0UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

SENEGAL

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Report on the Audit of Senegal
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Senegal (the Office) from 16 November to 10 December 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, finance, human resources, administrative services, information communication and technology (ICT)

The audit covered the activities of the Office from 1 January 2019 to 30 September 2020. The Office recorded programme and management expenses of approximately $17 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*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

(a) A review of original supporting documentation was partially carried out, and therefore the audit team relied mainly on scanned copies of documents provided by the Office for all audit areas reviewed.
(b) Meetings with Office staff and personnel were partially carried out virtually, which limited the audit team's understanding of the Office's working environment.
(c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
(d) A physical verification of assets was not performed.
(e) The information communication and technology area was not reviewed on-site.

Overall audit rating

OAI assessed the Office's performance as **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/area." This rating was mainly due to weaknesses within the Office's financial sustainability.

Key recommendations: Total = **4**, high priority = **1**

The five recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1	High
Effectiveness and efficiency of operations	3	Medium
Safeguarding of assets	2, 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. The high (critical) priority recommendation is presented below:

Weaknesses in Office financial sustainability (Issue 1)	From 2015 to 2018, the Office supported the implementation of a large programme with a budget totalling $212 million. In 2018, the programme was closed, and the Office's delivery decreased from $121 million in 2017 to approximately $10 million per year. Despite a decrease of 90 percent in the Office's annual delivery, there was no corresponding change in the Office's structure.

Furthermore, during the audit period, the funding of the Office lacked diversification, with the Global Environment Facility and the host country funding accounting for 90 percent of funds received. In addition, as of December 2020, the Government Contribution towards Local Office Costs of $3 million remained unpaid, which had accumulated since 2012.

Recommendation: The Office should optimize its structure and ensure its financial sustainability by: (i) coordinating with the Regional Bureau for Africa to finalize the organizational structure; (ii) exploring new resource mobilization opportunities; and (iii) collecting the outstanding Government Contribution towards Local Office Costs.

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 S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Dakar, Senegal (the Country) and its Country Programme covered the period 2019–2023 with the following development priorities:

a) Strengthening the governance system;
b) Promoting sustained, inclusive and sustainable growth; and
c) Sustainable management of the environment and the natural resources.

During the period from 1 January 2019 to 30 September 2020, the Office spent $13 million on development activities, a decrease by 5 percent compared to the previous period.

The largest development projects in terms of expenses during the period covered by the audit were:

Title	Expenditure Jan-Dec. 2019 $million	Expenditure Jan-Sep. 2020 $million
Projet TRAC II	2.4	0.4
Renforcement gestion terres et des ecosystems	1.4	0.4
Projet promotion finance novatrice communautaire	1.4	0.2
Programe. d'urgence de developpement communautaire	0.8	0.4
Programme d'appui a l'emergence des familles productives	0.6	0.2
Total	**6.6**	**1.6**

The largest sources of funding of the Office's development activities for the period covered by the audit were:

Donor	Funding for the period $million
Global Environment Facility	7.4
Senegal	2.4
Italy	0.6
Total	**10.4**

II. Audit results

Satisfactory performance was noted in the following areas:

(a) Operations – Human resources. The governance, risk management and control systems within human resources management including recruitment and separations, were adequate.

(b) Operations – Administrative services. The governance, risk management and control systems within administrative services, which includes asset management, travel management and common services, were adequate.

(c) Operations – Information and communication technology (ICT). The governance, risk management and control systems within the ICT, including the implementation of the business continuity plan, were adequate.

OAI made one recommendation ranked high (critical) 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, arranged according to significance:
   (a)   Optimize the Office's structure and ensure its financial sustainability (Recommendation 1).

Medium priority recommendations, arranged according to significance:
   (a)   Improve the management of Atlas access (Recommendation 2).
   (b)   Strengthen procurement management (Recommendation 3).
   (c)   Support the implementing partners in utilizing advanced funds, and where necessary, recover long-outstanding amounts (Recommendation 4).

The detailed assessment is presented below, per audit area:

A.   Governance

1.   Organizational chart and overall staffing

Issue 1   Weaknesses in Office financial sustainability

Country Offices need to ensure financial sustainability by generating sufficient funds to cover operating costs. Furthermore, in accordance with the provisions of the Standard Basic Assistance Agreement (SBAA), host governments are expected to contribute towards the local cost of Country Offices, known as the Government Contribution towards Local Office Costs.

(a)   Office structure

From 2015 to 2018, the Office supported the implementation of a large programme with a budget totalling $212 million. In 2018, the programme was closed, and the Office's delivery decreased from $121 million in 2017 to approximately $10 million per year. Despite a decrease of 90 percent in the Office's annual delivery, there was no corresponding change in the Office's structure. At the time of the audit, the Office structure consisted of 35 staff members (8 international, 11 national officers and 16 general service staff).

In November 2018, the Regional Bureau for Africa developed a transformation plan for the Office, to both improve efficiency and ensure its financial sustainability. The transformation plan recommended for the Office to reduce its international staff from 8 to 3 and national officers from 11 to 7.

The Office explained that the implementation of the 2018 transformation plan was initially postponed as the Resident Representative decided, with the authorization of the Regional Bureau, to work on improving the resource mobilization of the Office. In 2020, the global pandemic led to further delays in implementing the transformation plan. Given the time elapsed in developing the initial plan, management decided to revise the plan to reflect the current situation.

The following indicators highlighted concerns regarding the Office's financial sustainability:

   •   The Office's ratio of management expenses (operating expenses) to programme expenses (development activities) for the period covered by the audit was 27 percent compared to 8 percent on average for the region.

- The Office's core/non-core ratio[1] was 1 to 0.85 in 2019 and 1 to 0.71 in 2020, compared with 1 to 3.4 and 1 to 2.83 on average for the region, indicating a dependency on core funding.

(b) Lack of diversification in funding

- During the audit period, the funding of the Office lacked diversification, with the Global Environment Facility and the host country funding accounting for 90 percent of funds received.

(c) Unpaid Government Contribution towards Local Office Costs

- As of December 2020, the outstanding Government Contribution towards Local Office Costs was $3 million, which had accumulated since 2012.

An organizational structure not commensurate with office size, and the lack of diversification of funding and unrecovered Government Contribution towards Local Office Costs put the Office's financial sustainability at risk.

Priority	High (Critical)
Recommendation 1: The Office should optimize its structure and ensure its financial sustainability by: (a) coordinating with the Regional Bureau for Africa to finalize the organizational structure and implement the required changes; (b) exploring new resource mobilization opportunities; and (c) collecting the outstanding Government Contribution towards Local Office Costs.	

Management action plan:
 	
The Office was aware of its fragile financial situation, and has taken the following actions:
 	
(a) The discussions with the Regional Bureau for Africa began at the end of 2020 and a draft for the justification of the transformation plan is being finalized. This document has been submitted to the Regional Bureau (Country Oversight Team) for its final input and this should be followed by the approval of a new organizational chart and its full implementation by mid-2021.
 	
(b) The Office was working on different areas as follows:
  ▪ Resource mobilization targets have been assigned to all heads of unit and project coordinators, which will also help increase the Office's delivery, and the General Management Services and Direct Project Costing.
  ▪ Weekly monitoring of the programme delivery through a Programme/Operations task force, which reviews bottlenecks and supports their resolution.
  ▪ Systematic search for non-traditional financing including the private sector and strengthening of the strategic positioning of the Office vis-à-vis national counterparts to mobilize additional government cost sharing as part of the Emergency Community Development Programme (PUDC).
  ▪ Resumption of systematic collection of Government Contribution towards Local Office Costs and arrears each year to replenish the administrative budget of the Office – discussions underway with the ministry.	

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[1] This ratio presents the value of the non-core funds for each one USD of core funds; it indicates the levels of dependency of the Country Office towards the core funds.

- Reduction of the Office's costs by promoting savings on major expenditure items (electricity and other operating costs).
- Control of the Bureau's payroll with the freeze on all recruitments on UNDP core resources and use of the services of the Global Shared Service Centre.
- Systematic cost recovery.

In addition, the Office's management was actively exploring new opportunities for resource mobilization both with the Government and with other non-traditional donors. The updated pipeline was assessed to be promising:

- hard pipeline: seven new projects totalling $8 million
- soft pipeline: eight projects submitted totalling $15 million
- four project ideas totalling $35 million
- Government Cost Sharing: A new Memorandum for Provision of Services was signed with the PUDC for a total of 2.3 million euro. Also, a new directly implemented project with the PUDC was negotiated and under finalization.

(c) Government Contribution towards Local Office Costs: The Office kept informing the Government about the outstanding Government Contribution towards Local Office Costs and a meeting is planned with the Government to follow up on this issue.

Estimated completion dates:

- 31 March 2021 for recommendation a
- 30 September 2022 for recommendation b and c

2. Internal Control Framework & delegations of authority

Issue 2   Weaknesses in the management of enterprise resource planning (Atlas) access rights

According to the Operational Guide to the Internal Control Framework, requests for access to the enterprise resource planning system (Atlas) require authorization from the head of office. The head of office must designate a focal point, responsible for initiating changes to Atlas user profiles and ensuring their approval by the head of office.

Within Atlas there were 89 active users, which exceeded the number of staff, which was 35. Further, there were two users that were granted different rights from their written delegations of authority approved by the head of the office.

This situation arose due to the absence of a regular reconciliation between the Atlas access rights and the written delegations of authority.

This may lead to unauthorized access, which increases the risk of unauthorized transactions leading to financial loss.

Priority	Medium (Important)

Recommendation 2:
The Office should improve the management of Atlas access by:
(a) deleting the invalid active users; and (b) ensuring Atlas rights reflect the written delegation of authority.

Management action plan:
The Office's Internal Control Framework is being reviewed periodically; the frequency of those reviews as well as the Atlas profiles will be carried out on a monthly basis. A reconciliation between Atlas access rights and the delegations of authority will be carried on a quarterly basis.
Estimated completion date: 31 March 2021

B. Operations – Procurement

1. Procurement/Goods & services

Issue 3   Weaknesses in the procurement management

The 'UNDP Programme and Operations Policies and Procedures' provide guidance on effective oversight of procurement practices. This includes raising requisitions at the outset of the procurement process, and raising purchase orders once the procurement selection has been made, prior to the invoice and receipt of goods. A purchase order should not be approved without available funding.

During the audit period, the Office issued 708 purchase orders amounting to $7.4 million. The audit team reviewed 79 purchase orders for an amount of $3.6 million or 49 percent of the total value.

The following weaknesses were identified:

(a) Weaknesses in the processing of procurement transactions

- 24 purchase orders totalling $85,763 were created after the invoice date.
- 12 purchase orders totalling $20,246 had no requisition in Atlas.
- 24 purchase orders for $265,837 requiring a receipt were not receipted in Atlas.
- 3 purchase orders for $40,801 were receipted in Atlas before purchase order approval.

(b) Non-adherence to procurement principles

- The audit team noted that one procurement case totalling $29,280, where the goods/services were procured without available funding, resulting in the expenditure being charged to another programme.

Failure to adhere to corporate policies and principles may result in inefficient practices and financial loss.

Priority	Medium (Important)
Recommendation 3: The Office should strengthen procurement management by: (a) raising requisitions and purchase orders in accordance with corporate guidelines; and (b) ensuring there is available funding prior to ordering goods or services.	
Management action plan: The weaknesses identified in the procurement process were partially due to the difficulty of operating in the same business unit with two different teams and two separate cost/profit centres. Therefore, comments relating to the Country Office would be dealt separately from those falling under the responsibility of the Dakar Hub. (a) A review of all cases noted by the audit have been reviewed both at the level of the Office and the Regional Hub. Notes to file would be consistently added to the procurement files to explain any potential differences between the contract amount and purchase order amount. And training for programme teams would be carried to better manage the receipt and payment processes in Atlas. (b) During the preparation of the procurement plans the programme unit would be reminded about the importance of strong planning to avoid launching a procurement process without securing the necessary funding. **Estimated completion date:** 30 July 2021	

C. Operations – Finance

1. Finance/Accounts receivable

Issue 4 <u>Unused advances by implementing partners</u>

According to the 'UNDP Programme and Operations Policies and Procedures', offices should issue quarterly advances to implementing partners aligned with the activities agreed in the annual work plan. Close monitoring of project implementation by the office is essential to avoid issuing advances to the implementing partners that will not be used within the quarter. If the amount advanced at the end of the period is too high, the office must determine what the problem is and, together with the partner, take corrective actions.

As of 31 December 2020, the total outstanding balance of advances with implementing partners was $797,331 and the and the overdue balance exceeding six months was $312,579.

The Office explained that during the COVID-19 pandemic, procurement procedures were limited, leading to a delay in the completion of activities by implementing partners.

In the event advances to implementing partners remain unused, project results may not be achieved, and the risk of financial loss is increased.

Priority	Medium (Important)

Recommendation 4:
The Office should improve the monitoring of the advances and support the implementing partners in utilising advanced funds, and where necessary recover long outstanding amounts.

Management action plan:
(a) Continuous monitoring of advances to implementing partners will be enforced systematically. (b) A note will be sent to all projects reminding them of the 'UNDP Programme and Operations Policies and Procedures' requirements on the management of advances to implementing partners, in particular that no new advance would be authorized if at least 80 percent of the previous advance has not been liquidated and 100 percent of all earlier advances (i.e., advances before the latest previous advance) have been liquidated. (c) The Office's SOPs would be reviewed to ensure their compliance with the 'UNDP Programme and Operations Policies and Procedures' requirements, and then approved. **Estimated completion date:** 30 June 2021

Definitions of audit terms - ratings and priorities

A.   AUDIT RATINGS

- **Fully 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.

- **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 <u>not included in this report</u>.