

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
Resilient nations.*

AUDIT

OF

UNDP COUNTRY OFFICE

IN

MALI

Report No. 2090
Issue Date: 6 August 2019

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Report on the Audit of UNDP Mali Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Mali (the Office) from 23 April to 7 May 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, knowledge management);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January to 31 December 2018. The Office recorded programme and management expenses of approximately \$47 million. The last audit of the Office was conducted by OAI in 2016.

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/major improvement needed**, which means “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.” This rating was mainly due to weaknesses in asset management.

Key recommendations: Total = 9, high priority = 1

The nine recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1, 2, 3, 6	Medium
Reliability and integrity of financial and operational information	4, 5	Medium
Safeguarding of assets	7	High
Compliance with legislative mandates, regulations and rules, policies and procedures	8, 9	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. The high (critical) priority recommendation is presented below:

Weaknesses in asset management (Issue 7)

The Atlas Asset Management Module was not updated, and there were inconsistencies in the codification of locations in Atlas and Iris (asset management module developed by the Office). In addition, obsolete assets were not timely disposed.

Recommendation: The Office should reinforce monitoring and oversight over assets by: (a) developing a comprehensive list of all assets used and controlled by the Office (including an update of locations) and reconciling it with the Atlas asset records; (b) reinforcing the coordination and oversight role of the Asset Manager of the Office to ensure that assets are correctly tracked and recorded; and (c) disposing obsolete and not-used assets in a timely manner.

Implementation status of previous OAI audit recommendations: Report No. 1569, 19 May 2016.

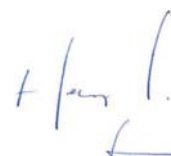
Total recommendations: 11

Implemented: 11

Management comments and action plan

The Resident Representative accepted all nine 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

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Helge S. Osttveiten
Director

Office of Audit and Investigations

I. About the Office

The Office, located in Bamako, Mali (the Country), comprised of 49 staff members, 80 service contract holders and 10 United Nations volunteers at the time of the audit. The Country Programme Document covering the period 2015-2019 focused on the four main areas identified in the United Nations Integrated Development Assistance Framework (UNDAF +): (a) strengthening security, peace and national reconciliation; (b) inclusive growth and sustainable development; (c) promoting good governance; and (d) access to basic social services of quality.

II. Audit results

OAI made one recommendation ranked high (critical) and nine 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:

- (a) Reinforce monitoring and oversight over assets (Recommendation 7).

Medium priority recommendations, arranged according to significance:

- (a) Strengthen the internal control environment (Recommendation 1).
- (b) Improve partnership and resource mobilization (Recommendation 3).
- (c) Strengthen commitments to gender equality (Recommendation 2).
- (d) Strengthen project monitoring and risk management process (Recommendation 4).
- (e) Strengthen management of financial resources (Recommendation 5).
- (f) Improve the implementation Direct Project Costing (Recommendation 6).
- (g) Strengthen the management of home leave entitlements (Recommendation 8).
- (h) Ensure full compliance with HACT Framework (Recommendation 9).

The detailed assessment is presented below, per audit area:

A. Governance

1. Leadership

Issue 1 Weaknesses in control environment

The Resident Representative has the overall accountability for establishing and maintaining adequate internal controls within the Office.

The review of the control environment in the Office disclosed the following shortcomings:

(a) Exceptions with the implementation of the segregation of duties

- One staff member approved both the requisitions and the associated purchase orders for 23 transactions. In eight other cases, staff members approved payments for which they were the beneficiaries. These transactions violated the principle of segregation of duties.
- One staff member held incompatible profiles of senior manager and project manager. While the Internal Control Framework provides for such exceptions, it requires the establishment of mitigating measures.

(b) Extended vacancies of key positions

- The posts of Governance Specialist and Programme Associate (Governance) remained vacant for more than 10 months.
- The post of Head of the combined Human Resources and Procurement Unit had been vacant for more than two years.

The delays in recruitment were caused by the Financial Sustainability Exercise, intended to provide inputs on the Office's structure.

Priority	Medium (Important)
Recommendation 1:	
The Office should strengthen its internal control environment by:	
<ul style="list-style-type: none"> (a) establishing an oversight mechanism to detect non-compliance with the Internal Control Framework; and (b) filling key positions in a timely manner. 	
Management action plan:	
The Office will take the following actions:	
<ul style="list-style-type: none"> (a) Update the oversight mechanisms and organize a proper roll-out, including training. (b) Take additional measures to streamline the HR process to attract top talent to the Country. 	
Estimated completion date: January 2020	

Issue 2 Lapses in implementing the Gender Equality Strategy

The UNDP 2018-2021 Gender Equality Strategy embodies the organization's strong corporate commitment to deepen its efforts in promoting gender equality and women's empowerment. It is designed to complement and reinforce UNDP's 2018-2021 Strategic Plan, by defining in a more detailed manner how attention to gender equality and women's empowerment will strengthen action in all areas of work.

The Office applied, unsuccessfully, to the Gender Equality Seal certification process. After two self-assessments, it had been requested to implement an action plan to participate in the next certification exercise. Despite efforts

made by the Office (definition of a gender strategy, recruitment of a dedicated Gender Specialist, creation of a Gender Focal Team, etc.), improvements were still needed. The audit team noted the following:

- Monitoring activities reported by the Office were related to the years 2016-2017, whereas the Gender Equality Strategy covered the period 2018-2020.
- The Gender Focal Team, which should meet monthly according to its terms of reference, had met only three times in 2018. In 2019, no meeting had taken place as of the time of the audit.

Failure to properly formalize and implement the Gender Equality Strategy may impact the organization's ability to achieve strategic intended objectives and results.

Priority	Medium (Important)
Recommendation 2:	
The Office should strengthen its commitments to gender equality by:	
<ul style="list-style-type: none"> (a) undertaking and monitoring planned Gender Equality activities; and (b) ensuring that the Gender Focal Team meets as stipulated in its terms of reference. 	
Management action plan:	
The Office will take the following actions:	
<ul style="list-style-type: none"> (a) Undertake and monitor planned activities. (b) Ensure that the Gender Focal Team meets on a monthly basis. 	
Estimated completion date: April 2020	

2. Corporate External Relations and Partnership

Issue 3 Challenges in resource mobilization

The financial sustainability of UNDP Country Offices depends on their ability to mobilize resources and develop partnerships. Therefore, the 'UNDP Programme and Operations Policies and Procedures' require Country Offices to establish an effective partnership and resource mobilization action plan, which should be updated on an annual basis and serve as a strategic document to mobilize resources.

The audit disclosed the following weaknesses in resource mobilization:

(a) Resource mobilization target for the current cycle not achieved

The Office had initially planned to mobilize \$152 million for the current cycle 2015-2019. At the time of the audit fieldwork, \$97 million was mobilized, leaving a gap of \$55 million. The Office was unable to mobilize resources from the following:

- Trust funds and thematic funds with a gap of \$45.6 million.

- Government cost sharing with \$35 million yet to be mobilized.
- Durable Solutions where the Office still needed to mobilize \$10 million.

The Office exceeded its target with third party cost sharing (\$29 million), the Global Fund to Fight Aids, Tuberculosis and Malaria and Climate Basket (\$12 million each).

The Office expected the approval for an emergency presidential programme to address social needs for an amount of approximately \$71 million. However, this had not yet materialized.

(b) Weaknesses in operationalizing and monitoring the Resource Mobilization Strategy

The 2017-2019 Resource Mobilization Strategy included a multi-year action plan with 19 actions. The following exceptions were noted:

- Activities to implement the action plan were not measurable and annual targets were not defined.
- The Office did not provide evidence of a mechanism to monitor the action plan.
- One programme excluded resource mobilization objectives.

(c) Outstanding Government Contribution to Local Office Costs

- Government Contribution to Local Office Cost arrears amounted to \$2.44 million.

Weaknesses in resource mobilization restrict the Office from achieving its planned objectives.

Priority	Medium (Important)
Recommendation 3:	
The Office should improve partnership and resource mobilization by:	
<ul style="list-style-type: none"> (a) determining the cause for not achieving the resource mobilization targets and reduce the resource mobilization gap; (b) defining measurable and annual targets in the resource mobilization action plan for better monitoring; and (c) pursuing efforts towards the recovery of Government Contribution to Local Office Costs. 	
Management action plan:	
The Office will:	
<ul style="list-style-type: none"> (a) Have a more strategic resource mobilization approach (programmatic approach). (b) Better monitor resource mobilization targets and document changes. (c) Continue to follow up on the recovery of the Government Contribution to Local Office Costs. 	
Estimated completion date: December 2020	

B. Programme

1. Project Design and Implementation

Issue 4 Lapses in project monitoring and risk management

Good governance requires an effective project monitoring and risk management. This will be providing reasonable assurance that objectives, as set out in the organization's Strategic Plan are achieved and significant risks are identified, managed and monitored.

The audit team reviewed a sample of 8 out of 42 development projects and noted the following weaknesses:

(a) Risk management not efficient

- The list of activities to mitigate risks at the project level were mostly out of the control of the Office. Some of the risk mitigating activities were referred to as "not started" more than 15 months after project implementation.
- Identified risks were not detailed, such as: "People and law enforcement could be anxious about a resurgence of the crisis, and therefore fall back into the crisis of confidence. Behaviors can evolve in the context of upcoming local elections." Mitigating actions such as "reduce the number of activities during the elections" did not relate to the risk and lacked depth and substance to provide guidance on how to achieve the objectives given the risks.
- Risk logs did not capture all key risks to the implementation of the projects. While discussions with project coordinators displayed awareness of risks impacting their projects, these risks were not reflected in Atlas with adequate mitigation strategies.

(b) Atlas monitoring logs not adequate

- Monitoring activities were inadequately listed as "AWP 2018", "AWP2019", "Annual report", and their completion status was not updated.
- Some outputs had no monitoring activities.

(c) Ineffective results framework

- The results framework was inadequate, as it did not allow for the proper monitoring of projects. Baselines and targets were missing or not defined in the project documents. Indicators were not measurable or could not be populated due to a lack of national data. These weaknesses were also reflected in the mid-term evaluation of the Country Programme Document.

Without a proper risk management and monitoring mechanism, the Office may not be able to act or make informed decisions in a timely manner to mitigate risks and address issues arising from monitoring activities.

Priority	Medium (Important)
Recommendation 4:	
<p>The Office should strengthen the project monitoring and risk management process by:</p> <ul style="list-style-type: none"> (a) ensuring that the risks are specific and adequately mitigated; (b) ensuring monitoring activities are clearly identified, regularly assessed and reported in Atlas; and (c) defining baselines and measurable targets. 	
Management action plan:	
<p>The Office will put in place a global strategy of risk monitoring/mitigation through the new Country Programme Document. All project risk logs will provide a clear strategy to address related risks in all areas. Capacity-building will be undertaken in this area for all programme staff members.</p>	
Estimated completion date: June 2020	

C. Operations

1. Financial Resources Management

Issue 5 Weaknesses in oversight and financial management

The 'UNDP Programme and Operations Policies and Procedures' provide guidance on the correct use of the Chart of Accounts and effective financial management.

During the period under review, the Office processed 6,322 vouchers amounting to \$46 million. The audit team reviewed the Office's financial oversight and controls and selected a sample of 70 vouchers amounting to \$8.5 million (i.e., 18 percent of total amount processed) and noted the following weaknesses:

(a) Incorrect recording of transactions

- 40 percent of transactions reviewed (28 out of 70) valued at \$2.8 million or 33 percent of the total amount reviewed were booked in the wrong accounts due to errors while budgeting and recording transactions. The errors were not detected because of inadequate oversight.

(b) Cancelled/deleted and reissued vouchers

- 222 payments amounting to \$3.6 million representing 41 percent of the total amount reviewed were deleted during the period under review. The audit team further noted that vouchers with budget errors or insufficient documentation were created again with incorrect invoice dates to avoid exceptions in the finance dashboard.

Inadequate oversight over financial processes could lead to irregularities that are not detected and addressed on time to ensure effective financial management.

Priority	Medium (Important)
Recommendation 5:	
The Office should strengthen the management of financial resources by:	
<ul style="list-style-type: none"> (a) enforcing oversight and controls to limit errors and promoting the correct use of the Chart of Accounts through regular trainings; and (b) strengthening oversight in the processing of payments. 	
Management action plan:	
The Office will:	
<ul style="list-style-type: none"> (a) Organize training sessions for project staff members on the use of the Chart of Accounts. (b) The Head of the Finance Unit will closely monitor and certify all financial transactions to ensure that no transaction is deleted. A memo was already issued to instruct finance staff members to avoid deleting vouchers already entered in the system. 	
Estimated completion date: December 2019	

Issue 6 Incomplete implementation of Direct Project Costing (DPC)

Direct project costs must be identified during the project inception phase and fully costed during the establishment of budgets and annual work programme.

The audit disclosed that:

- Direct Project Costing (DPC) applied by the Office was only based on the application of the Universal Price Lists for transactional cost recovery and did not cover activities associated with programme support units.
- Two out of 10 new projects randomly selected by the audit team had not budgeted direct project costs for 2019.
- The Office collected direct project costs amounting to \$367,000 in 2018 representing 9.4 percent of the staffing costs of \$3.9 million. Based on the Office's financial sustainability strategy, DPC was expected to cover 60 percent of staffing costs by the end of 2018.

The use of the Universal Price List for attributing DPC is an option allowed by 'UNDP Programme and Operations Policies and Procedures' especially where the apportioning operations unit staff time to projects is not practical. However, activities associated with programme units and programme support units were neither budgeted nor cost recovered.

The incomplete implementation of DPC may restrict the Office's ability to mobilize necessary resources to achieve planned objectives.

Priority	Medium (Important)
Recommendation 6:	
The Office should improve the implementation Direct Project Costing by ensuring that the activities associated with programme support units are included.	
Management action plan:	
The Office will enhance Direct Project Costing to include activities associated with programme support.	
Estimated completion date: December 2019	

Issue 7 Weaknesses in asset management

The 'UNDP Programme and Operations Policies and Procedures' require Offices to maintain complete and accurate records of assets and ensure their safeguarding. All assets under UNDP's use and control should be timely recorded in the Atlas Asset Management Module, depreciated and later disposed.

The Office certified 177 assets valued at \$1.65 million in its 2018 year-end certification confirming that physical verification and reconciliations of asset records had been performed. Reports also indicated that the Office's capitalized assets were physically verified and confirmed to be in use, reconciled with the Atlas asset management In-Service Report (ISR).

The audit team's review of the physical inventory count process and recording of assets in the ISR noted the following weaknesses:

(a) Atlas Asset Management Module not updated

- The audit team tested the reliability of the year-end asset verification by selecting a sample of 12 inventory items purchased for \$847,657 and with a net value of \$70,900 at 31 March 2019. The physical verification showed that:
 - Two vehicles with a net book value of \$30,462 reported in the Atlas asset registry could not be identified. The audit team noted that the equipment had been respectively transferred in 2014 and February 2018.
 - One asset belonging to the Election Project was transferred while it was still recorded in the ISR.
 - Locations indicated in the Atlas ISR did not correspond with current locations for assets verified by the audit team. As an illustrative example, two vehicles that were supposed to be in Mopti and Gao, respectively, were actually located in Bamako and Mopti, respectively during the physical verification by the audit. The Office did not provide the audit team with transfer documents and did not reflect the movements in Atlas.

- (b) Inconsistencies in the codification of locations in Atlas and Iris (asset management module developed by the Office)
- The locations indicated in the Atlas ISR could not be reconciled with those recorded in the asset management system (Iris) developed by the Office. One location in Atlas could correspond to different locations in the Iris system (and vice-versa). This can cause unnecessary complexities in the asset reconciliation and timely locating of assets.
- (c) Obsolete assets not timely disposed
- As at the time of the audit, 25 obsolete laptops not in use had not been disposed by the Office. The Office indicated that the disposal would be done later.
 - Some equipment including Office furniture and printers had been stored in containers for long periods while they should have been disposed. The inventory list provided to the audit did not include the value of the items stored in the containers.

The weaknesses indicated above revealed an inadequate reconciliation system between physical inventories and the list of assets and attractive items. Therefore, exceptions on assets could not be detected timely. Furthermore, they were the result of a silo approach in the management of assets by the different projects. The audit team was therefore unable to ascertain whether the inventory list and valuation of assets reported by the Office for end of year certification was reliable.

Not regularly updating the Atlas Asset Management Module can weaken the organization's ability to properly manage, account, report and control the use of assets.

Priority	High (Critical)
Recommendation 7:	
The Office should reinforce monitoring and oversight over assets by:	
<ul style="list-style-type: none"> (a) developing a comprehensive list of all assets used and controlled by the Office (including an update of locations) and reconciling it with the Atlas asset records; (b) reinforcing the coordination and oversight role of the Asset Manager of the Office to ensure that assets are correctly tracked and recorded; and (c) disposing obsolete and not-used assets in a timely manner. 	
Management action plan:	
The Office will put in place further measures to reinforce asset management.	
Estimated completion date: December 2019	

Issue 8 Incorrect processing of home leave entitlements

UNDP policies on benefits and entitlements state that family is not entitled to home leave when a staff member is serving in a non-family duty station.

The Office paid home leave entitlements amounting to \$37,247 in 2018 to the family of staff members serving in the Country, which was a non-family duty station at the time of the audit.

This issue was caused by an incorrect interpretation of staff entitlements by the Office for a non-family duty station and led to undue entitlements.

Priority	Medium (Important)
Recommendation 8:	
The Office should comply with the policy on home leave entitlements by:	
<ul style="list-style-type: none"> (a) discontinuing the practice of paying home leave entitlements for family of staff members serving in non-family duty stations; and (b) recovering the unduly paid home leave entitlements from previous years. 	
Management action plan:	
The Office:	
<ul style="list-style-type: none"> (a) Will no longer authorize home leave for family of staff members serving in the Country. (b) Will continue to recover unduly paid home leave entitlements. 	
Estimated completion date: December 2019	

D. United Nations Coordination and Leadership

Issue 9 Challenges in implementing Harmonized Approach to Cash Transfers

The 'UNDP Programme and Operations Policies and Procedures' require that cash transfers to implementing partners are adequately monitored.

The following observations were noted in relation to HACT implementation:

- (a) Incorrect use of the direct payment modality
 - The audit team identified 19 cases amounting to \$1.4 million for which the Funding Authorization and Certification of Expenditure forms were not used to support requests for direct payments for nationally implemented projects.

- (b) Lapses in the approval and recording of cash payments to implementing partners

- Cash advances were not recorded in Atlas under implementing partner vendors but under project names. Therefore, for projects with multiple implementing partners, the financial follow-up became more complex.
- Lapses in the recording of payments for implementing partners: For 2018, expenses amounting to \$27.3 million were not tagged. As at April 2019, \$5.3 million was not yet tagged. Without tagging, the Office may not be able to analyse and provide more accurate financial reporting of project expenditures.

Most of the observations above were due to a misinterpretation of UNDP guidelines and to inadequate oversight over cash transfers to implementing partners.

Failure to adequately monitor cash transfers to implementing partners could negatively impact the programme delivery and result in the loss of funds.

Priority	Medium (Important)
Recommendation 9:	
The Office should ensure full compliance with the HACT Framework by:	
<ul style="list-style-type: none"> (a) ensuring that projects use Funding Authorization and Certification of Expenditure forms for direct payment requests and sharing evidence of payments with partners; and (b) recording cash transfers in compliance with UNDP policies. 	
Management action plan:	
<ul style="list-style-type: none"> (a) A memorandum was issued to reinforce the use of the Funding Authorization and Certification of Expenditure form for direct payments and is being used for all the payment requests since May 2019. (b) The issue of cash advances to project names will be addressed in the 2020-2024 Country Programme Document, which is being developed. 	
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.