

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

SIERRA LEONE

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Report on the Audit of UNDP Sierra Leone Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Sierra Leone (the Office) from 30 September to 11 October 2019. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation); and
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security).

The audit covered the activities of the Office from 1 January 2018 to 30 June 2019. The Office recorded programme and management expenses of approximately \$33.3 million. The last audit of the Office was conducted by OAI in 2017. At the time of the audit, there was an ongoing investigation in the Office being conducted by OAI.

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/some improvement needed**, which means "The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity." This rating was mainly due to inadequate monitoring of Country Programme Document (CPD) results, as well as inadequate procurement control processes.

Key recommendations: Total = 4, high priority = 2

The four recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1	High
Compliance with regulations and rules, policies and procedures	2	Medium
	3	High
Reliability and integrity of financial and operational information	4	Medium

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. Both high (critical) priority recommendations are presented below:

Inadequate monitoring
of the Country
Programme Document
results
(Issue 1)

The Programme Board for the 2015–2019 programme cycle was not fully functional and did not provide oversight over the Office's progress in achieving CPD objectives. In addition, there were delays in the implementation of monitoring systems. The programme cycle started in 2015 but implementation of the monitoring systems was effectively done in the second half of 2018. Furthermore, progress in achieving programme targets was measured at an activity level rather than the CPD or programme outcome levels. Since the indicators were at the activity level and not at the CPD level, they did not provide a reliable and objective measure of the Office's progress towards the achievement of CPD objectives.

Recommendation: The Office should strengthen programme monitoring for the new Country Programme (2020-2023) by ensuring that: (a) the Programme Board is fully functional and provides expected oversight over progress in achieving the Country Programme objectives; and (b) programme monitoring systems are in place at the start of the program cycle, progress of the Country Programme is measured at an outcome level, and results indicators are measurable.

Inadequate
procurement control
processes
(Issue 3)

The following weaknesses in procurement were noted:

- Direct contracting of transport services valued at \$224,698 was not submitted for review to the Regional Advisory Committee on Procurement, although the Office's delegated procurement authority was \$150,000 and the direct contracting amount exceeded the 50 percent of the delegated procurement authority.
- The Office procured and received printing services for election materials for \$256,047 before approving and submitting the purchase order to the vendor.
- There were 10 procurement cases where evaluation procedures as recommended by the 'UNDP Programme and Operations Policies and Procedures' were not properly followed.
- There were also six cases of approximately \$432,000 where contracts had expired but the provision of work or services had not been completed by the vendor. In two cases involving infrastructure works, the contracts were due to be completed in July 2018 but as of October 2019, 15 months later, works under these contracts had not been finalized.

Recommendation: The Office should improve procurement control processes by: (a) submitting the procurement case on direct contracting above its delegated procurement authority to the Regional Advisory Committee on Procurement for review, and issuing and approving purchase orders prior to contracting; (b) applying the evaluation criteria set in the solicitation documents in the evaluation of bids, and using the appropriate evaluation method; and (c) strengthening contract management through monitoring progress against project milestones.

Implementation status of previous OAI audit recommendations: Report No. 1881, 25 August 2017.

Total recommendations: 9

Implemented: 9

Management comments and action plan

The Resident Representative accepted all four recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge
Osttveiten
2019.12.23
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Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Freetown, Sierra Leone (the Country) had 36 staff members comprising of 20 general service staff and 16 professional staff at the time of the audit. The Office's 2015–2019 programme focused on governance and inclusive growth and sustainability, with most projects concentrated under governance. The Country's economy was mainly driven by agriculture and mining. In 2018, it recorded gross domestic product growth of 3.7 percent according to World Bank and African Development Bank reports. The Human Development Report ranked it 184 out of 189 countries in 2018. The Country successfully held its fourth Presidential Election in 2018.

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Partnerships and resource mobilization. Internal processes for partnerships and resource mobilization were found to be adequate.
- (b) Human resources management. Internal control processes were found to be adequate.
- (c) General administration management. Internal controls were generally adequate.

OAI made two recommendations ranked high (critical) and two 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 recommendation, arranged according to significance:

- (a) Strengthen programme monitoring (Recommendation 1).
- (b) Improve procurement control processes (Recommendation 3).

Medium priority recommendations, arranged according to significance:

- (a) Strengthen controls over payment processing (Recommendation 4).
- (b) Comply with donor requirements regarding project closure (Recommendation 2).

The detailed assessment is presented below, per audit area:

A. Programme

1. Programme/project design and implementation

Issue 1 Inadequate monitoring of the Country Programme Document results

The Programme and Project Management policies require programme oversight through the Programme Board. For monitoring of results, the results-based management methodology recommends outcome monitoring at the Country Programme level. Each outcome and indicative output contained in the programme must have at least one results indicator that meets established quality standards to measure and track progress.

The following weaknesses were noted:

- The Programme Board for the 2015–2019 programme cycle was not fully functional and did not provide oversight over the Office’s progress in achieving Country Programme Document (CPD) objectives. According to the Office, the Board was established in March 2014, but had not met to exercise its functions. At the time of the audit in October 2019, the Office was finalizing the programme for 2015–2019 and preparing for the new programme 2020–2023.
- Monitoring systems were inadequate. There were delays in the implementation of monitoring systems. The programme cycle started in 2015 but implementation of the monitoring systems was effectively done in the second half of 2018. In addition, progress in achieving programme targets was measured at an activity level rather than at the CPD or programme outcome levels. This was because some of the CPD target indicators were not quantifiable and indicators used to measure progress were extrapolated from the CPD into annual project-level indicators. During the extrapolation, new indicators were formulated, which were at the activity level (e.g., number of outreach activities implemented). Since the indicators were at the activity level and not at the CPD level, they did not provide a reliable and objective measure of the Office’s progress towards the achievement of CPD objectives.

The inadequate monitoring of progress towards meeting CPD results was due to management oversight. Inadequate oversight may lead to the misrepresentation of actual results achieved and to the inefficient allocation of resources.

Priority	High (Critical)
Recommendation 1: The Office should strengthen programme monitoring for the new Country Programme for 2020–2023 by ensuring that: <ul style="list-style-type: none"> (a) the Programme Board is fully functional and provides expected oversight over progress in achieving the Country Programme objectives; and (b) programme monitoring systems are in place at the start of the programme cycle, progress of the Country Programme is measured at an outcome level, and results indicators are measurable. 	
Management action plan: <ul style="list-style-type: none"> (a) The Office has progressed toward the setting up the new Programme Board (2020–2023) to provide adequate oversight over progress in achieving the CPD objectives and targets. Discussions on the structure and date for the launch has been agreed to with the Government. Going into the new Programme, it will ensure that the Board is fully functional. (b) The Office acknowledges that there is still more work to be done in fully implementing the monitoring and evaluation system it has designed. Therefore, moving forward, with the start of new Country Programme cycle 2020–2023, it will concentrate in strengthening its results-based management and monitoring framework to effectively monitor the development results, including CPD results, ensuring effective implementation of existing tools, frameworks and systems at all levels (project, portfolio, cluster and programme). It will also develop results-oriented portfolio-level multi-year work plans based on commitments in the CPD and will be explicitly linked to contributions to the outcomes. 	

Estimated completion date: June 2020

Issue 2 Delays in project closure

The Immediate Response Facility (IRF)¹ projects have a maximum duration of 18 months. Operational closure procedures should start six months prior to the final date of the projects, while financial closure is to be completed six months after the operational closure. Requests for project extensions should only be made once and should be supported by the Government and the United Nations coordination leadership in the respective country.

At the time of the audit, the Office was implementing an IRF project with a total budget of \$2.9 million. Non-compliance with the IRF project closure procedures was noted. The original duration of this project was from June 2017 to December 2018. A no-cost extension of six months, ending in June 2019, was approved. A second no-cost extension was requested but formal approval was not granted. Instead, an extended window of two months for closing the project was granted. The window period ended in August 2019. In October 2019, the project was still ongoing and had an outstanding balance of \$108,576 from advances and grants pending liquidation. There was no clear explanation as to why the project was not being closed. Subsequent to the audit, the Office initiated the closure of this project.

Non-compliance with conditions of donor funding may result in reputational damage. Delaying project closure beyond the duration period might also lead to the misuse of funds.

Priority	Medium (Important)
Recommendation 2:	
The Office should comply with donor requirements regarding project closure and timely process the operational and financial closure of projects.	
Management action plan:	
The Office will ensure that:	
<ul style="list-style-type: none"> (a) donor requirements for project closure are complied with, and that projects are closed on time; and (b) once the final evaluation report is finalized, the project will be financially closed within the specified time. 	
Estimated completion date: February 2020	

¹ Funded by the Peacebuilding Fund and administered by the UNDP Multi-Partner Trust Fund Office.

B. Operations

1. Procurement

Issue 3 Inadequate procurement control processes

The 'UNDP Programme and Operations Policies and Procedures' require that procurement processes above the Country Office's delegated procurement authority be reviewed by the respective Regional Advisory Committee on Procurement prior to a contract award. Direct contracting above 50 percent of the delegated procurement authority should be submitted for review to the Regional Advisory Committee on Procurement. Evaluation criteria applied for technical evaluation is to be consistent with the criteria advertised and communicated to potential suppliers in the solicitation documents. In the Request for Quotations and Invitations to Bid procurement methods, the selection is based on the lowest-priced offer among the technically compliant and responsive offers. Invitations to Bid should be technically reviewed based on a non-discretionary "pass/fail" method only. Furthermore, contract management is the effective and efficient monitoring of contract activities to ensure that goods, services and/or works contracted by UNDP are delivered in a timely manner, at the agreed cost and to the specified requirements.

A total of 58 purchase orders amounting to \$4.4 million, representing 42 percent of the total procurement value for the audited period, were reviewed. The following weaknesses were noted:

- There were two cases where procurement was not properly authorized:
 - (a) Direct contracting of transport services valued at \$224,698 was not submitted for review to the Regional Advisory Committee on Procurement, although the Office's delegated procurement authority was \$150,000 and the direct contracting amount exceeded the 50 percent of the delegated procurement authority. The service concerned the delivery of election materials to 16 districts across the Country during the national elections in March 2018. A *post facto* submission to the Regional Advisory Committee on Procurement was also not undertaken, as required by the 'UNDP Programme and Operations Policies and Procedures'. The Office cited exigency as the reason for non-submission of the case to the Committee.
 - (b) The Office procured and received printing services for election materials for \$256,047 before approving and submitting the purchase order to the vendor. The purchase order ensures that commitments are recorded in Atlas (enterprise resource planning system of UNDP) and serves as a procurement contract. The purchase order was never finalized and approved as of the date of the audit. Consequently, goods were delivered without an authorized purchase order contract. The Office cited exigency and need to speed up the procurement process.
- There were 10 procurement cases, with a total value of \$497,000, where evaluation procedures were not properly followed. These included instances of deviations from the criteria in the calls for proposals when conducting technical evaluations. They also included improper application of the technical to financial ratios for the Requests for Quotations and Invitations to Bid, where the use of the lowest cost/technical responsive offer method, and the pass/fail method (for Invitations to Bid) would have been the suitable evaluation options.
- There were six cases valued at \$432,000 where contracts had expired but the provision of work or services had not been completed by the vendor. In two cases involving infrastructure works, the contracts were due to be completed in July 2018 but as of October 2019, 15 months later, works under these contracts had not

been finalized. Some of the contractors had abandoned the construction sites after the changes in Government and adequate follow-up was not carried out by the Office. Lack of controls over contract management was noted and none of the six contracts were extended as of the date of the audit.

Weak procurement processes and contract management procedures might result in errors not being detected and value for money not being achieved.

Priority	High (Critical)
Recommendation 3:	
<p>The Office should improve procurement control processes by:</p> <ul style="list-style-type: none"> (a) submitting the procurement case on direct contracting above its delegated procurement authority to the Regional Advisory Committee on Procurement for review, and issuing and approving purchase orders prior to contracting; (b) applying the evaluation criteria set in the solicitation documents in the evaluation of bids, and using the appropriate evaluation method, compatible to the type of solicitation process followed; and (c) strengthening contract management through monitoring progress against contract milestones, extending contracts in line with the contract terms, and ensuring that works and services agreed to in the expired contracts are completed. 	
Management action plan:	
<p>The Office has a Local Internal Control Framework system in place which highlights compliance procedures and processes with procurement thresholds spelled out. Procurement standard operating procedures and the Local Internal Control Framework are examples of tools developed to ensure compliance in procurement processes. However, the Office acknowledges that these procedures did not account for emergencies such as elections. In order to ensure such exceptional cases do not lead to deviations, the Office will revise and strengthen its Local Internal Control systems as follows:</p> <ul style="list-style-type: none"> (a) The current Local Internal Control Framework will be reviewed to factor in additional controls in time of emergencies. (b) Procurement standard operating procedures will be strengthened by reflecting procurement methods and respecting thresholds. (c) Criteria for evaluation of bids will be regularly reviewed and all evaluation criteria will be approved before they are applied. Management will send out a memorandum to underline this specific control. (d) Procurement updates including contract management will continue to be reviewed at the senior management level on a weekly basis. Cases not resolved with contractors will be referred to the Legal Office. The Office has started the use of e-Tendering and the Atlas Contract Management Module. 	
Estimated completion date: June 2020	

2. Financial Resources Management

Issue 4 Weaknesses in payment processing

According to the 'UNDP Programme and Operations Policies and Procedures', the delivery of goods and services should be certified and recorded, and the supporting documentation forwarded to finance for payment processing. The Internal Control Framework requires finance staff to ensure that proper supporting documents are attached to the voucher prior to processing payments and disbursements, ensuring that the terms of conditions of payments are consistent with the purchase orders or contract document. UNDP vendor management practices require vendors to provide banking instructions for their accounts on bank letterheads or through a signed vendor form. Vendor profiles in Atlas allow a single bank account for each payee or vendor.

A sample of 51 vouchers amounting to \$5.8 million (22.6 percent of the total value of vouchers processed for the audited period) were reviewed and the following instances of payments without adequate supporting documents were noted:

- One payment of \$224,698 did not have adequate evidence that the services were fully rendered to the project. There was a vendor confirmation of delivery only for the first phase of the service. Subsequent to the fieldwork, the Office provided an attestation from the implementing partner on the receipt of the services; however, this was not signed or dated. This payment was related to Issue 3 (a) above.
- There was another payment amounting to \$225,000 where the amount disbursed could not be reconciled to the project's annual work plan and budgeted activities for 2018 attached to the voucher. The audit team could not verify the activity for which the payment was being made.
- Four separate payments amounting to approximately \$240,000 were made for outstanding Office rent, without documenting a valid lease contract and adequate supporting documentation of the debt. Thus, the audit team could not verify that rent amounts paid were the actual amounts due. Payments for rent to this vendor were split and paid to different bank accounts by the Office based on the vendor's instruction.
- For one payment of approximately \$165,000, the items delivered and received differed from items ordered in terms of quantities and specifications. The Office explained, without documenting, that the order was subsequently changed.

Weaknesses in payment processing and controls over financial transactions may lead to the loss of financial resources and errors in payments not being detected and addressed.

Priority	Medium (Important)
Recommendation 4	
The Office should strengthen controls over payment processing by:	
(a) ensuring that vouchers have the necessary supporting documents before processing payments; and	
(b) ending the practice of splitting vendor payments and depositing funds in different bank accounts of the same vendor, and managing vendor profiles and their bank account information in accordance with UNDP vendor management practices.	

Management action plan:

The Office takes note of the comments and will implement the following actions:

- (a) The Programme Finance Specialist will be relocated to the Finance Section to ensure coherence and all financial documents and transactions are in one place as practiced in other Offices.
- (b) The current Local Internal Control Framework will be reviewed, signed and implementation will be reinforced. Finance standard operating procedures will be strengthened by reflecting guidelines related to organizational payment policy and procedures, specifically to deal with receiving good/services, substantiation of payments for project activities and contracts payments.
- (c) Management will issue a memorandum reinforcing that payments to vendors is not be made to more than one bank account among other finance payment guidance.

Estimated completion date: June 2020

Definitions of audit terms - ratings and priorities;

A. AUDIT RATINGS

- **Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

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. Failure to take action could result in 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.