

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

MAURITIUS

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Report on the Audit of UNDP Mauritius Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Mauritius (the Office) from 13 to 28 September 2016. 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, business continuity, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, Harmonized Approach to Cash Transfers);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, general administration).

The audit covered the activities of the Office from 1 January 2015 to 31 July 2016. In view of the low risk, the audit did not cover Information and Communication Technology and Safety and Security. The Office recorded programme and management expenditures of approximately \$8.7 million. The last audit of the Office was conducted by OAI in 2007.

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

Overall audit rating

OAI assessed the Office as **partially satisfactory**, which means, "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." This rating was mainly due to weak project oversight, the incorrect use of the service contract modality, and the lack of e-requisitions for procurement processes.

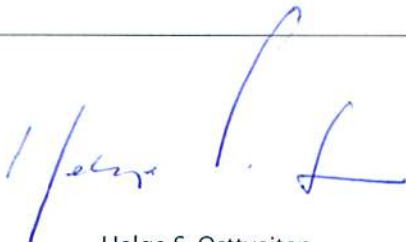
Key recommendations: Total = 3, high priority = 0

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	1, 2	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	3	Medium

Management comments and action plan

The Resident Representative accepted all three 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
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I. About the Office

The Office, located in Port Louis, Mauritius, is responsible for the implementation of programmes for both Mauritius and Seychelles. The Office had 15 personnel with 1 staff member based in Seychelles to oversee programme implementation. The programmatic focus in both countries for the current programme cycle ending in 2016 is on climate change and environmental protection. Mauritius is classified as an upper middle-income country and Seychelles as a high-income country.

II. Audit results

Satisfactory performance was noted in the following area:

- (a) Governance and strategic management. No issues were reported under this audit area.

OAI made three 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) Comply with procurement rules by initiating procurement actions with e-requisitions in Atlas (Recommendation 3).
- (b) Develop effective oversight mechanisms (Recommendation 1).
- (c) Complete the recruitment of fixed-term contracts in the Resident Coordinator Office (Recommendation 2).

The detailed assessment is presented below, per audit area:

A. Programme Activities

1. Project Management

Issue 1 Weak project oversight

The 'UNDP Programme and Operations Policies and Procedures' require that (i) projects make progress towards the intended output objectives; (ii) regular monitoring activities are performed, including but not limited to data collection and analysis, monitoring visits and spots checks; and (iii) resources entrusted to UNDP are utilized appropriately.

From a review of six projects with a total expenditure of \$3.6 million, which represented 36 percent of project expenditure for the period under review, the following was noted:

- In all projects, there was no documented evidence that the Office was monitoring project implementation. The Office had participated in project progress reviews and target setting meetings, but there was no record of monitoring activities to validate the progress on projects and actual results achieved.

- The Office did not strictly adhere to the minimum threshold expenditure limit that must be reached before additional project funds can be disbursed to implementing partners. In four out of the six projects reviewed (all of which were projects implemented in Seychelles), additional funds were being disbursed to implementing partners before the required 80 percent of previous advances had been utilized and reported on.
- Three projects operationally closed since 31 December 2011 had yet to be financially closed.

The lack of oversight may result in issues and/or bottlenecks not being identified or addressed in a timely manner.

Priority	Medium (Important)
Recommendation 1: The Office should develop effective oversight mechanisms by: <ul style="list-style-type: none"> (a) ensuring that project monitoring activities are properly planned, implemented and documented with Back to Office Reports properly filed; (b) not disbursing additional project funds to implementing partners without proof of the required 80 percent utilization threshold; and (c) financially closing the three projects that have exceeded the 12-month period, and moving forward, ensuring that project closure procedures are completed within the stipulated 12-month period. 	
Management action plan: <ul style="list-style-type: none"> (a) The Office will develop monitoring plans for all ongoing projects. (b) A memorandum has been sent to all implementing partners highlighting strict adherence to the 80 percent utilization threshold. (c) The Office will continue to work towards closing the three projects. 	
Estimated completion date: (a) October 2016; (b) December 2016; and (c) January 2017	

B. Operations

1. Human Resources Management

Issue 2 Incorrect use of service contract modality

The 'UNDP Programme and Operations Policies and Procedures' prohibit the use of the service contract modality to hire local personnel for office functions that are of a continuing nature and are part of UNDP's central work.

There were two personnel working in the Resident Coordinator Office who had been incorrectly recruited under the service contract modality since 2012 and 2014, respectively.

Office management mentioned that the use of the service contract modality for the Resident Coordinator Office personnel was an oversight and that recruitment for the two positions as fixed-term contracts would be completed by the end of 2016.

Subsequent to the audit mission, the Office advertised the vacancies for the positions in the Resident Coordinator Office, but the process was not validated by the auditors.

Priority	Medium (Important)
Recommendation 2:	
The Office should, as a priority, complete the recruitment of fixed-term contracts for the two positions in the Resident Coordinator Office.	
Management action plan:	
Management agrees that the two posts should be on fixed-term appointments. Updated job descriptions have been prepared for these posts and have subsequently been classified and graded by the Office of Human Resources. With the support of the UNDP Regional Service Centre, the recruitment process is expected to be completed by the end of January 2017.	
Estimated completion date: January 2017	

2. Procurement

Issue 3 Lack of e-requisitions

Procurement procedures in the 'UNDP Programme and Operations Policies and Procedures' require that any procurement process be initiated in Atlas (enterprise resource planning system of UNDP) through the creation and approval of an e-requisition.

The Office conducted and finalized procurement activities without raising and approving e-requisitions in Atlas. E-requisitions were only raised in Atlas for the purposes of processing payments. Twenty purchase orders (with a total value of \$781,000 representing 33 percent of the total value of purchase orders processed between 1 January 2015 and 31 July 2016) were reviewed and in all cases, e-requisitions were only raised in Atlas at the time of payment.

The Office attributed the lack of e-requisitions to weak implementation of the procurement procedures.

Not using e-requisitions may result in the Office initiating procurement processes that are not linked to the procurement plan and that do not have proper prior approval and budget checks.

Priority	Medium (Important)
Recommendation 3: The Office should comply with procurement rules by initiating procurement actions with e-requisitions in Atlas at the time goods or services are requested.	
Management action plan: The Office will comply with the recommendation. Estimated completion date: Ongoing	

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.