UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

MALI

Report No. 2296
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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 27 September to 8 October 2021. 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 July 2020 to 31 July 2021. The Office recorded programme and management expenses of approximately $35.48 million. The last audit of the Office was conducted by OAI in 2019.

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 could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
(b) Meetings with Office staff and personnel were 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) Safe contents and petty cash were not verified.
(f) 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 in governance, development activities, procurement, and finance.

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
	4	Medium
Effectiveness and efficiency of operations	2	High
Compliance with legislative mandates, regulations and rules, policies and procedures	3	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:

Low generation of General Management Services (GMS) income (Issue 1)	As of the beginning of December 2021, only $1 million of GMS had been generated, showing a consistent decrease from $1.28 million in 2020 and $1.67 million in 2019. The lower GMS income generation resulted from a relatively low programme delivery. In addition, the GMS target of $2 million for 2021 was overestimated, as only half of the target had been met. This was a recurring issue as the GMS targets for 2020 and 2019 were not met either, achieving respectively 72 and 77 percent, even when the programme delivery for those years were satisfactory. Recommendation: The Office should improve General Management Services (GMS) income generation and the assessment of its performance by: a) implementing the delivery acceleration measures for 2021, and streamlining them for 2022 to avoid the situation from re-occurring; and b) setting realistic GMS targets in line with expected delivery.
Cash advances incorrectly recorded as expenditures (Issue 2)	During the audit period, a responsible party agreement in the amount of $4.9 million incorrectly was recorded as a low value grant. Disbursements made through cash transfers to the responsible party were incorrectly recorded as expenditures instead of advances. As such, FACE forms were not used to request a cash transfer and to justify expenses. No evidence of financial and programmatic reporting was provided to the audit team. Recommendation: The Office should strengthen its monitoring of responsible party agreements by: (a) recording cash transfers to responsible parties as advances; (b) ensuring the use of FACE forms when requesting and liquidating advances; and (c) closely monitoring implementation of activities through financial and programmatic reporting.

Implementation status of previous OAI audit recommendations: Report No. 2090, 6 August 2019.
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.

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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) and its Country Programme covered the period 2020–2024 with the following development priorities:

a) effective and accountable governance for a peaceful, fair and inclusive society;
b) inclusive growth, resilience and environmental sustainability; and
c) basic social services and social protection.

During the period from 1 July 2020 to 31 July 2021, the Office spent $33 million on development activities, an increase by 21 percent compared to the previous period.

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

Title	Expenditure July - December 2020 $million	Expenditure January - July 2021 $million
Projet conjoint jeunesse et résilience	6.74	0.08
Gouvernance sécuritaire et judiciaire, paix et cohésion sociale	2.93	0.96
Lutte contre les facteurs de conflit - Etat de Droit	3.26	0.84
Gestion des risques d'inondations et climatiques	1.76	2.13
Renforcement de la résilience des groupes de femmes	1.59	0.40
Total	**16.28**	**4.41**

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	8.40
Funding windows	6.29
Multi-partner Trust Funds	3.26
Japan	2.75
France	1.01
Total	**21.71**

II. Audit results

Satisfactory performance was noted in the following areas:

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

(b) Operations – Administrative services: The governance, risk management and controls systems within administrative services, including travels, assets, and common services, were adequate and effective.

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

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.

Medium priority recommendations that had been implemented as advised by the Office (and independently validated by OAI) prior to the issuance of this report are not included in this report.

High priority recommendation:

a) Improve General Management Service (GMS) income generation (Recommendation 1).
b) Strengthen monitoring of responsible party agreements (Recommendation 2).

Medium priority recommendations, arranged according to significance:

a) Strengthen the effectiveness and efficiency of procurement processes (Recommendation 3).
b) Follow up on the annual estimations and collection of direct project costs (Recommendation 4).

The detailed assessment is presented below, per audit area:

A. Governance/Planning & risk register management

Issue 1 Low generation of General Management Services (GMS) income

Country Offices are expected to generate sufficient income to cover operating costs and ensure their financial sustainability. Costs associated with managing the implementation of programmes are levied through the application of the General Management Support (GMS) fee.

As of the beginning of December 2021, only $1 million of GMS had been generated, showing a decrease from $1.28 million in 2020. The lower GMS income generation resulted from a relatively low programme delivery, as of early December 2021, compared to budget and targets:

- 63 percent of the programme budget had been expensed, compared to 68 percent for the Regional Bureau for Africa (RBA).
- 62 percent of the 2021 delivery target had been reached against 80 percent for RBA.

As the Office identified that programme delivery targets could not be reached by year-end 2021, it developed a delivery acceleration plan in October as a mitigating measure to boost delivery. This plan, which was not reviewed by the audit, included measures such as strengthening programme delivery planning and monitoring, strengthening delivery capacities by acting on procedural bottlenecks, and identifying new delivery opportunities.

In addition, the GMS target of $2 million for 2021 was overestimated, as only half of the target had been met. This was a recurring issue as the GMS targets for 2020 and 2019 were not met either, achieving 72 and 77 percent, respectively, even when the programme delivery against budget for those years were satisfactory (92 percent in 2020 and 86 percent in 2019).

Failure to generate enough GMS income might negatively impact the financial situation of the Office. Setting unrealistic targets might impact performance assessment of income generation.

Priority	High (Critical)
Recommendation 1: The Office should improve General Management Services (GMS) income generation and the assessment of its performance by: (a) implementing the delivery acceleration measures for 2021, and streamlining them for 2022 to avoid the situation from re-occurring; and (b) setting realistic GMS targets in line with expected delivery.	
Management action plan: The Office will: (a) implement the delivery acceleration measures for 2021, and streamline them for 2022 to meet the annual target; and (b) review the GMS target and align it to the Office expected delivery on non-core resources. **Estimated completion date:** June 2022	

B. Development activities/Implementation modality

Issue 2 Cash advances incorrectly recorded as expenditures

The 'UNDP Programme and Operations Policies and Procedures' provide guidance on the monitoring of payments to responsible parties. The 'Funding Authorization and Certificate of Expenditure' (FACE) forms should be correctly used by implementing partners when requesting cash transfers and reporting expenses.

During the audit period, a responsible party agreement in the amount of $4.9 million incorrectly was recorded as a low value grant. Disbursements made through cash transfers to the responsible party were incorrectly recorded as expenditures instead of advances. As such, FACE forms were not used to request a cash transfer and to justify expenses. No evidence of financial and programmatic reporting was provided to the audit team.

The lack of sufficient monitoring over cash advances could lead financial losses. Incorrect recording of transactions could also impact the reliability of financial reporting.

Priority	High (Critical)
Recommendation 2: The Office should strengthen its monitoring of responsible party agreements by: (a) recording cash transfers to responsible parties as advances; (b) ensuring the use of FACE forms when requesting and liquidating advances; and (c) closely monitoring implementation of activities through financial and programmatic reporting.	

Management action plan:

a) Conduct a refresher training of HACT Policy for Finance Assistants, project Admin and finance assistants and Program assistants. Monitor on Quarterly basis the disbursement to IP and correct any potential error in financial recording

b) Issue a memo to recall the use of FACE forms when requesting and liquidating advances and ensure it effectiveness at each approval step in the disbursement process

c) Monitor on quarterly basis the HACT assurance plan to ensure that planned assurance activities are on track

Estimated completion date: November 2022

C. Operations – Procurement/Goods & services

Issue 3 Weaknesses in procurement management

The 'UNDP Programme and Operations Policies and Procedures' give guidance on effective oversight of procurement practices and contract management.

During the audited period, the Office processed 534 purchase orders for a total of $7.6 million. The audit team reviewed a sample of 19 transactions amounting to $2.9 million (38 percent of the total amount in the period reviewed), including four individual contracts, and noted the following:

a) Lack of submission for procurement committees' review:

- For 6 vendors (out of a total of 36) reviewed, with cumulative procurement valued at $0.6 million over the period under review, 4 exceeded the threshold of $50,000 without being submitted to the Contracts, Assets and Procurement Committee (CAP), and 2 exceeded the Office's delegated procurement authority of $200,000 without being submitted to the Regional Advisory Committee on Procurement (RACP) for review.

b) Poor contract management:

- In eight instances (including one individual contract) valued at $1.16 million, the agreed works or services had not been provided within the duration of the contracts due to delays from vendors. As of the date of the audit, the Office did not extend the expired contracts.

c) Weaknesses in the documentation of procurement activities:

- In one individual contract case valued at $42,856, a candidate was selected as he scored the highest in the category 'other expectations'. These evaluation criteria were not defined in the terms of reference. The candidate's offer was not the lowest financial offer.
- The evidence that services amounting to $245,252 were rendered as well as the vendor performance's evaluation in three cases valued at $213,730, were not provided to the audit team.

- In four individual contract cases valued at $173,396, there was no evidence that the Office assessed potential conflicts of interest of candidates, and in one instance amounting to $56,000, there was no evidence that reference checks were conducted.

d) Lapses in the creation of requisitions and purchase orders:

- In seven cases amounting to $1.57 million, the requisitions were not created in a timely manner and were entered in the system after the advertisement of the offers.
- In three purchase orders amounting to $293,088, the corresponding requisitions did not have reasonable values. In one case, the requisition amount was zero, while in other cases the requisition amount was less than 10 percent of the value of the purchase orders.
- While purchase orders should be approved preferably within two weeks after the contract signature, three purchase orders were approved late, with the risk that the signed commitments might not be honoured due to unsecured funds. In two of the three cases related to goods and services valued at $116,931, the purchase orders were raised 29 and 197 days after signing the contracts, and in the third case of an individual contract valued at $48,743, it took 28 days.

These weaknesses were caused by the lack of an oversight mechanism over procurement processes. In addition, the position of Head of the Procurement Unit was vacant for more than six months in 2020.

Ineffective oversight over procurement processes and contracts may expose the organization to financial and reputational risks.

Priority	Medium (Important)
Recommendation 3: The Office should strengthen the effectiveness and efficiency of its procurement processes by: (a) ensuring that procurement transactions are timely submitted to the adequate procurement oversight committees for review; (b) improving the monitoring of contract expiration and reinforcing oversight and documentation on procurement activities to reduce errors; and (c) timely creating and more reasonably estimating requisitions amounts.	
Management action plan: The Office will: (a) add on the procurement evaluation report a section to monitor cumulative amount per vendor and submit to the adequate procurement committee for review and monitor the various dashboards; (b) implement the use of the contract module in Atlas to improve the monitoring of contract expiration; and (c) conduct training on requisition and monitoring of project procurement activities in the weekly programme and operations meeting. **Estimated completion date:** October 2022	

D. Operations – Finance/Office budget and cost recoveries

Issue 4 Weaknesses in the implementation of Direct Project Costing

a) Sub-optimal collection of direct project costs:

The 'UNDP Programme and Operations Policies and Procedures' indicate that, whenever the Universal Price List (UPL) method for cost recovery is used, the workload for transaction-based direct project costs needs to be identified at the beginning of the project or at the beginning of each year and charged back to the project based on the actual provision of services. The audit team noted the following inconsistencies:

- Collection of direct project costs related to transactional services decreased from $408,277 in 2019 to $52,547 in 2020, a decrease of 87 percent in relation to 2019, while programme delivery increased over the same period (from $28 million in 2019 to $31.5 million in 2020). Direct project costs amounted to $128,683 from January to September 2021.
- The audit team noted that procurement for nationally implemented projects decreased in 2020 by approximately 50 percent compared to 2019 figures, while procurement for directly implemented projects only decreased by 13 percent, which did not explain the decrease of the direct project cost collection by 87 percent in 2020.

b) Insufficient estimation of project support services:

The 'UNDP Programme and Operations Policies and Procedures' stipulate that at the beginning of each year, all project managers shall provide an estimate of project support services based on either prior years' statistics or expected support services required for project delivery.

The Office estimated its project support services to be $121,709 in 2020 and $133,880 in 2021. For 2021, the Office applied a 10 percent increase over its 2020 projections. The projections in both years omitted the direct project cost estimations of three projects. It was unclear on what basis the direct project costs were charged to these projects. The Office was unaware that the forecasting was required to be conducted annually.

Insufficient monitoring over the collection and estimation of direct project costs could adversely impact the financial sustainability of the Office.

Priority	Medium (Important)

Recommendation 4:

The Office should more closely follow up on the annual estimations and collection of direct project costs by:

(a) improving its monitoring over direct project costs collection;
(b) providing an estimate of project support services at the beginning of each year; and
(c) organizing additional training on direct project costing.

Management action plan:

The Office will:

(a) develop standard operating procedures explaining and detailing the direct project costs collection and monitoring process; and
(b) perform a workload survey at the beginning of the year to determine the time allocated to each project and the direct project costs to be collected from that project.
(c) Organize additional training on direct project costing.

Estimated completion date: April 2022

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 not included in this report.