UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE ISLAMIC REPUBLIC OF MAURITANIA

Follow-up of OAI Report No. 1431 dated 12 June 2015

Report No. 1570
Issue Date: 31 March 2016

(REDACTED)

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Report on Follow-up Audit of UNDP Islamic Republic of Mauritania
(Previous OAI Report No. 1431, 12 June 2015)
Executive Summary

From 18 to 22 January 2016, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an on-site follow-up audit of the UNDP Country Office in the Islamic Republic of Mauritania (the Office). This on-site follow-up audit was undertaken, in addition to regular desk reviews, in view of the 'unsatisfactory' audit rating assigned by OAI in Report No. 1431 dated 12 June 2015. The follow-up audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing.*

Audit scope and approach

The follow-up audit reviewed the implementation of 16 audit recommendations. OAI conducted appropriate tests of transactions and activities by the Office from 1 January to 31 December 2015 and interviewed management and staff concerned to determine whether the reported corrective actions were indeed implemented, as reported by the office in the Comprehensive Audit and Recommendation Database System (CARDS).

Good practice

The Office has developed a SharePoint-based application dedicated to the management of travel claims (F10). All staff travels are recorded in the application, which sends periodic reminder notifications to travellers and to their managers to complete their F10s. Once the F10 is submitted, the Travel Service Unit scans the document and saves it in SharePoint, which signals a stop to the reminders. The Office also plans to incorporate the calculation of Daily Subsistence Allowances and the monitoring of compensatory time-off into the system.

Audit results

Of the 16 audit recommendations, the Office had fully implemented 1 and initiated action on 14 recommendations. Some parts of the 14 recommendations were assessed by OAI as "implemented" (refer to Section I), resulting in an implementation rate of 50 percent as per CARDS after the follow up audit.

Implementation status	Number of recommendations	Recommendation Nos.
Implemented	1	1
In progress	14	2, 3,4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16
Not implemented	1	5
Withdrawn	-	-
Total	**16**	

The detailed implementation status of the 16 recommendations has been updated by OAI in CARDS.

Section I summarizes the 15 recommendations that have yet to be fully implemented. OAI encourages the Office to continue to take appropriate actions to address these recommendations. OAI will continue to monitor the progress of the implementation of these recommendations as and when updates are provided by the Office in CARDS.

Section II presents an additional audit issue. While checking the implementation status of previous audit recommendations, OAI took note of an additional audit issue pertaining to unsupported recording of two General Ledger Journal Entries (GLJE) to the Office's extrabudgetary reserves.

The new recommendation aims to ensure the reliability and integrity of financial and operational information.

The Resident Representative provided the revised implementation dates for the outstanding recommendations and also accepted the new recommendation and is in the process of implementing it.
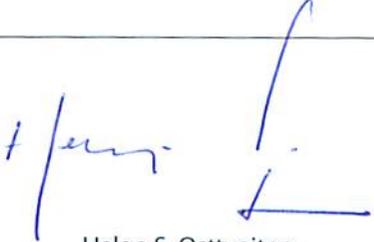
Helge S. Osttveiten
Director
Office of Audit and Investigations

I.   Details of recommendations in progress

Rec. No.	Issue title and recommendation	Implementation status reported by UNDP Mauritania	OAI assessment
2	**Lack of synergies in the Office** 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.	**Implemented** (a) A memo establishing the Office's synergy structures was adopted. These structures also aim to strengthen the team spirit in the Office. (b) Management also established operations/programme meetings where information is shared among units in order to timely address issues impacting delivery, composite performance etc. (c) The post of Deputy Resident Representative – Operations was filled. The Communication Analyst post currently under recruitment will be supervised by the Resident Representative, while all programme matters are under the supervision of the Deputy Resident Representative – Programme. The Office's new organization chart is finalized. It will be implemented in 2016 with finalization of the recruitment for the position of team leader of the new unit named ''Development Durable.''	**In progress** (a) Actions were still not taken to demonstrate consultation between the units to ensure that operations activities were fully aligned with programme objectives. (OAI assessment – Not implemented) (b) OAI acknowledged that management issued a memo in September 2015 establishing operations/programme meetings, periodic management meetings, and global staff meetings requiring mandatory participation of both programme and operations representatives. OAI also reviewed all meeting minutes and noted regular communications among units in order to timely address issues impacting delivery. (OAI assessment – Implemented) (c) As of January 2016, the Office's management had not finalized its organizational structure. In addition, several key positions were still under recruitment, and were expected to be finalized by March 2016. (OAI assessment – Not implemented) <u>Agreed revised implementation date:</u> June 2016
3	**Ineffective risk management** Improve risk management by: (a) providing specific details in the	**In progress** Risk sections in the project documents of projects were updated in the project management section in Atlas (enterprise resource planning system of UNDP). A memo	**In progress** (a) As stated in the management action plans, the Office has designated a focal point for risk management.

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	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.	has been prepared designating the Monitoring and Evaluation Expert responsible for ensuring adequate risk management in the Enhanced Results Based Management Platform. A risk management training session for all staff was organized in December 2015.	A training session on risk management (from the Regional Service Centre in Addis Ababa) also took place from 14 to 18 December 2015. The objectives of the training were to ensure that risks were correctly documented into the appropriate platforms and that a Quality Control System was in place to ensure that risks were properly formulated both in the project documents and in the system. However, the training objectives did not cover the specificities of risk formulation and mitigation. Specifically, the lack of specific details in the formulation of risks continued to be vague and under broad categories. (OAI assessment – Implemented) (c) There were no regular updates of the risk logs in the Enhanced Results Based Management platform. (OAI assessment – In progress) (d) Not all risks were captured in the Enhanced Results Based Management platform. (OAI assessment – In progress) Agreed revised implementation date: June 2016
4	**Office's financial sustainability at risk** Improve the financial sustainability of the Office by: (a) fully implementing the recommendation to significantly reduce the staff costs charged to the extrabudgetary reserve;	**In progress** (a) Corrective action has been taken to reduce the staff costs charged to extrabudgetary reserves by implementing the multi-funding positions. Except for the position of the Resident Representative, all other positions are multi-funded and under at least two Chart of Accounts.	**In progress** (a) Management has implemented actions to reduce staff costs being charged to the extrabudgetary resources. For financial year ending December 2015, a reduction in staff costs charged to the extrabudgetary resources was noted. (OAI assessment – Implemented) (b) Although the Office started to implement Direct Project

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	(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.	(b) A letter has been signed by the Resident Representative and shared with the Government regarding implementation of a new cost recovery methodology, and the use of Multiple Funding Lines for posts, and Direct Project Costing as of 1 January 2015. Direct Project Costing is now used in development projects funded with core resources. (c) The Office has appointed a cost recovery focal point to track the associated costs of all services rendered. With the implementation of the Direct Project Costing, the Office projected to have 17 months of extrabudgetary reserves at the end of the year, through regular verification of the General Management Services set-up in Atlas for cost-sharing projects, the implementation of the Local Price list since July 2015, and the corrective actions taken to reduce the staff costs charged to the extrabudgetary reserves. The extrabudgetary reserves are projected to be sufficient to cover the current year's extrabudgetary costs. However, the Office will continue to monitor its financial sustainability. The projected current year revenue is likely to be higher than the required revenue based on the agreed programme delivery target for the year. (d) As at 30 September 2015, the Office had collected $1.1 million in Government Contributions to Local Office Costs amounting to $1.5 million over the period 2008-2015. The Office will continue the dialogue with the Government on the remaining outstanding contribution of $0.4 million. The contract of the consultant hired for	Costing by using the Multiple Funding Lines methodology, implementation challenges remained. The audit identified an issue on the process as raised in the additional audit issue (refer to issue 1 in section II). (OAI assessment – In progress) (c) The Office had not adopted a new cost recovery methodology in proportion to services rendered. (OAI assessment – Not implemented) (d) As of January 2016, there was still a balance of approximatively $0.4 million in outstanding Government Contributions to Local Office Costs that had not been collected. (OAI assessment – In progress) <u>Agreed revised implementation date:</u> August 2016

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		this purpose has been extended to follow up with the government ministries to underscore the importance of paying the Government Contributions to Local Office Costs. Individual meetings with the ministers will follow to ensure the full collection of the Government Contributions to Local Office Cost arrears.	
5	**Gaps in implementation of Harmonized Approach to Cash Transfers (HACT)** 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.	**In progress** (a) The HACT Task Force (UNICEF, UNDP and UNFPA) chaired by UNFPA held a meeting on in November 2015. The HACT implementation work plan and the joint assurance plan have been reviewed and lessons learned shared. (b) The micro-evaluation recommendations have been shared with the implementing partners during the NIM (national implementation modality) project workshop in August 2015 and used as basis for preparation of the Implementing Partner Capacity Development Action Plan. (c) A memo to share the HACT spot checks template and the transitional assurance plan was signed and shared with staff. One key staff member from the HACT Task Force (Monitoring and Evaluation Officer) successfully completed and passed the online HACT module assessment test. Other staff are in process of completing the online HACT Assessment. The Office has just finalized HACT readiness. (d) The Transitional Assurance Plan involving	**Not implemented** OAI could not obtain evidence that management implemented agreed upon action plans. The following was noted: (a) In 2015, there were no established periodic discussion and exchange forums on HACT. Only one meeting was organized between agencies to discuss/share progress on the implementation of HACT. The Office did not provide evidence for upcoming meetings. (b) As of January 2016, the required changes in the spot check template had not been done by the Office. (c) Management issued a memo in December 2015 on the HACT spot-check process. However, as of 21 January 2016, there was no evidence that training had been developed or provided to spot checkers. (d) There were no spot check results that were shared with agencies with common implementing partners. Agreed revised implementation date: August 2016

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		programmatic visits and spot checks has been prepared and signed by the Office. Furthermore, the Office participated in the HACT implementation progress baseline survey. This survey is intended to gather preliminary information on the progress of micro-assessment/desk review and HACT assurance activity – spot check for all implementing partners in Country Offices in the current country programme cycle.	
6	**Weaknesses in resources mobilization** 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.	**In progress** (a) The partnership and resource mobilization strategy has been finalized and validated. Its action plan will be finalized and validated by January 2016. (b) The 2015 Performance Management and Development plans of programme managers have been reformulated to reflect indicators on resource mobilization. A memo has been signed, designating the Deputy Resident Representative – Programme as the resource mobilization focal point for the Office. Visits to project sites with partners have been carried out periodically. The Office is in the process of recruiting a Communications Officer to replace the previous one (important element in implementation of the strategy).	**In progress** (a) The Office drafted a resource mobilization action plan. However, as of January 2016, this plan had not been reviewed and approved by the Office's management. (OAI assessment – In progress) (b) The Office included 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. (OAI assessment – Implemented) <u>Agreed revised implementation date:</u> June 2016
7	**Significant Country Office support to nationally implemented projects** Reassess the Country Office support to national implementing partners by:	**In progress** (a) The Country Office is in the process of obtaining signed Letters of Agreement between UNDP and implementing partners about the realization of specific services by UNDP.	**In progress:** (a) At the time of the follow-up audit, there was no signed agreement between UNDP and implementing partners. However, the Office reported that initial communications were ongoing.

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	(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.	(b) The Office has designated and approved the Local Price List to charge the support services rendered to United Nations agencies and government partners. The Office has supported the creation of a nationally implemented project support cell within the government ministry. The Office has prepared an action plan for implementing partners on nationally implemented projects. The Monitoring and Evaluation Officer has been designated as a focal point on implementation partners' capacity-building. The nationally implemented project support cell has produced an Implementation Manual, validated by members of all implementing partners. The Office has contributed (with UNICEF, UNFPA and OHCHR) to training implementing partners on programming procedures, using the Human Rights Based Approach and Results Based Management approaches.	(OAI assessment – In progress) (b) There was no evidence that the Office performed an analysis of the cost recovery scheme to ensure that costs recovered are proportionate to the services rendered to the government implementing partners. (OAI assessment – Not implemented) (c) Recommendation has been implemented. <u>Agreed revised implementation date</u>: June 2016
8	**Weaknesses in project initiation, oversight and monitoring in Atlas** 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	**In Progress** (a) Risk sections in the project documents have been updated in the project management section in Atlas. (b) A memo has been prepared designating the Monitoring and Evaluation Expert responsible for ensuring adequate risk management in the Enhanced Results Based Management Platform. A risk management training session was organized in December 2015 (on the occasion of the second support mission from the Capacity Strengthening Team/ Regional Service Centre for Africa.	**In progress** (a) Risk assessments were still missing or inadequately articulated in project documents. (OAI assessment – Not implemented) (b) The Office designated a focal point for risk management. A training session on risk management (from the Regional Service Centre in Addis) also took place from 14 to 18 December 2015. The objective of this training was to ensure that risks were correctly documented in the appropriate platforms and that a Quality Control System was in place to ensure that risks are

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	(c) financially closing all projects within 12 months of operational closure and accurately reflecting the projects status in Atlas.	(c) A process was started to financially close non-active projects in Atlas.	properly formulated both in new projects documents and into the system. However, the training/ objectives did not cover the specificities of risk formulation and mitigation. (OAI assessment – In progress) (c) In its June 2015 management action plans, management stated that it had "accelerated and provided deadlines for the process of financially closing projects that have been operationally closed prior to 2009" in the Project Oversight system in Atlas. However, as of January 2016, five of eight projects had not been financially closed. (OAI assessment – In progress) Further, there were inconsistencies in the status of projects that ended between 2004 and 2010. These projects were marked as financially closed; however, their award status was still "running" in Atlas. (OAI assessment – In progress) <u>Agreed revised implementation date</u>: December 2016
9	**Weaknesses in leave management** 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;	**Implemented** An interoffice memo appointing leave monitors for each unit and for each staff member has been signed and disseminated to all staff. The memo ensures that the appointed staff are aware of the corporate policy they operate within. Further, in September 2015, a training session was organized to provide leave monitors with knowledge and expertise. The appointed staff also participated in the online webinar session organized by headquarters in October 2015 about the revised leave	**In progress** (a) Leave requests were not timely submitted and approved via Atlas e-service. The audit identified the following between July and December 2015: (1) the Human Resources Unit and leave monitors recorded 59 leave adjustments in Atlas; and (2) annual leave taken was not always approved in a timely manner. For instance, 5 of 36 cases of leave taken were approved in Atlas after the leave start date. OAI compared the absences reported in the weekly attendance records to the Atlas records for 9

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	(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 procedures. On a monthly basis, the HR Associate verifies the accuracy of leave balances by comparing Atlas figures with those manually reported in Attendance Record Cards and the Monthly Leave Records. All discrepancies are adjusted in the Atlas HR module. As of today, records indicate that the Office has no issues in regard to leave.	staff and noted that 56 days of maternity leave in October 2015 for one staff member were not reflected in Atlas. (OAI assessment – Not implemented) (b) The Office did not adequately record sick leave taken by staff during the period under audit. Specifically, all certified sick leave days taken (12 days) were not recorded by staff themselves. They were adjusted later by the Human Resource Unit. OAI tested uncertified sick leave taken by two staff and noted that none of the nine days taken were recorded in Atlas. (OAI assessment – In progress) (c) The review of leave balances of six staff disclosed that reconciliations were correctly done. (OAI assessment – Implemented) (d) The Office had yet to establish a system to monitor and ensure eligibility for compensatory time-off by staff. (OAI assessment – Not implemented) <u>Agreed revised implementation date:</u> August 2016
10	**Weaknesses in human resources management** Strengthen the management of human resources by: (a) preparing human resource recruitment and staff learning plans on a yearly basis,	**Implemented** The Office prepared a "weekly tracking sheet" which serves as a human resources recruitment plan. With this tool, the Office adheres to recruitment rules to ensure that the best-qualified candidates are selected. More precisely, the following actions are systematically done and documented:	**In progress** (a) Training plans had not yet been established. The Office committed to discussing the plan during the staff retreat and then work towards its implementation. (OAI assessment – In progress) (b) 89 percent of staff completed their Performance Management and Development process for 2015,

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	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.	(a) As much as possible, national posts are advertised both internally and externally and evidence of the advertisement is kept. For each position, the Resident Representative nominates separate panels for screening of applications, written test and interview. At the end of the meeting, each panel sends a signed report to the Human Resources Unit. The Corporate Review Panel is comprised of officially appointed members. Candidates selected should meet the Terms of Reference requirements in terms of educational background and experience. Decisions taken should reflect the whole process and be consistent with the conclusions of panels of interviews. Weekly follow-up on the status of the recruitment tracking sheet is done between the Deputy/Operations and the Human Resources Unit. (b) The Human Resource Associate reviews the Performance Management Development plan status for all staff and sends messages to remind them about the deadlines. Given the outstanding challenges in the Human Resources Unit, the Office negotiated with the management of UNDP Mali who sent their Human Resources Associate to support the Human Resource Unit from September to November 2015. A training session is planned in the 1st quarter for all staff to familiarize themselves with the Performance Management tool.	compared to 25 percent in 2014. (OAI assessment – In progress) (c) The Learning Committee had not been reactivated to coordinate and monitor the completion of mandatory training and the required certifications. The completion rate for mandatory training courses was still low and did not improve since the last audit. Furthermore, 11 security training certificates expired and needed to be renewed. The audit also disclosed that one staff member did not complete any certifications. (OAI assessment – In progress) (d) The Office indicated that it will designate a Learning Manager and reactivate the Office' Learning Committee. (OAI assessment – Not implemented) (e) Eight staff files reviewed were found to be in accordance with the human resources file checklist. (OAI assessment – Implemented) <u>Agreed revised implementation date:</u> June 2016
11	<u>Gaps in financial oversight</u> Strengthen financial oversight by:	**Implemented** An Internal Control Framework with a clear delineation	**In progress** (a) A new Internal Control framework was prepared by the

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	(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.	of roles and responsibilities is now in place, whereby programme associates take care of programme matters and operations staff handle the operations activities. The Operations Team is organized into five areas (Human Resources, Procurement, Finance, Administration and Information Communications and Technology). The Finance Unit takes care of bank reconciliation, cash management, payments, billing and general ledger issues etc. The Procurement Unit handles the purchasing of goods/services, the hiring of consultants, as well as contracts, assets, and procurement management. The Human Resources Associate is responsible for recruitment, leave, Laissez Passer, Corporate Review Panel, payroll etc. The Administration Unit is responsible for travel, visa, protocol and vehicle drivers. The Information Communications and Technology Associate handles small maintenance, Help Desk, maintenance, infrastructure and Business Continuity Plan. In addition, all of the transactions made by programme associates are cross-checked by operations staff before approval. All of the vouchers are verified and cross-checked by the Senior Finance Associate, and all of the F10 calculation sheets are cross-checked by the Administrative Associate. The Senior Finance Associate ensures oversight to limit errors and irregularities that could negatively impact the Finance and IPSAS Dashboard indicators. The Deputy Resident Representative – Operations ensures quality control assurance before signing the cheques.	Office with clear delineation of roles and responsibilities. Three vouchers valued at $20,000 were reviewed and it was noted that adequate segregation of duties were established when processing the transactions. (OAI assessment – Implemented) (b) The Office did not adequately clean up accounts at the end of 2015. Specifically, an amount of $110,000 was recorded under hospitality expenses accounts although at least $81,000 related to the organization of seminars and workshops. Furthermore, 23 cases valued at $203,000 pertained to payments to suppliers; however, salary and service contract accounts were used. In another 14 cases valued at $155,000, security costs were booked under an account related to construction and engineering costs. Lastly, the recommended training to staff with buyer profiles had not yet been organized and the oversight role from the Operations Unit had not been formalized. (OAI assessment – Not implemented) (c) The exceptions raised in point (b) reveal that the Office did not establish a mechanism to regularly review general ledger accounts and reconcile unusual balances or account variations. OAI only noted a correspondence sent by the Finance Unit to programme staff on 31 December 2015 to request them to review and regularize transactions incorrectly recorded under hospitality expenses accounts. (OAI assessment – In progress) <u>Agreed revised implementation date:</u> August 2016

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		A memo has been signed and shared with all staff to promote the correct use of the Atlas Chart of Accounts.	
12	**Inefficiencies in the procurement processes** 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.	**In progress** A procurement plan template that meets corporate guidelines has been designed and circulated for use in preparing the 2015 unit procurement plans and also the consolidated plan. The identified procurement requests have since been included in the consolidated procurement for 2015. The Office consolidated procurement plan for 2015 is now posted on the Procurement Support Office website. It is regularly reviewed in the programme/operations meeting and in the *Comité Elargi de Gestion*. The Contracts, Assets and Procurement Committee (CAP) Chairperson reviewed the quality and completeness of documents prior to submission to the Regional Advisory Committee on Procurement (RACP) through the Advisory Committee on Procurement (ACP) online system. When required, technical specifications are developed upfront by external experts. All cases submitted in 2015 to the RACP have been approved on first submission.	**In progress** (a) The procurement plan was not comprehensive enough to improve the efficiency of the procurement process. Indeed, the procurement plan initially consolidated by the Office only covered requirements of five projects valued at around $0.8 million, while 2015 procurement was valued at over $2 million as at 31 November 2015. (OAI assessment – in progress) (b) The Office did not provide evidence attesting that the procurement plan was regularly reviewed and updated. The Office indicated that a dedicated meeting will be held on a monthly basis to review the procurement plan. (OAI assessment – Not Implemented) (c) The Office indicated that the quality and completeness of procurement cases were reviewed by the CAP Chairperson prior to submission to RACP through the ACP online system. OAI reviewed the only procurement case submitted to the RACP during the period under review, valued at $97,000. Questions raised by the RACP were timely addressed by the Office. As a result, the case was approved on first submission within only 12 days. (OAI assessment – Implemented) (d) Three purchase orders valued $270,000 were reviewed and it was noted that the technical specifications were clearly defined. The request for quotation was also

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			advertised properly. (OAI assessment – implemented) Agreed revised implementation date: July 2016
13	**Disaster Recovery Plan not tested and approved** Finalize the Disaster Recovery Plan and ensure that it is tested and kept up to date.	**In progress** The Office's Disaster Recovery Plan is updated, approved by the Resident Representative and uploaded on the Office of Information Management and Technology (OIMT) website. It will be tested in the 1st quarter 2016	**In progress** The Disaster Recovery Plan was updated, but had not been tested. The Office indicated that the testing will be organized by the end of March 2016. (OAI assessment – In progress) Agreed revised implementation date: June 2016
14	**Deficiencies in travel management** 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;	**Implemented** The Office adheres to UNDP travel policy, rules and procedures. For each travel, a table is completed based on the itineraries provided by the travel agents and thus the purchase order is approved according to the most direct and economical route. In order to prevent errors in the calculation of Daily Subsistence Allowances, a new F10 calculation sheet has been designed to ensure that Daily Subsistence Allowance rates are accurately calculated. All calculations are verified by the Administrative Assistant and certified by the Finance Unit. The F10 Dashboard has been designed/created by our Office in SharePoint. It is used now to record the related information, and supporting documentation is uploaded. Through messages from the Deputy Resident Representative – Operations, staff have been reminded to complete the F10 upon return from travel within two	**In progress** (a) The procurement of four international travel tickets valued at $23,000 were reviewed and it was noted that the most direct and economical routes were selected and documented. (OAI assessment – Implemented) (b) Five vouchers valued at $8,000 related to the payment of Daily Subsistence Allowance were reviewed and it was noted that calculations were accurate. (OAI assessment – implemented) (c) Travel claims were not submitted in six of eight cases related to staff travels between July and November 2015. The Office developed in November 2015 a SharePoint-based application to record all travels and send reminders to travellers in cases where delays were noted in the

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	(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.	weeks. F10s are filed in Finance Unit after payment.	submission of travel claims. OAI reviewed travels that took place after implementation of that system and noted that in one of three cases, the travel claim was not submitted. (OAI assessment – In progress) (d) Travel procurement requests were centralized in the Travel Unit based on the new Internal Control Framework prepared by the Office. Furthermore, travel and Daily Subsistence Allowance payments reviewed were correctly calculated, which indicated a good understanding of new policies by the staff responsible for travel. (OAI assessment – Implemented) (e) The Office did not initiate actions to recover excess of the allowable travel costs estimated at $8,000. (OAI assessment – Not implemented) <u>Agreed revised implementation date:</u> September 2016
15	**Weaknesses in asset management** 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	**Implemented** The recommendation has been fully implemented. The UNDSS assets are now recorded and certified. The depreciated assets that the Office still uses have been certified by the Global Shared Service Centre. The Office has uploaded the required 2015 certifications. The Asset Management Dashboard is green and the Office is certified.	**In progress** (a) Based on review of the relevant Atlas query, assets belonging to UNDSS were still not recorded in the system. The Office indicated that assets used by UNDSS were procured a long time ago and it was difficult to find the documentation (vouchers, purchase orders, etc). The Office informed OAI that they will liaise with the Global Shared Service Centre to get advice on the issue. (OAI assessment – In progress) (b) The Office was still using purchase order dates when setting the depreciation start date. This issue was noted for

Rec. No.	Issue title and recommendation	Implementation status reported by UNDP Mauritania	OAI assessment
	timely manner.		14 assets procured during August 2015, with acquisition costs totalling $25,000. (OAI assessment – Not implemented) (c) There were 23 IT assets valued at $63,000 that were older than eight years. Since December 2011, only three asset disposals were recorded. Five assets qualified as obsolete during the last audit were still not disposed. Furthermore, one asset valued at $1,782 still appeared in the Atlas asset register even though it had been already sold. (OAI assessment – not Implemented) <u>Agreed revised implementation date:</u> August 2016
▮	[**NOTE**: This section has been redacted as it is deemed to contain sensitive information.] ▮▮▮▮▮▮▮▮▮▮▮▮	▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮	▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮

Rec. No.	Issue title and recommendation	Implementation status reported by UNDP Mauritania	OAI assessment
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II. Other audit issues

Issue 1   Unsupported transactions recorded as extrabudgetary revenue

The 'UNDP Programme and Operations Policies and Procedures' require all transactions including GLJEs to be fully supported before their creation in Atlas. In addition, UNDP IPSAS Closure Instructions advise that, when attributing Direct Project Costing to development projects, offices should use the same Direct Project Costing account on both sides of debit and credit entries of GLJE or accounts payable journal vouchers. This is the attribution of already-incurred organizational expenses from UNDP Country Office management projects to development projects. The offices should use the Direct Project Costing account codes to charge (debit) development projects when reversing (crediting) management projects. Hence, the Direct Project Costing accounts should be "NIL" when aggregated at the Country Office level.

At the time of the audit follow-up in January 2016, the Office's extrabudgetary reserve had increased from 7 months in 2014 to 22 months in 2015. According to the Office's management, this increase was mainly due to the Office's adoption of the Direct Project Costing methodology. The Office now monitors and records actual work performed by few individuals in order to allow for the subsequent allocation and charging of expenditures against project budgets and also due to the increase in other agencies revenue and miscellaneous income.

The audit noted during the review of the financial components of the extrabudgetary reserves, that two Direct Project Costing transactions amounting to $311,496 in financial year 2015 were incorrectly recorded through the use of GLJEs as "other agencies revenue and miscellaneous income" instead of "DPC expenses" as required by UNDP IPSAS Closure Instructions, thus significantly increasing the extrabudgetary reserves. If the Office eliminated these two transactions from the accounting for extrabudgetary revenue, OAI estimated the revised extrabudgetary reserve at 10 months.

Furthermore, the Office did not provide the supporting evidence and details on the GLJEs, which led to the recording of the transactions described above. In the absence of such information, OAI could not assess whether the transactions were justified Direct Project Costing expenditures.

The Office explained that from January to June 2015 the extrabudgetary reserve was used to cover staff salaries, when funds were already available, either in planned dedicated project budgets or through available TRAC (Target for Resource Assignment from the Core) funds, in situations of substantial UNDP support to national implementation. With the adoption of the Direct Project Costing, the Office believed it would be appropriate that extrabudgetary funds already used for salary contribution be replaced by dedicated funds from project budgets.

Inaccurate transaction recording and the lack of adequate oversight on financial transactions could lead to errors and irregularities not being detected in a timely manner.

Priority	High (Critical)

Recommendation 1:

The Office should provide supporting detailed evidence for the recording of the two transactions as Direct Project Costing. This evidence should be subject to the Office of Financial Resources Management's review and clearance. If the Office is not able to provide this evidence, they should revise the calculation of the extrabudgetary revenue by correcting the two accounting entries in Atlas.

Management action plan:

The Office will comply with the recommendation above. Further, in order to increase the extrabudgetary reserves the Office has already taken the following actions: (i) full implementation of the UNDP corporate policy on cost recovery; (ii) designation of a Country Office focal point on cost recovery to track the costs of all services rendered; (iii) Country Office cost containment; and (iv) monitoring the months of extrabudgetary reserve to ensure sustainability.

Estimated completion date: June 2016

ANNEX   **Definitions of audit terms – implementation status, ratings and priorities**

A.   IMPLEMENTATION STATUS

- **Implemented**   The audited office has either implemented the action as recommended in the audit report or has taken an alternative solution that has met the original objective of the audit recommendation.

- **In progress**   The audited office initiated some action to implement the recommendation or has implemented some parts of the recommendation.

- **Not implemented**   The audited office has not taken any action to implement the recommendation.

- **Withdrawn**   Because of changing conditions, OAI considers that the implementation of the recommendation is no longer feasible or warranted or that further monitoring efforts would outweigh the benefits of full implementation. A recommendation may also be withdrawn when senior management has accepted the residual risk of partial or non-implementation of recommendation.

B.   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.

C.   PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)**   Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.

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

- **Low**   Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.