



**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**NIGERIA**

**Report No. 2301**  
**Issue Date: 7 May 2021**

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## Report on the Audit of UNDP Nigeria Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Nigeria (the Office) from 8 to 24 February 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)

OAI designed the following performance audit questions to guide the review of the following areas and sub-areas:

- (a) Development activities:
  - i. Was the office on target in implementing its programme and projects as planned?
  - ii. Was the achievement of planned results adequately monitored?
- (b) Procurement:
  - i. Did procurement processes result in the contracting of required services and products at best value for money with fairness, transparency, and integrity?
  - ii. Were procurement processes conducted in a timely manner?

The audit covered the activities of the Office from 1 January to 31 December 2020. The Office recorded programme and management expenses of approximately \$61 million. The last audit of the Office was conducted by OAI in 2018.

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 were as follows:

- (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 and petty cash contents 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 incorrect use of fixed term appointments when engaging individuals for development projects.

**Key recommendation(s):** Total = **4**, high priority = **1**

The five recommendations aimed to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	2 and 3	Medium (Important)
Effectiveness and efficiency of operations	1	High (Critical)
	4 and 5	Medium (Important)

For high (critical) priority recommendations, prompt action is required to ensure UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. All high (critical) priority recommendations are presented below.

Incorrect use of fixed term appointments (issue 1)

During the audit period the Office recruited 20 national project staff under the Fixed Term Appointment (FTA) modality, instead of using the service contract modality. Prior to this, in 2019, an advisory mission for the project, including staff from the Regional Bureau for Africa, recommended resourcing project personnel through the service contract modality.

Recommendation: (a) discontinue using the fixed term appointments when engaging individuals for development projects (b) document the identified risks and cost-benefit analysis prior to making significant business decisions.

**Implementation status of previous OAI audit recommendations:** Report No. 1920, 5 June 2018.

Total recommendations: 3  
Implemented: 3

### Management comments and action plan

The Resident Representative accepted all five 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. Ostveiten  
Director  
Office of Audit and Investigations

## I. About the Office

The Office, located in Abuja, Nigeria (the Country) and its Country Programme covered the period 2018-2022 with the following development priorities:

- a) Governance, peace and security
- b) inclusive growth and
- c) Environmental sustainability and resilience

During the period from January to December 2020, the Office spent approximately \$58 million on development activities, an increase by approximately 128 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 2020 \$million
Stabilization Facility – Nigeria Window	13.1
Support COVID-19	17.7
PIMS 5578: Resilience for Food Security in Nigeria	2.4
PIMS 5366: Sustainable Fuelwood Management in Nigeria	0.8
<b>Total</b>	<b>34.0</b>

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
EU	7.4
United Kingdom Government	7.3
Japan	6.2
GEF	5.8
MPTF	3.5
<b>Total</b>	<b>30.2</b>

### Other critical information

Activities were conducted under restriction of movement due to COVID-19. The Office had a sub-office in Miduguri, in the north Eastern Nigeria where security level is high. The sub-Office is responsible for the implementation of Regional Stabilization Facility programme to facilitate the implementation of the Regional Strategy for the Stabilization, Recovery & Resilience of affected areas of Lake Chad Basin. The programme had estimated value of \$94 million.

## II. Audit results

Controls were established and functioning in the following areas:

- (a) Human Resources. Recruitment and hiring processes were found to be adequate and were in accordance with policies and procedures.

- (b) Administrative services. The Internal controls procedures for the management of assets and common services, and travel were adequate.
- (c) Information and Communications technology. Internal control processes were found to be adequate.

The assessment of performance audit questions was as follows:

(a) Development activities:

- i. Was the office on target in implementing its programme and projects as planned?

The Office was not on target in the implementation of the Country Programme Document (CPD). The resources required to implement the programme according to CPD were \$359 million for the period 2018 - 2022. However, the Office's cumulative delivery from 2018 to 2020 was \$111 million. With \$249 million (69 percent) remaining to be delivered in 2021 and 2022. (Issue 3)

- ii. Was the achievement of planned results adequately monitored?

Adequate project oversight systems were in place including completion of project field visits and verifications. However, the audit team identified weaknesses in the programme indicators (not specific measurable, timebound, attributable) leading to difficulties in assessing programme results (Issue 2).

(b) Procurement:

- i. Did procurement processes result in the contracting of required services and products at best value for money with fairness, transparency, and integrity?

Procurement processes for individual contractors (ICs) did not demonstrate value for money and lacked fairness, transparency and integrity. The audit team reviewed a sample of six out of 85 ICs with a contract value totalling \$453,000 (or 19 percent of total IC procurement). It was noted that for three ICs with contracts totalling \$276 000; the offers did not contain technical and financial proposals; the terms of reference did not contain clear deliverables and selection criteria were not documented (Issue 4).

In addition, the audit team sampled 24 procurement cases relating to goods and services, totalling \$3.2 million (21 percent of total procurement within the period). For these cases the processes were completed ensuring value for money, fairness, transparency and integrity.

- ii. Were procurement processes conducted in a timely manner?

The audit team concluded that the procurement process was timely. Services were provided within timeframes required by the requesting units, enabling planned development activities to be implemented without delays.

OAI made one recommendation ranked high (critical) and four 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) Discontinue the use of fixed term appointments when engaging local individuals for development projects; and document the identified risks and cost-benefit analysis prior to making significant business decisions (Recommendation 1).

## Medium priority recommendations, arranged according to significance:

- (a) Establish delivery targets in line with available resources (Recommendation 3).
- (b) Strengthen the management of the programme (Recommendation 2)
- (c) Strengthen procurement of individual contractors (Recommendation 4)
- (d) Follow up with the Government counterpart on the payment of outstanding balance of its contributions to local costs (GLOC). (Recommendation 5)

The detailed assessment is presented below, per audit area:

### A. Governance

#### 1. Organisational Chart & Overall staffing

##### Issue 1 Incorrect use of fixed term appointments

UNDP accountability framework requires that significant business decisions are supported by risk assessments and a cost-benefits analysis. The service contract modality is used for engaging individuals as local project personnel, to support execution or implementation of a project.

During the audit period the Office recruited 20 national project staff under the Fixed Term Appointment (FTA) modality. Prior to this, in 2019, an advisory mission for the project, including staff from the Regional Bureau for Africa, recommended resourcing project personnel through the service contract modality.

The Office shared that it had used the FTA modality because it expected difficulties in hiring qualified staff, however it had not documented the reasons for this, including completing a risk assessment and a cost-benefits analysis to support this. The decision led to an annual increase in payroll costs of \$757,000.

Employing project personnel under the fixed term modality creates an additional financial burden for the organisation.

<b>Priority</b>	High (Critical)
<b>Recommendation 1:</b>	
The Office should:	
<ul style="list-style-type: none"> <li>(a) discontinue the use of fixed term appointments when engaging individuals for development projects; and</li> <li>(b) document the identified risks and cost-benefit analysis prior to making significant business decisions.</li> </ul>	

Management action plan:

- (a) discontinue the use of fixed term appointments contracts for resourcing local project personnel.
- (b) the Office will ensure that decisions are made based on available options, including the costs and benefits analysis where necessary.

**Estimated completion date:** 31 December 2021

## B. Development Activities

### 1. Country Programme

#### Issue 2 Fragmented programme with weak monitoring systems

The 'UNDP Programme and Operations Policies and Procedures' stipulate the requirements for implementing programmes and projects. These include (a) establishing monitoring systems which link outputs, outcomes and indicators. The indicators should be specific, measurable, attributable, relevant and time bound. (b) development of an integrated programme portfolio which minimizes the duplication of activities across projects.

The country programme (2018 -2022) comprised of 3 outcomes and 28 outputs, at the time of the audit the programme had expanded to include 85 outputs and 60 projects. The annual review of the Country Programme Document in 2019 highlighted the following: weaknesses in programme indicators (not specific measurable, timebound, attributable); duplication of activities within different projects and fragmentation of sectoral interventions across different programmes without adequate coordination. The Country Programme Document, mid-term Review in 2020 also raised the programme fragmentation as an issue.

Duplication of activities within projects and fragmented programming may lead to inefficient use of resources. Weaknesses in the formulation of programme indicators may lead to difficulties assessing programme results.

Priority	Medium (Important)
<b>Recommendation 2:</b>  The Office should strengthen the management of the programme by: <ul style="list-style-type: none"> <li>(a) consolidating projects /outputs to minimize duplication of activities and fragmented programming;</li> <li>(b) when formulating projects, include flexibility within the project design to allow for project expansion and avoid formulating projects in silos; and</li> <li>(c) formulating programme indicators to ensure they are specific, measurable, timebound and attributable.</li> </ul>	
<b>Management action plan:</b>  The Office will:	



- (a) establish internal capacity assessment team to address the recommendation of mid-term review including consolidation of programmes;
- (b) conduct project design and implementation training to key programme staff which will strengthen capacity to design projects with possibility for expansion and avoid formulating projects in silos.
- (c) ensure programme indicators are specific, measurable, timebound and attributable.

**Estimated completion date:** 30 September 2021

### Issue 3      Low delivery targets

The 'UNDP Programme and Operations Policies and Procedures' require that the available financial resources are utilized within an agreed timeframe. Resource planning guidelines require Offices to estimate delivery targets to the best of their ability given the resources and capacities available. In the event of significant changes in implementation, targets can be revised through engagement with the respective Bureau.

The Country Programme Document (2018-2022) included resource requirements of \$359 million to implement the programme. However, at the end of 2020, the cumulative delivery of the Office was \$111 million (31 percent of the total resources) despite completing 60 percent of the programme cycle. The audit team observed that the resources mobilized were \$223 million, with a further \$136 million to be mobilized within the remaining two years of the programme.

The Office had set low annual delivery targets when compared with the resources available. For example, in 2019 and 2020, available resources were \$48 million and \$130 million, while the delivery targets were \$29 million (or 58 percent of available resources) and \$40 million (or 31 percent of available resources) respectively.

The Office had not established delivery targets in line with the available resources which may prevent the financial and programmatic results established in the Country Programme Document from being achieved.

Priority	Medium (Important)
<b>Recommendation 3:</b>  The Office should address low delivery by; <ul style="list-style-type: none"> <li>(a) establishing delivery targets in line with the available resources; and</li> <li>(b) develop an acceleration plan to increase delivery.</li> </ul>	
<b>Management action plan:</b>  <ul style="list-style-type: none"> <li>(a) the Office will endeavor to make adjustment of targets subject to approval by the Regional Bureau for Africa.</li> <li>(b) the Programme Management Support Unit will support programme units to continue to accelerate delivery.</li> </ul>	
<b>Estimated completion date:</b> 31 October 2021	

## C. Operations

### 1. Procurement - Individual Contractors

#### Issue 4 Weaknesses in procurement of Individual Contractors

The 'UNDP Programme and Operations Policies and Procedures' principles for procurement include obtaining value for money, and for the process to be completed with fairness, transparency and integrity. The procurement of individual contractors requires the creation of a terms of reference with expected deliverables, submission of technical and financial proposals. The selection process should be documented and based on agreed criteria outlined within the procurement notice. UN staff cannot be engaged as individual contractors.

The audit team reviewed a sample of 6 out of 85 individual contractors with a contract value totalling \$453,000 (or 19 percent of the total value for Individual Contractors procurement). The following weaknesses were noted with three contracts totalling \$276,000:

- In three cases the procurement process did not include technical and financial proposals. Furthermore, the terms of reference did not contain clear deliverables and criteria for selection. It was not possible to determine how technical scores were derived and if the fees charged were reasonable.
- One contractor was a staff member in another United Nations agency.

Noncompliance with procurement procedures may result in the selection of unqualified candidates and value for money may not being achieved.

<b>Priority</b>	Medium (Important)
<b>Recommendation 4:</b>	
Office should strengthen the procurement of individual contractors by:	
(a) using standard templates when soliciting offers which include: a terms of reference with deliverables, criteria for selection, technical and financial proposals; and	
(b) not engaging current UN staff as individual contractors.	
<b>Management action plan:</b>	
(a) ensure that the standard procurement notice template for individual contracts is used.	
(b) complete adequate due diligence on applications of UN staff from other UN Agencies.	
<b>Estimated completion date:</b> 30 September 2021	

## 2. Finance - Cost Recovery

### Issue 5 Outstanding Government Contribution to Local Office Costs

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 cost of country offices.

As of February 2021, there was outstanding Government Contribution to Local Office Costs (GLOC) from 2008 to 2019 of \$7 million. In December 2019, the Office wrote to the Government, requesting the payment of outstanding GLOC.

During 2020, the Office received a government cost sharing contribution equivalent to \$3.5 million towards the implementation of the Country Programme. In August 2020, the Office requested the Government to allocate 50 percent of this amount towards the payment of GLOC. At the time of the audit, the Office had not yet received a response.

Failure to recover the outstanding GLOC will affect the Office's sustainability and may impact on the achievement of planned development results.

<b>Priority</b>	Medium (Important)
<b>Recommendation 5:</b>	
The Office should continue following up with the Government counterpart to recover the outstanding balance of its contributions to Government Contribution to Local Office Costs.	
<b>Management action plan:</b>	
<ul style="list-style-type: none"> <li>(a) the Office will continue to engage with the Government for payment of outstanding contributions to local costs.</li> <li>(b) the issue is reported in the Risk Register, with risk status "open". Should the discussions with Government fail, it will be automatically escalated to the next level of "High Risk"</li> </ul>	
<b>Estimated completion date:</b> 31 December 2021	

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## 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.