

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

NIGER

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Report on the audit of UNDP Niger Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Niger (the Office) from 9 to 24 July 2014. 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 2013 to 31 March 2014. The Office recorded programme and management expenditures totalling \$25 million. The last audit of the Office was conducted by OAI in 2010. The Global Fund expenditures related to Sub-recipients, which were investigated in 2012 by the Office of the Inspector General in The Global Fund to Fight AIDS, Tuberculosis and Malaria, are not part of the scope of this audit.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **satisfactory**, which means, “Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.”

Key recommendations: Total = 5, High priority = 0

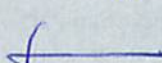
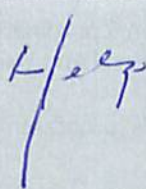
The audit did not result in any high (critical) priority recommendations. There are five medium (important) priority recommendations, which means, “Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.” These recommendations include actions to address weaknesses in project management, weaknesses in management of staff entitlements and absences, inefficiencies in procurement management, assets not capitalized for directly implemented projects, and weak security controls.

There was also one issue caused by factors beyond the control of UNDP, resulting in UNDP not being able to directly sign a contract with an insurance company to cover the Office’s premises, as the African Economic Commission was legally responsible for the premises.

Management comments and action plan

The Resident Representative accepted all of the recommendations and is in the process of implementing them.

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
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I. About the Office

The Office is located in Niamey, Niger (the Country). At the time of the audit, it employed 43 staff members (11 international, 11 national officers and 21 General Service staff), 43 service contract holders and 76 international United Nations Volunteers. The 'United Nations Development Assistance Framework 2014-2018' for the Country focuses on three outcomes: (a) resilience; (b) social development and human capital; and (c) governance, peace and security.

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance and strategic management. The Office had established satisfactory controls in the area of delegation of authority. The allocation of roles and authority levels through Atlas user profiles was generally in line with the Internal Control Framework. The extra budgetary reserve was adequately managed.
- (b) United Nations system coordination. Key controls were operating properly. There was a shared understanding within the United Nations Country Team of the need to improve the relevance and effectiveness of the United Nations development system. United Nations agencies and national counterparts expressed their satisfaction with the leadership exercised by the Resident Coordinator on inter-agency collaboration and progress made toward the implementation of 'One UN.'
- (c) Partnerships and resource mobilization. The government coordinating entity indicated that it had a positive and constructive relationship with the Office. The Office was adequately managing contributions received from donors.
- (d) Information and Communication Technology. Information and communication technology managed by the Office, including hardware, software, systems security, and disaster recovery mechanisms were operating adequately.

OAI made five recommendations ranked medium (important) priority.

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

Medium priority recommendations, arranged according to significance:

- (a) Strengthen the management of staff entitlements (Recommendation 2).
- (b) Improve efficiency in procurement (Recommendation 3).
- (c) Strengthen project management (Recommendation 1).
- (d) Improve the management of assets of directly implemented projects (Recommendation 4).
- (e) Strengthen security controls (Recommendation 5).

The detailed assessment is presented below, per audit area:

A. Governance and strategic management

1. Organizational structure and delegations of authority

Issue 1 Atlas user profiles not deactivated upon staff separation

Access to UNDP system applications, including Atlas (the enterprise resource planning system used by UNDP) Finance and Human Resources Modules, should be deactivated once a staff member separates from the organization to prevent unauthorized access to the system.

Even though 24 staff members had left the Office since 2010, their Atlas profiles were not deactivated for periods ranging from one month to four years following their separation. These staff members had the buyer, treasury/finance, senior manager, and project manager profiles in Atlas, and were therefore capable of processing or approving Atlas transactions. Two staff members accessed Atlas after their termination date, however they did not initiate or approve any transactions. It appeared that the termination checklist, which included deactivation of user profiles, was not fully completed by the Office.

Comment

Subsequent to the audit fieldwork, the Office provided OAI with recent cases of separated staff whose Atlas profiles had been deactivated within a week. Furthermore, the Office committed to continuously monitoring and ensuring the timely deactivation of Atlas user profiles.

Since corrective action was taken, OAI is not making a recommendation.

B. Programme activities

1. Project management

Issue 2 Weaknesses in project management

The 'Programme and Operations Policies and Procedures' provide specific guidance on how to implement and monitor projects, including: (a) preparing and signing a Combined Delivery Report at the end of the quarter based on expenditure reports received from the project and recorded in Atlas; (b) preparing an Annual Review Report of the project and sharing this with the project board and the relevant outcome group or coordinating mechanism; and (c) using Atlas for both financial management and substantive monitoring. A review of 6 projects out of 24 active ones managed by the Office at the time of the audit revealed that these provisions had not been adhered to, as indicated below:

- Quarterly Combined Delivery Reports were not signed for four of the six projects reviewed.
- The Atlas Project Management Module was not used efficiently. For three out of six projects reviewed, risk logs, monitoring logs and issue logs were not updated on a regular basis, limiting the use of Atlas to financial management only.

These weaknesses were mostly due to staff not having sufficient knowledge of the 'Programme and Operations Policies and Procedures' requirements and Atlas functionalities.

Weaknesses in regularly reporting on expenditures and project annual activities can make it difficult to ensure that projects are delivering their planned outputs. Moreover, such weaknesses expose UNDP to reputational risks that might affect its resource mobilization capacities in the long-run. The limited use of Atlas in monitoring projects may affect the ability to capture relevant information about projects in a timely manner and ensure adequate supervision and monitoring, and may increase the organization's dependency on a physical archiving system.

Priority	Medium (Important)
Recommendation 1:	
Strengthen project management by:	
<ul style="list-style-type: none"> (a) developing a checklist of all reporting requirements and share with all programme staff, and ensuring that staff comply with 'Programme and Operations Policies and Procedures' requirements; and (b) organizing a training session on the use of Atlas as a project management tool. 	
Management action plan:	
<ul style="list-style-type: none"> (a) Existing monitoring tools and checklists will be consolidated in one dashboard and shared with all programme staff; regular checks will be conducted through the oversight unit to monitor compliance with the 'Programme and Operations Policies and Procedures.' (b) A training session on the use of Atlas is being planned by the end of September, and regular checks will be conducted to ensure regular updates of risk logs, monitoring logs and issue logs. 	
Estimated completion date: December 2014	

C. Operations

1. Human resources

Issue 3 Weaknesses in the management of staff entitlements

- (a) Inadequate application of Education Grant travel policy

The purpose of the Education Grant travel policy is to allow the reunion of parents and children for whom Education Grant is paid. According to the policy, UNDP will only pay whichever of the following two costs is lower: (a) from the staff member's official duty station to the staff member's officially recognized Home Leave place and return; or (b) from the educational institution to the place where Education Grant travel is exercised and return.

In all five Education Grant travel payments amounting to \$27,000 during the audit period, the policy was incorrectly applied, as the Office failed to obtain and compare different itinerary quotes, as required. It appeared that neither the individual processing the request nor the one approving the request clearly understood how

the policy should be applied. Additionally, while the policy calls for early planning of Education Grant travel, requests were submitted only two to five days before the scheduled departure date. This late processing did not allow the Office to seek competitive ticket prices and apply the policy effectively.

The inadequate application of travel related policies could lead to excessive benefits being paid to staff members, or staff members not receiving earned benefits.

(b) Overtime payments not adequately justified

During the audit period, the Office paid overtime compensation amounting to \$60,000. Five staff from the Finance Unit systematically worked 40 hours of overtime per month from October 2013 to February 2014 (five months) without clear timeframes and deliverables to be achieved. The same pattern was observed during previous years. The Office explained that the overtime was needed to cope with the year-end financial closures and to support an understaffed Finance Unit. However, the year-end closure did not last five months, and that the Finance Unit was fully staffed, with one international staff member whose contract was extended. Furthermore, Offices should have closely monitored and reconciled their accounts on a regular basis to mitigate workload relating to year-end closure activities.

Finally, the Office did not use the standard overtime request form, which should be pre-approved showing dates and deliverables. As a result, none of the five staff had a pre-approved overtime plan.

Inadequate management of overtime could lead to the inefficient use of UNDP resources.

(c) Large unused annual leave balances

Staff members may carry over no more than 60 days of accumulated annual leave beyond 31 March of any given year. As of 1 April, any accumulated annual leave in excess of 60 days will be forfeited.

Out of 30 national staff members, 10 were not able to take their annual leave, which resulted in the forfeiture of about 2 - 30 days for these 10 staff members as of 1 April 2014. Although reminders were sent prior to the cut-off date, some staff members explained that the workload at the time did not allow them to be absent. The same patterns were noted during previous years, including one staff member who forfeited 90 days over the past 3 years and worked over 240 hours of overtime during the review period.

(d) Staff not granted travel time for home leave

Staff members taking home leave are also entitled to up to three days of travel time, separate and apart from annual leave entitlements. However, in three cases, OAI noted that the staff members were not granted the travel time benefits, which resulted in the forfeiture of up to four days of annual leave.

(e) Leave not pre-approved

All leaves should be approved in a timely manner and prior to the beginning of the absence period. Out of 175 absences, 25 were submitted and approved in Atlas one day to six months after the absence period had started. Furthermore, in six cases, it took up to three months for the supervisor to approve the leave request in Atlas.

Adequate absence planning, including the timely submission and approval of absences is crucial to ensuring that proper resources are available as back-up for key positions in order to maintain business continuity and efficiency.

Priority	Medium (Important)
Recommendation 2:	
Strengthen management of staff entitlements by:	
<ul style="list-style-type: none"> (a) applying the Education Grant travel policy by accurately calculating entitlements to be paid to staff; (b) assessing the need for overtime, and defining deliverables and timeframes that should be pre-approved prior to the beginning of the overtime period; (c) developing a leave plan combined with a tracking mechanism that will notify staff and management well before the date when staff exceed the threshold and forfeit annual leave; and (d) approving all leave requests prior to the beginning of the absence. 	
Management action plan:	
<ul style="list-style-type: none"> (a) New Education Grant entitlements have been calculated according to the Education Grant travel policy. (b) The need for overtime with defined deliverables and timeframes will be assessed and pre-approved prior to the beginning of the overtime period. (c) The leave plan combined with a tracking mechanism already developed will be more closely monitored in order to provide a more efficient notification system. (d) All leave requests from now on are approved prior to the beginning of the absence periods, and staff members will not be allowed to be absent until the request is approved. A reminder has already been sent to all staff. 	
Estimated completion date: September 2014	
OAI response:	
OAI acknowledges the actions taken by the Office to address the audit recommendations; however, the implementation of these actions will be validated by OAI as part of its standard follow-up desk review.	

2. Finance

Issue 4 Inefficiencies in bank reconciliation

According to the 'Internal Control Framework,' bank reconciliations are important controls and unreconciled amounts must be reviewed monthly to detect errors promptly and to reduce the risk of fraud.

The Office did not effectively follow up on external unreconciled fund transfers in the bank reconciliation process. This led to the accumulation of long-outstanding transfers (35 in total), amounting to \$129,845 as of 31 March 2014. Of these transfers, 22 dated back to 2013 and 1 to 2012. Further analysis indicated that this situation resulted from several factors:

- After payments were finalized in Atlas, the Office did not transmit the transfer order to the bank. The Office could not explain this oversight.

- Some payments were made by one United Nations agency and picked up in the paycycle without supporting documents, and therefore the Office could not complete the transfer.
- Four transactions totalling \$7,000 were cancelled by a United Nations agency without the Office being informed and without this being reflected in Atlas.
- The bank did not execute transactions in a timely manner, and did not explain the causes of these delays.

Comment

The Office reviewed and cleared all outstanding transfers during the course of the audit. Subsequent to the audit fieldwork, the Office provided OAI with an updated status of unreconciled transfers, which showed only one unreconciled transfer dated within a week. Furthermore, the Office committed to continuously reviewing unreconciled items before approving bank reconciliations.

Since corrective action was taken, OAI is not making a recommendation.

3. Procurement

Issue 5 Inefficiencies in procurement management

The 'Programme and Operations Policies and Procedures' provide guidance on effective procurement, and require that procurement units be staffed with adequately trained and knowledgeable personnel in order to conduct procurement activities in the organization's best interest.

(a) Inefficient management of a highly technical procurement case

OAI reviewed one procurement case involving the acquisition of 21 pieces of radio broadcasting equipment, and noted the lack of internal capacity and other inefficiencies in the evaluation process.

Although the Office did not have the internal capacity to review the technical specifications prepared by the national partners, it started the procurement process without first referring the case to the Procurement Support Office for guidance. The Office also used an obsolete Invitation to Bid template to source for suppliers. These two lapses resulted in receiving offers that were not technically and financially comparable, which added complexity to the evaluation process. Feedback from the Regional Advisory Committee on Procurement and later from the UNDP Procurement Support Office confirmed that the specifications were not adequate and the equipment requested was outdated.

These inconsistencies along with the Office's failure to provide clarification caused the Regional Advisory Committee on Procurement to reject this case.

(b) Weaknesses in procurement planning

By adequately planning procurement activities, offices can benefit from having a sufficient amount of time to solicit and evaluate offers and benefit from economies of scale. However, the 2013 Procurement Plan included \$1.3 million of goods and services, but actual procurement amounted to approximately \$2.6 million (not including travel and Daily Subsistence Allowance costs) representing an excess of 204 percent. The variance was

particularly significant in the services category, where \$777,000 in procurement was planned compared to actual procurement of \$1,564,000.

The Office attributed this variance to the procurement needs of other United Nations agencies, which were not taken into account in the procurement plan. In addition, two new development projects were initiated late in 2013 and their procurement costs totalling \$106,000 were incurred during the last quarter of the year. Furthermore, unplanned expenses totalling \$63,000 relating to the Minimum Operating Residential Security Standard and medication for the United Nations dispensary were incurred during 2013.

Additionally, the Plan was not updated regularly based on new procurement trends and additional needs identified. Moreover, travel costs (travel tickets, Daily Subsistence Allowance) were not included in the Procurement Plan even though the total costs for these items during 2013 amounted to \$915,000.

The lack of proper procurement planning and budget follow-up could prevent the Office from achieving its objectives.

(c) Inefficient use of the online review system

Out of 11 cases submitted online to procurement committees for review during the audit period, 5 were cancelled. Two cases were incorrectly submitted to the Regional Advisory Committee on Procurement because the amounts involved were within the Resident Representative's delegated authority. Two other cases were cancelled, but the reasons for the cancellations were not documented online. One case submitted to the Regional Advisory Committee on Procurement was later on withdrawn because the Office requested cancellation of the procurement process. Moreover, the cancellation process was generally time-consuming, and in two cases took almost one year to complete since staff members within the Procurement Unit were not properly trained on submitting procurement cases to the review committees.

(d) Inefficient monitoring of individual contract expiration dates

OAI reviewed nine individual contract files, and noted four cases where an amendment was merely added on to an expired contract rather than being processed prior to contract expiration. In one of the cases, the terms of reference differed from those in the original contract, which is contrary to the 'Programme and Operations Policies and Procedures.'

The issues discussed above were primarily attributable to lack of capacity and lack of adequate training and supervision. The staff members responsible for managing procurement did not have the required procurement certifications. The lack of adequate training can have a negative impact on the decision-making process and can result in financial losses for UNDP.

Priority	Medium (Important)
Recommendation 3:	
Improve efficiency in procurement by:	
<ul style="list-style-type: none"> (a) providing appropriate training and certifications to staff involved in procurement management, and referring complex procurement cases to the appropriate unit, as necessary; (b) using the correct Invitation to Bid template and ensuring that the Procurement Plan is updated regularly; (c) fully utilizing online procurement tools and ensuring that qualified procurement cases are adequately 	

- submitted to review committees; and
(d) ensuring that amendments and extensions of individual contracts are processed before their expiration date.

Management action plan:

Management will ensure that:

- (a) appropriate training/certification is provided to staff involved in the management of procurement and the Contracts, Assets and Procurement Committee members, and that all highly technical procurement cases are properly assessed and referred to the appropriate unit;
- (b) the Procurement Plan including travel activities is updated on a regular basis to reflect the real procurement needs and the level of plan implementation;
- (c) procurement online tools are fully used to document all steps leading to the procurement decision; and
- (d) amendment/extensions for individual consultant contracts are processed before their expiry date.

Estimated completion date: March 2015

4. General administration

Issue 6 Assets not capitalized for directly implemented projects

The 'Programme and Operations Policies and Procedures' stipulate that assets "used and controlled by UNDP" be recorded in Atlas, which has been configured to ensure that the correct account is automatically chosen, provided that the asset purchase was based on a requisition and a purchase order.

Assets managed by the Office that were procured for directly implemented projects (amounting to \$166,000) had not been recorded in the Atlas Asset Management Module while they were used and controlled by the Office. The Office explained that most of these assets related to common services and joint programmes, and as a result, they were recorded temporarily as expenses to avoid capitalizing the full amount in UNDP's books while they did not totally belong to UNDP. Following the audit fieldwork, the Office informed OAI that the list of assets was sent to the Global Shared Services Centre to be added in the asset listing and that the percentage belonging to UNDP was adequately capitalized.

Inadequate monitoring of assets through proper recording in Atlas could lead to assets being lost or misused, and the total value of assets understated.

Priority Medium (Important)

Recommendation 4:

Improve the management of assets of directly implemented projects by ensuring that assets that are used and controlled by UNDP are properly recorded as assets in Atlas.

Management action plan:

The Office will immediately notify the Global Shared Services Centre when there are shared assets.

Estimated completion date: September 2014

OAI response:

OAI acknowledges the actions taken by the Office to address the audit recommendation; however, the implementation of these actions will be validated by OAI as part of a future desk review, based on new data extracted from Atlas.

5. Safety and security

Issue 7 Weak security controls

Effective security management requires that preventive measures be implemented to minimize the occurrence of security incidents. Well-thought-out operational procedures to account for staff and minimize casualties in the event of a major security incident are also required.

The Office's Business Continuity Plan identified the risk of fire as very high because the building was outdated (built in the 1960's) with very old electrical circuits. Outlets/plugs were hanging out of the wall in some offices. On several rainy days during the audit fieldwork, water infiltrated certain offices that did not have waterproofed windows, and electrical outlets and plugs became wet.

Despite the high risk of fire attributable to these weaknesses, the Office's premises and other assets were not covered by an insurance policy, and there were no maintenance records or maintenance schedules concerning the electrical circuits.

The Office informed OAI that discussions were initiated in the past with a local insurance company regarding insurance coverage of the premises. However, an insurance policy could not be finalized because the premises were provided by the Government to the African Economic Commission on behalf of the United Nations system. Therefore, UNDP could not directly sign a contract with an insurance company to insure the premises, as the African Economic Commission was legally responsible for it.

Following the audit fieldwork, the Office informed OAI that negotiations with the host Government had been initiated in order to transfer ownership of the premises to UNDP.

The potential fire hazards identified may put UNDP assets and lives at risk.

Priority Medium (Important)

Recommendation 5:

Strengthen security controls by:

- (a) ensuring that electrical circuits, plugs and outlets are fully protected;

- (b) obtaining necessary documents of ownership from the host Government in order to obtain an insurance policy; and
- (c) insuring the premises to limit the risk of losses in case of fire or other damage.

Management action plan:

- (a) The Office has signed a Long Term Agreement every year with a company to ensure the evaluation of the electrical system and maintenance of electrical installations and generators. The Office is fully aware of the situation and has always set aside budgets for the renewal of the electrical circuits. The Office will continue advocating in order to reach a common ground with the African Economic Commission, the owner of the premises.
- (b) The Office will continue negotiations with the host Government, but cannot ensure that it can obtain necessary documents of ownership.
- (c) The ability to insure the premises depends entirely on obtaining documents from the host Government (point b).

Estimated completion date: (a) Implemented; (b) (c) Not entirely within the control of the Office

OAI response:

OAI acknowledges the existence of a Long Term Agreement in respect to recommendation (a), however, the poor condition of electrical circuits requires further action from the Office to better protect the building and staff against any risk of fire or incidents.

OAI further recognizes that recommendations (b) and (c) are not entirely under the Office's control; however, OAI expects the Office to continue its efforts to obtain the required documents from the Government to enable it to insure the building.

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.