

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
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AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE ISLAMIC

REPUBLIC OF MAURITANIA

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Table of Contents

Executive Summary	i
I. About the Office	1
II. Audit results	1
A. Governance	1
1. Corporate Planning System and Risk Register	1
B. Development Activities	2
1. Implementation Modalities	2
2. Projects Administration	4
C. Operations – Procurement	5
1. Goods and Services	5
2. Individual Contractors	6
D. Operations – Finance	7
1. Cash, Banking and Deposits	7
2. Office Budget and Cost Recovery	8
Definitions of audit terms - ratings and priorities	10

Report on the Audit of UNDP in the Islamic Republic of Mauritania Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP in the Islamic Republic of Mauritania (the Office) from 24 February to 6 March 2020. 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
- (b) Development Activities
- (c) Operations – Procurement
- (d) Operations – Finance
- (e) Operations – Human Resources
- (f) Operations – Administrative Services
- (g) Operations – ICT

The audit covered the activities of the Office from 1 January 2019 to 31 January 2020. The Office recorded programme and management expenses of approximately \$7.1 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/some improvement needed**, which means that “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.” This rating was mainly due to the financial sustainability of the Office being at risk.

Key recommendations: Total = 7, high priority = 1

The seven recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	3	Medium
Reliability and integrity of financial and operational information	1	High
	2, 6, 7	Medium
Effectiveness and efficiency of operations	4	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	5	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:

Financial sustainability
at risk (Issue 1)

The revenue collection (including General Management Services and Government Contributions to Local Office Costs) in 2019 represented 73 percent (\$0.58 million) of the Integrated Work Plan target of \$0.8 million. The management expenses amounted to \$1 million, which resulted in a funding shortfall of \$0.42 million that was funded through the provision of additional core resources.

Recommendation: To improve financial sustainability, the Office should: (a) design and implement a financial sustainability strategy; and (b) continue its efforts to obtain funds from non-traditional donors.

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.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Nouakchott, Mauritania (the Country), comprised of 25 staff members, 13 service contract holders and 1 United Nations Volunteer at the time of the audit. The 2018–2022 Country Programme Document focused on the following areas: (i) building strong, inclusive and sustainable growth; (ii) improving governance, institutional capacities and fighting radicalization and security threats; and (iii) fostering sustainable natural resource management, and resilience against disasters and climate change. The Office had a portfolio of 31 development projects comprising of 5 nationally implemented and 26 directly implemented.

II. Audit results

OAI made one recommendation ranked high (critical) priority and six 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 financial sustainability of the Office (Recommendation 1).

Medium priority recommendations, arranged according to significance:

- (a) Enhance the cost recovery mechanism (Recommendation 7).
- (b) Comply with the HACT requirements (Recommendation 2).
- (c) Enhance oversight and performance over procurement processes (Recommendation 4).
- (d) Strengthen the management of financial resources (Recommendation 6).
- (e) Adhere to UNDP policies related to individual contracts (Recommendation 5).
- (f) Strengthen project management (Recommendation 3).

The detailed assessment is presented below, per audit area:

A. Governance

1. Corporate Planning System and Risk Register

Issue 1 Financial sustainability at risk

Strategic planning requires offices to balance available resources against their expenditures to ensure operational continuity. As the institutional budget allocation covers part of the office operating expenses, revenue collection and resources mobilization are required to complement the available resources.

The audit team observed the following:

The revenue collection (including General Management Services and Government Contributions to Local Office Costs) in 2019 represented 73 percent (\$0.58 million) of the Integrated Work Plan target of \$0.8 million. The management expenses amounted to \$1 million, which resulted in a funding shortfall of \$0.42 million that was funded through the provision of additional core resources.

The factors contributing to the funding gap included:

- The management ratio (total management expenditure/programme expenditure) was at 17.8 percent, which was significantly higher than the 8.1 percent target established within the Integrated Results and Resources Framework.
- Operational weaknesses in the cost recovery system and Government Contributions to Local Office Costs (refer to issue 7).
- The income from General Management Support in 2019 was \$319,700 against a target of \$443,400. The reduced income was a result of lower than expected delivery.
- In addition, the Office was dependent on a single source to fund its development activities (representing 69 percent of the funding in 2019).

Insufficient financial resources may impact financial sustainability and may jeopardize the Office's ability to deliver on its commitments and achieve planned objectives.

Priority	High (Critical)
Recommendation 1: To improve financial sustainability, the Office should: <ul style="list-style-type: none"> (a) design and implement a financial sustainability strategy; and (b) continue its efforts to obtain funds from non-traditional donors. 	
Management action plan: The Office will frame a financial sustainability plan, and ensure a mechanism is in place for its implementation. It will also continue its efforts to obtain funds from non-traditional donors. Estimated completion date: October 2020	

B. Development Activities

1. Implementation Modalities

Issue 2 Weaknesses within Harmonized Approach to Cash Transfers implementation

According to the 'UNDP Programme and Operations Policies and Procedures', full compliance with the Harmonized Approach to Cash Transfers (HACT) is achieved when the following components are complete: (a) macro-assessment of the public financial system; (b) micro-assessments of implementing partners; and (c) establishing an assurance plan and implementing assurance activities. The financial administration of transfers

using the implementing agent (IA) code allows the Office to track advances and payments made to the implementing partner

The audit team reviewed the Office's compliance with the HACT Framework and noted the following:

- (a) A macro-assessment had not been undertaken for the 2018–2022 programming cycle at the time of the audit. The Office stated that the process was ongoing in conjunction with other United Nations agencies in the Country.
- (b) The HACT quality assurance plan had not been fully implemented. Four out of seven spot checks planned were not conducted in 2019. Also, while six programmatic assurance activities were planned to take place in 2019, only two were conducted. The quality assurance plan was not updated to reflect these changes.

The audit team noted the following weakness in the financial administration of transfers to implementing partners:

- (a) The implementing agent codes (used by the Office to track advances and payments made to the implementing partner) within the chart of accounts were not used appropriately. The audit team noted: (i) different IA codes were used for the same implementing partner for a total amount of \$11,633; (ii) expenses amounted to \$270,615 (21 percent of 2019 cash transfers) were recorded under two IA codes shared by multiple partners; and (iii) the UNDP IA code was wrongly used when recording direct payments and cash advances to national partners, amounting to \$931,671. These exceptions distort the amount of expenses incurred by the implementing partners and might exempt them from HACT audits.
- (b) Expenses totalling \$271,265 were incorrectly reported by the implementing partners (within the Funding Authorization and Certification of Expenditures form) under a single account code while the expenditure related to multiple expenses categories.
- (c) Transactions were not recorded under the appropriate activities within the Funding Authorization and Certification of Expenditures form; this was observed in 38 percent of cases tested amounting \$495,115. This led to significant variances when reviewing the project budgets at the activity level.
- (d) Activities as presented in the 2019 annual work plans did not match those in Atlas (the enterprise resource planning system of UNDP), which created challenges in monitoring the implementation of the annual work plan activities. For example, this occurred in five activities pertaining to one output.
- (e) Payments for implementing partners valued at \$5.6 million were not tagged as required by the Office of Financial Resources Management to facilitate tracking and reporting of cash transfers.

Failure to adequately monitor cash transfers to implementing partners under the HACT Framework and incomplete administration of transfers to implementing partners could result in financial losses.

Priority	Medium (Important)
Recommendation 2:	
The Office should comply with the requirements on HACT by:	
<ul style="list-style-type: none"> (a) completing, in collaboration with other United Nations agencies in the Country, the macro-assessment of the public finance system; (b) implementing quality assurance activities and updating the plan to reflect significant changes; and (c) recording cash transfers and direct payments in compliance with UNDP policies. 	
Management action plan:	
The Office will strengthen the control over the financial management of the programmes, through:	
<ul style="list-style-type: none"> (a) completing a joint macro-assessment of the public finance system; (b) training programme and finance staff involved in the financial monitoring of projects; and (c) establishing a workflow for the control and validation of project expenses and budgets. 	
Estimated completion date: December 2020	

2. Projects Administration

Issue 3 Weaknesses in the quality assurance and monitoring of projects

Sound project management includes quality assurance in all project phases, periodic on-site monitoring visits and Social environmental screening.

The audit team reviewed a sample of four ongoing development projects with expenses amounting to \$2.14 million, which represented 54 percent of total project expenditure during the audit period. The audit team identified the following issues in four projects reviewed

- Quality assurance including the social and environmental screening, was not completed:
 - A quality assurance review was not completed at both the design phase and during the implementation phase of one project.
 - The internal project quality assessment ratings for the implementing and monitoring stage of two projects were “needs improvement” or “inadequate.” For example, the quality assurance rating for the implementation phase of one project highlighted deficiencies in all seven areas evaluated, which included monitoring risk management, and project sustainability.
 - Social and environmental screening procedures were not completed during the design phase in two of the projects reviewed. In one case, the Office mistakenly considered that the projects did not qualify for social and environmental screening.
- Adherence to a monitoring plan was not in place and project risks logs were not up to date:

- The audit team observed that there were insufficient on-site monitoring visits in two of the projects sampled. In one project, no monitoring visits had taken place within the audit period. In the second project, one on-site visit took place since project inception in September 2017.
- In all four projects reviewed, risk logs were not updated each year in Atlas. For example, one project was initiated in September 2017, however the risk logs were only updated in 2019.

The lack of quality assurance procedures and adequate project monitoring may prevent the Office from achieving its programmatic objectives.

Priority	Medium (Important)
Recommendation 3: The Office should strengthen project management by: <ul style="list-style-type: none"> (a) ensuring that quality assessments are implemented, including the social and environmental screening procedures; and (b) adhering to a monitoring plan and updating project risk logs in Atlas. 	
Management action plan: The Office will strengthen its control mechanisms by: <ul style="list-style-type: none"> - Training programme staff members on the monitoring and quality reviews of projects in Atlas. - Implementing a monitoring tool of project quality assurance and the monitoring in Atlas before the approval of the projects' revised budgets. 	
Estimated completion date: October 2020	

C. Operations – Procurement

1. Goods and Services

Issue 4 Weakness within procurement

The 'UNDP Programme and Operations Policies and Procedures' provide guidance on effective procurement practices. The timely completion of procurement processes is critical in the achievement of UNDP development goals.

The audit team disclosed the following:

- 51 percent of requisitions totalling \$0.5 million were created in Atlas at the same time the purchase orders were created. Requisitions should precede the creation of purchase orders.

- 48 percent of requisitions created in the Procurement Management Platform (PROMPT) system were cancelled by the Office. The requesters did not systematically indicate the reasons for cancellations.
- Three civil works contracts valued at \$180,303 were not completed as per the timeframe stipulated in the contract, and the contract was not amended to reflect the adjusted timeframe. Furthermore, the audit team observed that the Office was not using the corporate contract management system.

The weaknesses observed were caused by the lack of oversight within the procurement process.

Completing procurement activities prior to the creation of a formal request may lead to errors in items being purchased. In addition, the lack of effective oversight over procurement may lead to value for money not being achieved.

Priority	Medium (Important)
Recommendation 4: The Office should enhance oversight and performance over procurement processes by: <ul style="list-style-type: none"> (a) ensuring all eligible procurement processes are initiated with a requisition in Atlas prior to raising the purchase order; (b) improving the planning process through better utilization of the PROMPT system and using the plan as a monitoring tool to streamline procurement activities and prevent duplicate processes; and (c) using the corporate contract management system, to identify and revise contracts approaching expiration. 	
Management action plan: The Office will reinforce the controls over procurement processes, through: <ul style="list-style-type: none"> - Ensuring requisitions are systematically raised prior the initiation of the purchase order. - Training of programme staff on the PROMPT system. - The systematization of the use of the Atlas Contract Management System. 	
Estimated completion date: October 2020	

2. Individual Contractors

Issue 5 Deficiencies in the use of individual contracting

The 'UNDP Programme and Operations Policies and Procedures' stipulate that individual contracting should be used for the procurement of services of an individual to perform time-bound and non-staff member tasks aimed at delivering clear and quantifiable outputs. The selection process should be documented, and terms of reference defined to include measurable deliverables.

The audit team reviewed 11 individual contracts valued at \$449,045, which highlighted the following exceptions:

- The Office did not appropriately use the individual contract modality. In three cases valued at \$110,910, individuals were contracted to perform regular and continuing functions (within procurement, monitoring and evaluation units) which were not time-bound.
- The terms of reference of four individual contractors totalling \$157,690 were not adequately formulated as expected deliverables were absent or not clearly defined.
- In three cases valued at \$146,470, the required reference checks of the selected candidates were not obtained.

Lack of clarity in the terms of reference may impact the quality of deliverables, and improper use of the individual contract modality may have a negative effect on the Office's morale.

Priority	Medium (Important)
Recommendation 5: The Office should adhere to UNDP policies related to individual contracts by ensuring that: <ul style="list-style-type: none"> (a) the individual contract modality is used for time bound deliverables; (b) the terms of reference of individual contracts include defined deliverables; and (c) the selection of individual contractors include documentation of the references checks completed 	
Management action plan: The Office will strengthen the control mechanism to ensure adherence to policies before signing individual contracts. Estimated completion date: October 2020	

D. Operations – Finance

1. Cash, Banking and Deposits

Issue 6 Weaknesses in monitoring of cash deficits

The 'Operational Guide of the Internal Control Framework for UNDP' and the 'Risk Management Guidelines' for contributions by donors stipulate that under certain conditions, projects may enter into commitments in the absence of available cash during periods of temporary deficits. A commitment made during periods of temporary deficits must be covered by a budget override policy duly approved by the Controller and deficits should be cleared within one month.

The audit team observed that inter-project loans were being used to temporarily fund deficits related to five projects. Five journal vouchers totalling \$269,896 were raised during the audit period to refund such inter-project loans. There was no approved budget override policy, and the Office did not have a mechanism to track

and monitor the loans. As a result, the audit team could not determine the amount of inter-project loans and was unable to assess whether they had been reimbursed.

Providing funds from one project to temporarily fund the activities of another creates both financial and reputational risks for the organization.

Priority	Medium (Important)
Recommendation 6:	
The Office should strengthen the management of financial resources, by charging commitments against their respective budgets and implementing the budget override policy when required.	
Management action plan:	
The Office will strengthen the management of financial resources by setting up the following mechanisms:	
<ul style="list-style-type: none"> ▪ Coordinating with the United Nations Country Team to identify and contract a banking service provider. ▪ Organizing training sessions for staff on the budget override policy and introducing an upfront control of project expenditures and commitments. 	
Estimated completion date: December 2020	

2. Office Budget and Cost Recovery

Issue 7 Cost recovery not properly applied

The 'UNDP Programme and Operations Policies and Procedures' provide guidance for adequate management and cost recovery for services provided by UNDP offices to projects and United Nations agencies. The Direct Project Costs should be calculated and charged to development projects in a transparent and consistent manner. In accordance with the provisions of the Standard Basic Assistance Agreements that govern UNDP operations in programme countries, host governments are expected to contribute towards the costs of Country Offices, through the Government Contributions to Local Office Costs.

- (a) At the time of the audit, there were arrears of \$160,000 of Government Contributions to Local Office Costs for the period 2017 to 2019.
- (b) Direct Project Costs were not properly implemented. The following was noted:
 - Operational transactions (including payment processing, travel and recruitment) were billed to projects using the Universal Price List, while these projects were already funded as part of operations staff salaries, based on the workload survey. As a result, projects were double charged. The audit team was unable to quantify the extent of amounts double charged.
 - During 2019 the Office recovered \$0.44 million through Direct Project Costing while only \$0.2 was budgeted. In the absence of regular reconciliations, it was unclear how this difference arose and whether amounts charged were appropriate.

Failure to recover Government Contributions to Local Office Costs and implement Direct Project Costs may result in reputational risks for UNDP and may impact the financial sustainability of the Office.

Priority	Medium (Important)
Recommendation 7: The Office should enhance the cost recovery mechanism by: <ul style="list-style-type: none"> (a) continuing with its efforts to recover outstanding Government Contributions to Local Office Costs; and (b) calculating, recovering and reconciling Direct Project Costs, in compliance with UNDP policies and procedures. 	
Management action plan: The Office will develop and implement a cost recovery mechanism, aligned with its financial sustainability strategy and consistent with the resources mobilized and the income generated.	
Estimated completion date: December 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.