AUDIT

OF

UNDP COUNTRY OFFICE

IN

NIGER

Report No. 2095
Issue Date: 30 December 2019
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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 28 October 2019 to 8 November 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.¹

The audit covered the activities of the Office from 1 January 2018 to 30 September 2019. The Office recorded programme and management expenses of approximately $55.2 million. The last audit of the Office was conducted by OAI in 2014.

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 weaknesses in the management of the Harmonized Approach to Cash Transfers (HACT).

Key recommendations: Total = 4, high priority = 1

The four recommendations aim to ensure the following:

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Recommendation No.</th>
<th>Priority Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achievement of the organization’s strategic objectives</td>
<td>1</td>
<td>Medium</td>
</tr>
<tr>
<td>Compliance with legislatives mandates, regulations and rules, policies and procedures</td>
<td>2, 3</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>High</td>
</tr>
</tbody>
</table>

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:

¹ The audit covered the activities under this area only for 2018.
Deficiencies in applying HACT principles (Issue 4)

The audit team reviewed HACT Framework implementation and assurance activities for nine active implementing partners during the audit period and noted the following weaknesses:

- Four implementing partners received funds during the current project cycle each exceeding the threshold of $300,000 with no previous micro-assessment reported during the cycle.
- One implementing partner, which was rated as an overall “Significant” risk, had one spot check planned instead of the minimum two spot checks per year mandated by the policy for cash transfers made to implementing partners with this risk rating.
- For one implementing partner with an overall risk rating of “Moderate”, no evidence was available that the planned spot check and programme visit were carried out.

Recommendation: The Office should improve the management of HACT by: (a) performing micro-assessments for implementing partners receiving funds exceeding the threshold of $300,000; and (b) ensuring that the HACT quality assurance plan is aligned with the risk ratings and is duly implemented.

- Total recommendations: 5
- Implemented: 5

Management comments and action plan

The Resident Representative accepted all of the 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.

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Helge Osttveiten
2019.12.30
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Helge S. Osttveiten
Director
Office of Audit and Investigations
I. About the Office

The Office is located in Niamey, Niger (the Country). The Human Development Index put the Country in the low human development category at 189 out of 189 countries and territories. At the time of the audit, the Office was comprised of 41 staff members, 50 service contract holders and 35 United Nations Volunteers. The Country Programme Document for 2019–2021 focused on the following areas: (i) accelerated transformation for sustainable development; and (ii) governance, peace and security. The Office had a portfolio of 29 development projects: 15 nationally implemented and 14 directly implemented.

II. Audit results

OAI made one recommendation ranked high (critical) priority and 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.

High priority recommendation:

   (a) Improve the management of HACT (Recommendation 4).

Medium priority recommendations, arranged according to significance:

   (a) Strengthen project monitoring and risk management (Recommendation 1).
   (b) Strengthen financial resources management (Recommendation 2).
   (c) Adhere to procurement policies (Recommendation 3).

The detailed assessment is presented below, per audit area:

A. Programme

1. Programme/Project design and implementation

   Issue 1 Lapses in project monitoring and risk management

UNDP policies on monitoring state that UNDP programming activities must collect appropriate and credible data as evidence for adequate monitoring. Monitoring includes tracking performance through the collection of appropriate data, analysing evidence to inform management decision-making and improve effectiveness and efficiency.

Out of 37 ongoing or operationally closed projects as at June 2019, the audit team selected 6 projects for review. The exceptions noted in the sample revealed that project monitoring was not conducted effectively:

   (a) Project risk logs were not updated in two projects (both operationally active as at October 2019). In one of them, risk logs had not been updated since 2015, and in the other one, they had not been updated from 2015 to 2018.
   (b) Progress reports were not completed in the six instances reviewed. Missing data included description of the activities, means of verification, and planned results and progress.
Without a proper risk management and monitoring mechanism, the Office may not be able to make informed decisions in a timely manner to mitigate risks and address issues arising from monitoring activities.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
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<tbody>
<tr>
<td><strong>Recommendation 1:</strong></td>
<td></td>
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<tr>
<td></td>
<td>The Office should strengthen project monitoring and risk management by:</td>
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<tr>
<td>(a)</td>
<td>updating the risk logs in Atlas in a timely manner; and</td>
</tr>
<tr>
<td>(b)</td>
<td>completing the progress reports with descriptions of the activities, means of verification, planned results and progress achieved.</td>
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**Management action plan:**

The Office agrees with the recommendation and will implement it.

**Estimated completion date:** 30 April 2020

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**B. Operations**

1. **Financial resources management**

   **Issue 2**  
   Weaknesses in financial resources management

   Direct project costs are organizational costs incurred in the implementation of a development activity or service that can be directly traced and attributed to that development activity or service. Therefore, these costs are included in the project budget and charged directly to the project budget for the development activity and/or service.

   The Office implemented Direct Project Costing (DPC) through the Multiple Funding Lines for Positions methodology. However, out of 19 active projects subject to DPC at the time of the audit, only 9 projects were charged DPC. In addition, only personnel costs were charged through DPC. The audit team did not receive evidence that General Operating Expenses were charged through DPC.

   The Office indicated that directly implemented projects had limited possibilities to apply DPC and hence did not apply them.

   Failure to fully recover support service costs may jeopardize the Office’s ability to mobilize necessary resources to deliver on its commitments and achieve planned objectives.
Priority: Medium (Important)

**Recommendation 2:**

The Office should strengthen financial resources management by applying Direct Project Costing to all projects; General Operating Expenses should also be subject to Direct Project Costing.

**Management action plan:**

The Office agrees with the recommendation and will appoint a DPC Focal Point as advised in the guidelines related to DPC in the ‘UNDP Programme and Operations Policies and Procedures’ and continue to apply DPC for personnel costs and General Operating Expenses to all eligible projects.

**Estimated completion date:** 31 March 2020

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**2. Procurement**

**Issue 3**  
**Exceptions in procurement activities**

The ‘UNDP Programme and Operations Policies and Procedures’ state that Long Term Agreements should have a maximum duration of three years. They also state that, for a solicitation process, the evaluation criteria must be clearly defined and specified with details in the solicitation documents.

The Office processed 931 purchase orders for a total value of $4.3 million during the audit period. The audit team reviewed 25 purchase orders worth $736,000 for adequacy and accuracy of procurement processes and noted the following:

- A security contract amounting to $210,000 was awarded through a Long Term Agreement that expired after three years in 2017. However, the contract was extended and as a result, the Office incurred expenses amounting to $125,563 without the Contracts, Assets and Procurement Committee approval.

Non-compliance with procurement policies may lead to unfair procurement practices or not providing value for money to the organization in its procurement activities.

Priority: Medium (Important)

**Recommendation 3:**

The Office should adhere to procurement policies by approving the renewal of Long Term Agreements after three years.

**Management action plan:**

The Office agrees with the recommendation and will implement it.

**Estimated completion date:** 30 June 2020
C. United Nations leadership and coordination

Issue 4  Deficiencies in applying HACT principles

The Harmonized Approach to Cash Transfer (HACT) Framework states that the results of the micro-assessment are valid for a period not to exceed the duration of the programme cycle. An assurance plan, which details the spot checks and programme visits for each implementing partner based on the results of the micro-assessment, should be implemented. Furthermore, direct cash transfers/reimbursements should not be made through full Country Office support to national implementation.

The audit team reviewed the HACT Framework implementation and assurance activities for nine active implementing partners during the audit period and noted the following weaknesses:

- Four implementing partners received funds during the current project cycle each exceeding the threshold of $300,000 with no previous micro-assessment reported during the cycle.
- One implementing partner, which was rated as an overall "Significant" risk, had one spot check planned instead of the minimum two spot checks per year mandated by the policy for cash transfers made to implementing partners with this risk rating. Furthermore, the audit team had not received evidence that the planned spot check and programme visits were carried out.
- For one implementing partner with an overall risk rating of "Moderate", no evidence was available that the planned spot check and programme visit were carried out.

The issues above were mainly caused by the inadequate use of the HACT Framework. Non-adherence to HACT Framework principles could expose the organization to the risk of financial losses.

<table>
<thead>
<tr>
<th>Priority</th>
<th>High (Critical)</th>
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**Recommendation 4:**

The Office should improve the management of HACT by:

(a) performing micro-assessments for implementing partners receiving funds exceeding the threshold of $300,000; and
(b) ensuring that the HACT quality assurance plan is aligned with the risk ratings and is duly implemented.

**Management action plan:**

The Office agrees with the recommendation and will implement it.

**Estimated completion date:** 30 April 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.