource planning system of UNDP). When this is not possible, adequate compensating controls should be established.

The following control weaknesses were noted:

(a) Lack of delegations of authority. During the audited period, delegations of authority were not systematically issued. For instance, nine staff members were making commitments on behalf of the Office while one staff member signed official documents without the proper delegation of authority. These staff members were making commitments beyond their normal approval level, and were therefore taking risks not commensurate with their level of accountability. Issue 11 provides additional examples regarding the lack of segregation of duties in processing transactions.

(b) Weaknesses in assigning Atlas profiles. Eight staff members were delegated both project manager and senior manager roles in Atlas, while two staff members were delegated both human resources and global payroll administrator roles. The Office did not establish compensating controls to address the risk of conflict of interest. Additionally, the Programme Assistant (G5 level) was delegated the administrator role, which was not in accordance with the 'Programme and Operations Policies and Procedures'. Specifically, this role should have been assigned to a senior staff member within the Human Resource Unit, as this role is responsible for creating and maintaining positions in Atlas.

These weaknesses were caused by the lack of an internal control framework for the Office with clear definitions of roles and responsibilities.

Following the audit fieldwork, the Office reported that senior management and staff had either been delegated authority, or were awaiting the finalization of delegations of authority. Furthermore, staff Atlas profiles were updated to segregate duties.

Failure to establish an adequate internal control process could lead to an environment where errors and irregularities may not be detected in a timely manner.

Priority	Medium (Important)
Recommendation 1: Strengthen the control environment by establishing an internal control framework for the Office with clear definitions of roles and responsibilities, and assigning Atlas profiles and delegations of authority accordingly.	

Management action plan: The Office will implement the recommendation. **Estimated completion date:** July 2015

Issue 2 Lack of synergies in the Office

The 'UNDP Strategic Plan 2014-2017' requires the optimization of financial resources to be aligned with the needs of the organization to enhance delivery and effectiveness. To deliver optimum results in a cost effective manner, offices are required to establish a structure that promotes efficiency and internal controls that work effectively.

There was a lack of synergy between and within the different units in the Office. Overall, the units worked independently and did not benefit from the expertise of other units or of other colleagues in the Office, as described below:

(a) Limited synergy among the three programme units (poverty, environment and governance units). Except for a limited number of projects, there were no established practices of consultation among the three units when projects were being developed, implemented or monitored. The thematic leaders of the programme units acknowledged that better synergies among the units would have enabled them to develop cross-sectorial projects, with better impact and results. Management also recognized the limited synergy and stated that the objective had been to increase cross-unit collaboration.

(b) Limited synergy between the Strategic Unit and the three programme units. Discussions with staff and a review of programme documents revealed that the collaboration between these units was limited. Consequently, the expertise of the head of the Strategic Unit was not systematically provided or sought when developing projects. Moreover, the programme units also reported that the positioning of the communications function within the Strategic Unit did not always support their communications activities. For instance, the Office hired a consultant to write success stories rather than using its own communications staff and rather than benefiting from joint collaboration between the units.

(c) High turnover in the Operations Unit. Four staff members had filled the role of the Deputy Resident Representative (Operations) in the eight months preceding the audit fieldwork. This lack of continuity did not allow for decisions made by the Deputy Resident Representatives to have any significant impact on operations, and instead only weakened the synergy among operations and programme units. Furthermore, staff members reported that their roles continuously changed based on the incumbent Deputy Resident Representative's vision at the time, which also impacted work distribution among the different units. Specifically, the following inefficiencies were noted:

- Limited oversight on transactions initiated at the programme level. Approximately 52 percent of all the Office's vouchers were processed by the programme units, which represented about 56 percent of the value of all payments. The Finance Unit did not review these payments, which may have prevented processing errors.

- Non-integration of procurement activities in the project cycle. Procurement activities were not integrated in stages during which projects were being defined and Annual Work Plans were being prepared. This negatively impacted the delivery of the Office, as several procurement processes were delayed and could not be completed in a timely manner. Consequently, procurement activities amounting to $129,000 for one project were cancelled, and $480,000 in unused funds was refunded to a donor due to the delayed implementation of the project.

During OAI's meeting with programme and operations units, it was acknowledged that regular meetings and better knowledge of each respective unit's workflow could have enhanced synergies between the programme and operations units and improved workflow.

Management indicated that the root causes of the weaknesses were due to the organizational structure of the Office and other human factors which prevented effective collaboration. Management further advised that they were currently reviewing the organizational structure.

The lack of synergies in the Office negatively impacted the effectiveness and efficiencies of the Office's operations.

Priority High (Critical)

Recommendation 2:

Strengthen synergies within the Office by:

(a) establishing practices of consultation between the units when projects are being developed, implemented or monitored;
(b) establishing regular meetings and effective communication among units in order to timely address issues impacting delivery; and
(c) finalizing the review of the organization structure and providing staff team building exercises and trainings.

Management action plan:

The Office will implement the recommendations, including providing training sessions for staff on project development, implementation and monitoring.

Estimated completion date: August 2015

2. Risk management, planning, monitoring and reporting

Issue 3 Ineffective risk management

UNDP uses the Enhanced Results Based Management Platform to capture risks and mitigate actions, and uses Atlas to record all information reflecting a project's structure, as defined in the 'Country Programme Action Plan'. Further, the 'Programme and Operations Policies and Procedures', along with the 'Managing for Development Results Guidelines', stipulate that all planning, implementation, monitoring and evaluation, including associated decision-making, should involve a consideration of risks.

The Office updated its risk register in the Enhanced Results Based Management Platform for the 2014 planning. The risk register contained the descriptions, probability, potential impact and corresponding risk status. A review of the five risks identified by the Office showed the following weaknesses:

- Risk formulations neither specific nor adequate. There were risks formulated under broad categories, such as 'Ebola crisis' or 'Increased social tensions'. They did not provide specific details on events or occurrences that could have adversely affected the achievement of results.

- Risk mitigation measures not clearly defined. The risk mitigation measures were not sufficiently elaborated and lacked adequate details. For example, the mitigation measures included 'continuous monitoring of the situation' or 'monitoring of political situation and security in the country', which did not provide steps to mitigate the effects of the existing risks.

- Risks not updated in a timely manner. There was no update on how the Office was implementing any of the risk mitigation actions, and their status remained unchanged since their identification in the Enhanced Results Based Management Platform.

- Incomplete risk assessment. Donors' interest in the Country had decreased due to the change in its status from a Low Income Country to a Low-Middle Income Country. However, the potential risks were not captured in the Enhanced Results Based Management Platform.

- Incomplete risk evaluation during conception of projects. In project documents, risk evaluations were not adequately articulated (see Issue 8 for further details).

The lack of adequate risk management may result in risks not being captured or addressed in a timely manner, which could jeopardize the achievement of results. In addition, failure to meet expected results may negatively affect the reputation of UNDP, and reduce donor interest in funding future projects.

Priority	Medium (Important)
Recommendation 3: Improve risk management by: (a) providing specific details in the formulation of risks that could adversely affect the achievement of results; (b) developing measures to mitigate the effects of the risks; (c) regularly updating the risk logs in the Enhanced Results Based Management Platform to reflect the existing situation and allow for the formulation of adequate measures; and (d) capturing all risks affecting the achievement of results in the Enhanced Results Based Management Platform.	
Management action plan: The Office will implement the recommendation by: (a) preparing and implementing a risk management training session for all staff; (b) providing training to thematic leaders and programme officers to properly formulate risk statements, identify and propose actions for risk mitigation, and periodically monitor and update the risks log in Atlas; and (c) designating the Monitoring and Evaluation Expert responsible for ensuring adequate risk management in the Enhanced Results Based Management Platform.	

Estimated completion date: September 2015

3. Financial sustainability

Issue 4 Office's financial sustainability at risk

The 'Programme and Operations Policies and Procedures' require all offices to maintain an extrabudgetary reserve of at least 12 months to ensure financial sustainability, facilitate operations, and implement planned activities. The Office's extrabudgetary reserves declined from 24 months in 2012, to 9 and 8 months in 2013 and 2014, respectively, which were below the corporate requirement.

Ineffective cost management negatively impacted the extrabudgetary reserve and the delay in collecting the Government Contributions to Local Office Costs raised uncertainties about the Office's financial sustainability.

(a) Ineffective cost management measures

- Delay in the implementation of costs saving measures. The Office had undertaken a financial sustainability and effectiveness exercise in 2013 to determine cost-saving measures to adapt to corporate financial constraints and core budget cuts. However, the recommendation to significantly reduce staff costs charged to the extrabudgetary reserve was not fully implemented. At the time of the audit, 9 of 14 posts were still charged to the extrabudgetary reserve.
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- Insufficient use of Direct Project Costing. Cost savings could have been achieved by charging more staffing costs directly to the project expenditure using the Direct Project Costing methodology. However, this methodology was not fully implemented at the time of the audit.

- Inadequate cost recoveries. The Office used the Universal Price List when charging United Nations agencies and projects for services rendered without considering other alternatives, such as actual costs as specified in the 'Programme and Operations Policies and Procedures'. The cost recovery methodology was not always appropriate, particularly for complex services where actual costs could have been much higher than a flat fee charged using the Universal Price List. In addition, the Office had not recovered at least $100,000 for services rendered to other United Nations agencies and projects because the respective units in the Office did not provide the Finance Unit with details of services rendered for billing purposes.

(b) Outstanding Government Contributions to Local Office Costs

- While efforts made in 2014 resulted in the collection of 2009-2012 outstanding Government Contributions to Local Office Costs, there still remained a balance for 2013 and 2014, totalling $377,000.

The delays in implementing cost-saving measures, along with an inadequate cost recovery mechanism and outstanding Government Contributions to Local Office Costs may put the financial sustainability of the Office at risk.

Priority	High (Critical)
Recommendation 4: Improve the financial sustainability of the Office by: (a) fully implementing the recommendation to significantly reduce the staff costs charged to the extrabudgetary reserve; (b) implementing the Direct Project Costing methodology; (c) establishing cost recovery methodologies which are proportionate to the services rendered; and (d) continuing its effort in following up with the Government on all outstanding Government Contributions to Local Office Costs.	
Management action plan: The Office will take the following actions: ▪ review the current range of services the Office is providing to United Nations agencies and projects and determine the appropriate cost recovery measures based on the outcome of the review; ▪ assign a focal point for all cost recovery issues within the Finance Unit and ensure that costs are timely recovered; ▪ implement the Direct Projects Costing methodology; and ▪ continue following up with the Government in order to collect the outstanding contributions. **Estimated completion date:** October 2015	

B. United Nations systems coordination

1. Development activities

The baselines and targets in the 'United National Development Assistance Framework' were not adequately defined. For instance, the baseline for Outcome 1.1 "*les populations vulnérables en particulier les femmes et les jeunes disposent des outils et maitrisent les techniques de productions de stockage, de récolte et de transformation*" was missing. Further, the baseline and target for Outcome 1.2 in the 'United National Development Assistance Framework Action Plan' were not established. This audit observation was discussed with the Office's management and the Resident Coordinator Office. The Office agreed to consider this in their review of the Framework. Therefore, OAI is not issuing a recommendation in this regard.

2. Harmonized Approach to Cash Transfers

Issue 5 Gaps in implementation of Harmonized Approach to Cash Transfers

To lessen the burden of the multiplicity of United Nations procedures and rules, the 'Framework for Harmonized Approach to Cash Transfers to Implementing Partners' requires that participating United Nations agencies (UNDP, UNICEF and UNFPA) agree on and coordinate Harmonized Approach to Cash

Transfer (HACT) activities. Compliance is achieved when the following four steps have been completed: (a) macro-assessment of the public financial system; (b) micro-assessments of implementing partners; (c) agreement with the Government on implementing the HACT; and (d) development and implementation of an assurance and audit plan for implementing partners.

The HACT administrative and preparatory stages were mostly complete for the three participating United Nations agencies (UNICEF, UNFPA and UNDP). The required macro- and micro-assessments were conducted and the Government approved the overall HACT process. Although there was a HACT Task Force, it was not functional and lacked buy-in from the agencies. The Resident Coordinator Office explained that the HACT Task Force discussed issues related to the implementation of the HACT (assurance plan, training of implementing partners, etc.), but due to the limited engagement of the agencies, the HACT Task Force did not manage to move forward with the joint monitoring of common implementing partners. UNDP conducted four spot checks in 2014, which did not involve other agencies. The audit team reviewed the spot check template and noted the following:

- The template did not include key elements, such as the review of the implementing partner's internal control.
- The issues noted in the spot checks were not included in an action plan and monitored accordingly.
- The results of the spot checks were not shared with the Resident Coordinator Office or with other United Nations agencies.

Additionally, neither of the two staff members who conducted the spot checks received training on how to conduct the checking exercise.

A weak assurance mechanism might lead to poor implementation of HACT and the untimely detection of errors and irregularities.

Priority	Medium (important)

Recommendation 5:

Improve the effectiveness and efficiency of the HACT process by:

(a) revitalizing the HACT Task Force with the collaboration of the Resident Coordinator Office, through the establishment of discussion and exchange forums;
(b) develop spot check tools which take into account the review of the implementing partners' internal controls;
(c) developing training material for the spot checkers; and
(d) sharing spot check results with agencies that share common implementing partners.

Management action plan:

The Office assigned HACT focal points. Further, the Office will work with other United Nations agencies to revitalize the HACT Task Force.

Estimated completion date: September 2015

C. Programme activities

1. Partnership and resource mobilization

As highlighted under Issue 4, the financial sustainability of the Office was at risk, with only 8 months of extrabudgetary reserves, which was below the organization's 12-month threshold. In 2014, except for the environment projects which benefited funding from Japan, the governance and poverty projects were financed from core funds (at least 70 percent). Japan had been the major contributor of funds, representing approximately 56 percent of the total contribution for 2014.

Issue 6 Weaknesses in resources mobilization

The financial sustainability of UNDP Country Offices depends on their ability to mobilize resources and develop partnerships. Therefore, the 'Programme and Operations Policies and Procedures' require Country Offices to establish an effective partnership and resource mobilization strategy as well as a corresponding action plan.

The Office had targeted to mobilize a total of $36 million in resources during the 'United Nations Development Assistance Framework' cycle. However, total resources mobilized were approximately $13 million (36 percent) as of February 2014. The Office acknowledged that resource mobilization had been a challenge and explained that the disparity between the target and the actual resources mobilized was caused by political instability that alienated a number of donors.

Additionally, a consultant was hired to develop the resource mobilization action plan; however, the Office had not implemented the plan as of March 2015. The Office's thematic leaders had the responsibility of mobilizing resources, as specified in their job descriptions. However, this responsibility was not included as one of the key performance indicators for their Performance Management and Development.

Further, a review of the project pipeline disclosed that a poverty component was missing, which was a key element in the 'United Nations Development Assistance Framework' and 'Country Programme Document'. The Office's senior management explained that there were challenges in finding adequate funding opportunities for poverty-related initiatives.

Weakness in resource mobilization affects the sustainability of the Office and the organization's ability to assist the host country in building development activities.

Priority High (Critical)

Recommendation 6:

Improve resource mobilization by:

(a) implementing the resource mobilization action plan and adopting a strategy involving different programme areas that would allow the Office to improve its financial sustainability; and
(b) including resource mobilization as one of the key performance indicators in the Performance Management and Development process of staff members with overall responsibilities of mobilizing resources.

Management action plan

The Office will improve relationships with local strategic partners by organizing quarterly meetings to exchange on achievements, carrying out annual bilateral reviews, organizing periodic informal thematic meetings, and organizing visits to project sites. Further, the Office will prepare and implement a communication plan for mobilizing resources and improving partnerships.

Estimated completion date: October 2015

2. Project management

Issue 7 Significant Country Office support to nationally implemented projects

The 'Programme and Operations Policies and Procedures' require that UNDP provides Country Office support services at the request of governments. Where such services are provided, UNDP rules and regulations should be followed, including establishing exit strategies.

The UNDP policy requires that nationally implemented projects be managed and implemented by national entities. However, the Office provided substantial operational support to such projects, specifically by conducting various procurement activities for the government entities. Even if the capacity assessments of implementing partners did not give rise to any major concerns, as the risk rating of these partners ranged between low and medium, the Office still provided substantial support. The Office explained that their support services were requested by the Government, although such requests were not fully documented. This request was subsequently confirmed by OAI in a meeting with one government ministry. It was also noted that the Office had not developed an exit strategy.

The Office acknowledged that this situation was of concern because the implementing partners did not want to take appropriation of the projects and preferred that UNDP to be more involved. They claimed that this was also due to the lack of capacity (contrary to the results of the capacity assessments) as well as a reluctance to take fiduciary responsibility of funds.

In the absence of a cost recovery agreement, the Office used the Universal Price List rate for services provided to the Government. The UNDP cost recovery policy states that the Office must recover any direct costs incurred on the basis of actual costs or on a transaction basis using the Universal Price List. The UNDP 'Programme and Operations Policies and Procedures', however, do not provide clear guidance for situations where Country Office support to nationally implemented projects provided is not driven by capacity gaps, but by the reluctance of the implementing partners to take fiduciary accountability for funds advanced.

Using the Universal Price List without conducting a cost analysis increases the risk that actual costs for services provided will not be fully recovered, which may impact the sustainability of the Office.

Priority	Medium (Important)
Recommendation 7: Reassess the Country Office support to national implementing partners by: (a) obtaining a duly signed request from the national implementing partner that explains why there is a need for the Office to provide its support services to a nationally implemented project; (b) performing an analysis of the cost recovery scheme to ensure that costs recovered are proportionate to the services rendered to the government implementing partners; and (c) developing capacity-building and an exit strategy with the view to transfer ownership and accountability to the national partners.	
Management action plan: The Office will implement the recommendations, including carrying out or updating the micro-assessment of implementing partners, and improving their capacity. **Estimated completion date:** October 2015	

Issue 8 Weaknesses in project initiation, oversight and monitoring in Atlas

The 'Programme and Operations Policies and Procedures' stipulate that, as part of the project appraisal process, UNDP representatives and stakeholders should ensure that projects are designed with clear and measurable results, following standard templates. All projects and substantive revisions should be reviewed by a Project Appraisal Committee to ensure that outputs are aligned with the planned results contained in the 'Country Programme' and that a proper project management structure is in place to monitor and evaluate results. Furthermore, the 'Programme and Operations Policies and Procedures' require that operationally closed projects be financially closed within 12 months of operational closure. Any residual balances should be cleared within this timeframe to enable the financial closure of projects. The following weaknesses were noted:

(a) Project initiation

- Inadequate risk management practices in project initiation. The review of five project documents (Project Nos. 74970, 77675, 73846, 81155, and 82157) disclosed that the risk assessment was missing or inadequately articulated. The Office's general practice was to refer risks to the Atlas risk log, which were incomplete (see Issue 3 for details). Therefore, the risk assessment was not done or not documented during project conception. Further, the review of Atlas risk logs disclosed that the description of the risks, when included, was generally broad (i.e., risk of late disbursement) or inadequately articulated. The project managers acknowledged the shortcoming and the need to take into account risk assessment; however, they explained that they did not receive any training on risk assessment.

- Sub-optimal use of the Local Project Appraisal Committee. The review of the Local Project Appraisal Committee minutes for Project Nos. 74970, 77675, 73846, 81155 and 82157 disclosed that the Committee's composition was not sufficient to provide strategic inputs on project formulation, as would be expected from such a Committee. For the sample reviewed, the Local Project Appraisal Committee meetings did not include the wider development community, such as the international development partners or other units within the Office. For Project No. 82157, the Sub-recipient was not invited to the meeting.

- Local Project Appraisal Committee meetings not substantive. The review of the meeting minutes noted missing information, such as assessments of the relevance of the projects, the project's cost effectiveness, and monitoring and evaluation framework. Furthermore, the meeting minutes were not signed by the participating members.

(b) Project oversight in Atlas

- Fragmented projects in Atlas. Although a recommendation was made by the Regional Bureau for Africa in 2013 to refocus the projects with the objective to reduce the number of projects in Atlas, the Office had not taken action. The Office explained that the number of projects had already been reduced; however, there were some operationally closed projects needed to be financially closed.

- Projects not financially closed. There were 13 projects that were operationally closed between 2009 and 2013; however, they had not been financially closed. Further, the audit noted inconsistencies in the status of eight projects, which ended between 2004 and 2010. These projects were marked as financially closed; however, their award status was "running" in Atlas.

Priority	Medium (Important)
Recommendation 8: Strengthen project initiation, oversight and monitoring in Atlas by: (a) including risk management concept in project documents; (b) providing training to staff on risk management in programmes and projects; and (c) financially closing all projects within 12 months of operational closure and accurately reflecting the projects status in Atlas.	
Management action plan: The Office will pursue the following actions: ▪ Provide a training session once a year to current and new staff on project management in Atlas. ▪ Organize a discussion/training session on the requirements for properly conducting a meeting of the Project Appraisal Committee and the requirements for the minutes. ▪ Accelerate and provide deadlines for the process of financially closing projects that have been operationally closed prior to 2009. Action was taken for awards that were still marked as "running" in Atlas, but the projects were already financially closed. These awards were immediately marked as "closed." **Estimated completion date:** December 2015	

OAI Response

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

D. Operations

1. Human resources

Issue 9 Weaknesses in leave management

The 'Programme and Operations Policies and Procedures' require Country Offices to monitor staff absences and require staff members to obtain authorization from the United Nations Medical Services for any sick leave taken of more than 20 days. Leave recording in Atlas has been mandatory since 1 January 2012.

The review of leave management revealed improper recording of staff leave, as follows:

(a) High level of leave adjustments. In 2014, 373 out of 750 (50 percent) leave days taken by staff members were not submitted and approved in Atlas. Consequently, the Human Resources Unit had to manually adjust the leave balances in Atlas, which was not efficient.

(b) Overstatement of leave balance. Reconciliation between the hard copy of the monthly leave report and the Atlas data showed that the leave balance was overstated by 52.5 days as of 31 December 2014. This translated into an overstatement of liabilities in the organization's books.

(c) Sick leave not adequately monitored. The Office did not have an adequate system of oversight and monitoring of sick leave in place. The audit found that 40 days of uncertified sick leave and 177 days of certified sick leave taken by staff members were not reported in Atlas. Consequently, two staff members respectively took 37 days and 45 days of certified sick leave during 2014 without obtaining the approval of the United Nations Medical Services.

(d) Compensatory time-off not monitored. Staff members took compensatory time-off during the audit period. However, there was no monitoring system and no documentary evidence to validate that this compensatory time was actually earned and taken in accordance with existing policies.

These weaknesses were caused by weak control over the management of leave combined with the limited use of the Atlas e-service module for requesting leave.

Inadequate management of leave could lead to undue benefits, abuse of staff entitlements, or inadequate reporting of liabilities in the organization's books.

Priority	High (Critical)
Recommendation 9: Improve leave management by: (a) ensuring that leave requests are submitted and approved via Atlas e-service; (b) monitoring and reporting all types of sick leave in compliance with policies and rules; (c) reconciling monthly leave balances with Atlas records and ensuring that discrepancies are corrected in a timely manner; and (d) establishing a system to monitor and ensure eligibility on the use of compensatory time-off by staff.	
Management action plan: The Office will implement the recommendation. **Estimated completion date:** December 2015	

Issue 10 Weaknesses in human resources management

The 'Programme and Operations Policies and Procedures' stipulate that individual work plans, as part of the Performance Management and Development process, have to be planned, monitored, executed, and reported on annually. The policy makes senior and middle level managers accountable and all staff responsible for performance management. Furthermore, human resource activities, including recruitment and learning should be adequately planned in order to have a sufficient number of staff, with matching skill requirements to accomplish organizational goals. It is also important to ensure that personnel files are up to date in order to support human resource decisions related to staff members.

A sample of 20 personnel contracts, including fixed-term appointments and service contracts, were reviewed to determine if they complied with relevant policies and procedures and to assess the effectiveness of the Office's selection and separation processes.

The Human Resource Unit had only one staff member in charge of processing human resource activities of the Office and a number of United Nations agencies. The following weaknesses were noted:

(a) Absence of recruitment plan. The Office had not developed a recruitment plan. There were 25 recruitment requests processed during 2014 for the Office and the other United Nations agencies. Due to a lack of planning, these recruitments were processed sporadically, and as received by human resource staff. Consequently, Compliance Review Panel meetings could not be planned on a yearly basis as intended, which generated delays in the finalization of some recruitment processes due to the difficulties in reaching a Compliance Review Panel quorum.

(b) Low completion rate of Performance Management and Development process. Staff performance was not regularly and timely assessed through the Performance Management and Development process. At the time of the audit fieldwork, 75 percent of staff members (including senior management) had not completed the 2014 Performance Management and Development assessments. Therefore, the objectives assigned to staff members were either not defined and/or not validated by the supervisors. Delays in completing performance assessments may affect the identification of expected results and areas requiring improvement.

(c) Weak management of staff learning. The Office had not developed a staff learning plan nor established a functioning Learning Committee. In the Global Staff Survey, the staff members expressed low confidence in the Office's ability to provide adequate training to carry out their work. The lack of a learning plan compounded with an inactive Learning Committee contributed to the following: (a) low completion of mandatory trainings (only 6 out of 29 staff members completed all six mandatory courses); and (b) non-completion of Procurement Certification Level I for 12 Contracts, Assets and Procurement Committee members.

(d) Incomplete staff files. The review of the selected sample noted that staff files were incomplete compared to the human resources file checklist. For instance, copies of signed job descriptions, reference checks, birth and marriage certificates (when relevant), were missing. Consequently, compliance with the organization's recruitment and entitlement policies and procedures could not be validated.

Without adequate human resources management, the Office may not achieve its strategic objectives and development goals.

Priority Medium (important)
Recommendation 10: Strengthen the management of human resources by: (a) preparing human resource recruitment and staff learning plans on a yearly basis, and monitoring their implementation; (b) completing the Performance Management and Development process in line with the organization's deadlines; (c) reactivating the Learning Committee to coordinate and monitor the completion of mandatory training and the required certifications; and (d) organizing the staff files in accordance with the human resources file checklist.
Management action plan: The Office will implement the recommendations. **Estimated completion date:** December 2015

2. Finance

Issue 11 Gaps in financial oversight

According to 'UNDP Financial Regulation 20.02', there must be a segregation of duties to implement the appropriate level of checks and balances on the activities of individuals, thereby minimizing risk, or helping to detect errors or fraud. Furthermore, 'UNDP's Operational Guide of the Internal Control Framework' requires management to maintain a control mechanism that assures an effective review of current financial activities in order to ensure the effective and efficient management of resources administered by UNDP. With the adoption of the International Public Sector Accounting Standards, the cleaning up of the balance sheet accounts has become a corporate priority.

(a) Lack of segregation of duties

The review of 47 payment vouchers amounting to $1.7 million revealed the lack of segregation of duties and/or independent oversight. Specifically, three instances of payments were processed without an appropriate level of controls on the activities of individuals, as described below:

- In two cases totalling $190,000 in December 2014, one staff member provided advisory services to national partners, signed the agreement issued for the advisory, and approved the payment voucher in Atlas. In one out of these two cases, the same staff member also signed the payment order. These payments were made to national partners to carry out activities such as conference and statistical studies. At the time of the audit fieldwork, the financial report for the use of funds had not been produced and validated by the Office as per the signed agreement. Subsequent to the audit, the Office indicated that it received the reports from the national partners.

- For the remaining case amounting to $10,000, the same staff member initiated and certified the payment request, approved the voucher, and signed the bank transfer forms. This payment was initiated directly, without raising a purchase order after a competitive procurement process.

These weaknesses were caused by an ineffective organizational structure, in which the controls were bypassed by the staff member acting as both project manager and officer-in-charge.

(b) Incorrect recording of transactions

A trend analysis of the Office's Trial Balances for 2013 and 2014 noted several balance sheet accounts with unusual variations (ranging from 50 to 678 percent) that needed to be reconciled and cleaned up. These discrepancies were mostly caused by the incorrect use of the Chart of Accounts, and originated from the Programme Unit. The Office also did not clean up accounts at the end of the year. Several meetings held with the programme and operations units confirmed that these errors were due to a lack of understanding of the Chart of Accounts by the Programme Associate, and inadequate oversight from the Operations Unit.

Inadequate segregation of duties and the lack of adequate oversight from the Operations Unit could lead to fraud and irregularities not being detected in a timely manner.

Priority	High (Critical)

Recommendation 11:

Strengthen financial oversight by:

(a) establishing adequate segregation of duties in processing transactions and validating the financial reports for the use of funds;
(b) promoting the correct use of the Charts of Accounts through regular training, and enforcing oversight from the Operations Unit in order to limit errors and irregularities; and
(c) establishing a mechanism to review general ledger accounts to timely detect and reconcile unusual balances or account variations.

Management action plan:

The Office will implement the recommendations.

Estimated completion date: September 2015

3. Procurement

Issue 12 Inefficiencies in the procurement processes

The 'Programme and Operations Policies and Procedures' describe the conditions under which the management of the procurement business function should be processed. They stipulate: (a) during the definition stage of the project cycle, a requisition plan based on estimates of the procurement needs has to be prepared and shared with the Procurement Unit for preparation of the consolidated procurement plan; (b) all procurement cases valued at $50,000 or more, but below the delegated procurement authority of the Resident Representative, need to be submitted to the Contracts, Assets and Procurement Committee of the Office for review; and (c) a detailed specification and description of the goods required should be prepared prior to advertising procurement solicitations.

The review of procurement activities showed weaknesses in the procurement process, as described below:

(a) Weak procurement planning. The Procurement Unit did not prepare a consolidated procurement plan by combining requisition plans from the projects and by defining a procurement strategy that promoted economy of scale, grouped purchases, and decreased transaction costs. Instead, procurement requests from the units were uncoordinated, leading to the processing of a high number of transactions with low value. As an illustrative example, the Procurement Unit raised 15 purchase orders totalling $195,000 in 2014; all of them related to the purchase of computers.

(b) Weak management of procurement cases. The review of 40 purchase orders totalling $1.5 million revealed delays in finalizing and approving procurement cases submitted to the Regional Advisory Committee on Procurement. In two out of four instances requiring approval from the Regional Advisory Committee on Procurement, the time from the submission of the case to the approval process took up to 109 days. The delays were mainly due to the Office's slow and inadequate response to inquiries to support the cases.

(c) Unclear technical specifications. In two procurement cases valued beyond $100,000, the technical specifications were not clearly defined in the terms of reference, which resulted in several offers being received that were not financially and technically comparable. Consequently, the request for quotation was advertised twice due to unclear specifications. This affected the timely completion of the project.

Inefficient procurement processes could affect the deliveries of the projects implemented by the Office.

Priority	Medium (Important)
Recommendation 12: Improve the efficiency of the procurement process by: (a) requiring the Procurement Unit to prepare a consolidated procurement plan by combining the requisition plans from the projects; (b) defining a procurement strategy to regularly evaluate the relevance of the consolidated procurement plan, and to update it when required; (c) establishing a review mechanism of procurement cases prior to submission to the Regional Advisory Committee on Procurement; and (d) validating the technical specification with respective experts prior to advertising the request for quotation for the goods and services required.	
Management action plan: The Office will implement the recommendations. **Estimated completion date:** December 2015	

4. Information and communication technology

Issue 13 Disaster Recovery Plan not tested and approved

Information and communication technologies represent a critical asset for UNDP to fulfil its mission. There are unforeseen situations and threats which can damage or disable critical information systems. Therefore, the 'Programme and Operations Policies and Procedures' require Country Offices to ensure adequate protection of their information systems, to carefully monitor the backup of their critical files, and to plan recovery strategies to reduce the cost and time required for the restoration of systems.

The Office drafted its Disaster Recovery Plan in February 2012 and partially updated it during 2014. The Plan included staff that had already left the organization, and obsolete assets that had already been taken out of the asset register. Furthermore, it had not been tested and approved by management or shared with the Office of Information Systems and Technology for endorsement. The Office stated that the delays in finalizing and testing the Disaster and Recovery Plan were caused by the separation of the Information and Communication Technology Manager during 2014, as a result of the Office's financial sustainability and effectiveness exercise.

Without an up-to-date and regularly tested Disaster Recovery Plan, the Office may not be able to recover its information systems in the event of a systems failure or disaster.

Priority	Medium (Important)
Recommendation 13: Finalize the Disaster Recovery Plan and ensure that it is tested and kept up to date.	

Management comments and action plan:

The Disaster Recovery Plan has been finalized, approved, and uploaded in SharePoint. A copy was provided to the auditors. The Business Continuity Plan/Disaster Recovery Plan will be tested in June 2015.

Estimated completion date: August 2015

OAI Response:

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

5. General administration

Issue 14 Deficiencies in travel management

The 'Programme and Operations Policies and Procedures' stipulate that official travel is to be undertaken based on the most direct and economical route. Furthermore, Daily Subsistence Allowance should not be paid for overnight travel, and travel claims should be submitted to the Office within two weeks of returning from travel.

The review of 13 travel vouchers totalling $24,000 noted the following weaknesses:

- The requirement of choosing the most direct and economical route was not followed. In two instances (voucher #38473 and #39513), staff preferences determined the itinerary, and the cost difference between the most economical route and the one chosen by the staff for personal reasons was approximately $6,700. These travel plans were authorized by respective supervisors without taking into account the travel policy and the organization's best interest.

- There were errors in the calculation of Daily Subsistence Allowances because the Office used an outdated policy. Specifically, allowances were paid to five travellers even for days when they were not on official duty, including overnight travel. The financial impact was $1,300 to the organization.

The issue on unallowable Daily Subsistence Allowance could have been addressed by the submission of travel claims; however, these claims were not filed in 8 out of the 13 cases reviewed. As such, the Office could not validate that travel took place according to the approved travel authorizations.

Additionally, there were two instances where the travel procurement process was initiated outside of the Travel Unit. This lack of coordination was one of the root causes behind the weaknesses indicated above, as staff outside of the Travel Unit may not have had the same level of understanding of travel policies.

Deficiencies in travel management and non-compliance with the 'Programme and Operations Policies and Procedures' may lead to abuse of travel entitlements.

Priority	Medium (Important)

Recommendation 14:

Comply with the 'Programme and Operations Policies and Procedures' regarding travel management by:

(a) ensuring that the most direct and economical route is used;
(b) correctly calculating and validating the amount of Daily Subsistence Allowance to be paid;
(c) requiring staff to submit travel claims along with adequate supporting documentation within two weeks after returning from official business travel and recover any overpaid amounts;
(d) centralizing travel procurement requests in the Travel Unit and providing staff with the necessary training and understanding of the travel policy; and
(e) recover, as appropriate, the amount in excess of the allowable travel costs estimated at $8,000.

Management action plan:

The Office will implement the recommendations

Estimated completion date: August 2015

Issue 15 Weaknesses in asset management

The UNDP 'Programme and Operations Policies and Procedures' require Country Offices to maintain complete and accurate records of all assets. All assets are recorded in the Atlas asset management module and subsequently depreciated based on the assets' in-service date. Disposed assets due to sale, obsolescence, damage or theft should be removed from the asset registry. Furthermore, Article 3.4 of the 'Memorandum of Understanding between UNDP and United Nations Department of Safety and Security' requires recording of the United Nations Department of Safety and Security's assets in the Atlas asset management non-capital ledger.

The following weaknesses were noted.

- The United Nations Department of Safety and Security's assets were not recorded in the Atlas asset management non-capital ledger, as required.

- The Office used the date in the assets' purchase order when setting the depreciation start date. This issue was noted in 19 assets, with acquisition costs totalling $105,000.

- There were 47 obsolete equipment (31 computers, 12 printers, 2 scanners, and 2 projectors) that had not been disposed as of the audit fieldwork.

Inadequate recording and monitoring of assets could lead to assets being lost or misused and not detected in a timely manner.

Priority	Medium (Important)
Recommendation 15: Strengthen asset management by: (a) correctly recording all assets, including United Nations Department of Safety and Security assets, in the Atlas asset management module or non-capital ledger; (b) using the in-service dates for accurate depreciation of assets; and (c) disposing of obsolete equipment in a timely manner.	
Management action plan: The Office will ensure that: (a) staff members are trained on asset management and all assets are correctly recorded in Atlas; (b) in-service dates are used to correctly calculate the depreciation of assets; and (c) obsolete equipment is disposed of in a timely manner. **Estimated completion date:** August 2015	

6. Safety and security

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

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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 <u>not included in this report</u>.