UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

MAURITIUS

Report No. 2302

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Table of Contents

Report on the Audit of UNDP Mauritius
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Mauritius[1] (the Office) from 6 to 23 April 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 six performance audit questions to guide the review of the following areas:

(a) Development activities
  i. Was the Office on target in implementing its Country Programme Document (CPD) and projects as planned?
  ii. Were project results achieved in accordance with their budget and timeframe?
  iii. Were project results monitored based on pre-defined monitoring frameworks?

(b) Procurement
  i. Did procurement processes achieve best value for money with fairness, transparency, and integrity?
  ii. Were procurement processes completed in a timely manner?

(c) Finance
  i. Were financial transactions processed timely and accurately?

The audit covered the activities of the Office from 1 January 2020 to 31 January 2021. The Office recorded programme and management expenses of approximately $19.3 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 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

[1] The Mauritius business unit includes the Mauritius and Seychelles programmes, under the supervision of the Mauritius Country Office.

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 the incorrect posting of financial transactions and improper use of the direct contracting method.

Key recommendations: Total = **4**, high priority = **2**

The four recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 1, medium priority); (b) reliability and integrity of financial and operational information (Recommendation 3, high priority); (c) effectiveness and efficiency of operations (Recommendation 4, high priority); and (d) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 2, medium priority).

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. All high (critical) priority recommendations are presented below:

Incorrect posting of financial transactions (Issue 3)	Expenditures of three projects amounting to $3 million were incorrectly charged to the 'Inclusive Development and Public Sector Efficiency' (IDPSE) project. As a result, the expenditure of the IDPSE project was overstated by $3 million while the other three projects' financial statements were understated for the same total amount as of 31 December 2020. Recommendation: The Office should improve the recording and presentation of project expenditures by: (a) reversing the recording of the expenditures incorrectly charged to the IDPSE project; and (b) ensuring that expenditures are posted to the correct projects.
Improper use of direct contracting method (Issue 4)	Two contracts valued together at approximately $200,000 were awarded through direct contracting without meeting the permissible justifications for waiving the competitive process and without an adequate assessment on how value for money was achieved. Both contracts, awarded to the same vendor, were related to the implementation of the National Laboratory Information Management System (LIMS). The Office's justification for direct contracting in relation to the first contract, amounting to $24,975, was that the nature and technicality of services required were not available on the market. However, there was inadequate evidence of market research analysis being completed by the Office to make this determination. The second contract for the second phase of LIMS was awarded on the basis of genuine exigency for the requirement as well as compatibility and consistency with existing equipment, systems or technologies. However, there was no previous proper determination of consistency and compatibility as required by the UNDP policy, and regarding the genuine exigency for the requirement, the proof of exigency was not adequately substantiated by the Office. In addition, the value for money analysis was found to be inadequate. The combined value of contracts awarded to the vendor for the LIMS system was $874,966. Recommendation: The Office should strengthen its procurement activities by: (a) conducting adequate planning and risk assessment in order to select an

appropriate procurement strategy and method; (b) using the direct contracting modality only when valid justification exists and value for money is ensured, documenting the process properly; and (c) conducting early consultation with the Regional Advisory Committee on Procurement when dealing with time-critical transactions.

Implementation status of previous OAI audit recommendations: Report No. 1719, 2 December 2016.
Total recommendations: 3
Implemented: 3

Management comments and action plan

The Resident Representative accepted all 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.

Moncef Ghrib

Moncef Ghrib
Officer-in-Charge
Office of Audit and Investigations

I. About the Office

The Office, located in Port Louis, Mauritius (the Country) is responsible for the implementation of programmes for both Mauritius and Seychelles. Mauritius and Seychelles are both classified as high-income countries. The Country Programme Documents (CPDs) for both countries initially covered the period 2017–2020 but were extended until 2023 to align the CPDs with the 2019-2023 United Nations Strategic Partnership Framework. Both Country Programmes had the following development priorities:

a) inclusive development and public sector efficiency; and
b) climate change and sustainable development.

During the period from January 2020 to January 2021, the Office spent $18.3 million on development activities, an increase by 63 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	Expenditure Jan 2021 $million
GCF – Accelerating Low Carbon	7.53	-
Inclusive Development and Public Sector Efficiency	3.17	-
Mainstreaming Biodiversity into the management of	1.01	-
COVID-19 Mauritius	0.99	
SAPPHIRE - Large Marine Ecosystem Project in WIO	0.86	-
Total	**13.56**	**-**

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
GEF	6.34
UN Agencies	2.97
European Union	1.21
Japan	0.91
Total	**11.43**

Other critical information

Due to the COVID-19 pandemic, the Country went into lockdown from March to June 2020 and the Office staff had to work remotely, impacting the implementation of projects.

II. Audit results

Satisfactory performance was noted in the following areas:

(a) Governance. Governance activities including risk registers, staff organization, internal control framework and delegation of authority, and business continuity were found to be adequate.

(b) Human resources. Recruitment, hiring processes and other human resources processes were found to be adequate and were in accordance with policies and procedures.

(c) Administrative services. The internal control procedures for the management of assets, common services and travel were adequate.

The assessment of performance audit questions was as follows:

(a) Development activities

i. Was the Office on target in implementing its CPD and projects as planned?

The Office underperformed in its implementation of the CPD during the 2017–2020 programme cycle. As of the end of 2020, the Office implemented $44.5 million (52 percent) of the total CPD budget. Average delivery over budget for the period 2017–2020 stood at 78.67 percent compared to the Regional Bureau for Africa average of 84.67 percent. Additionally, the Office had underperformed in the delivery against available resources, which was 57 percent compared to the Regional Bureau for Africa average of 71 percent (refer to issue 1).

ii. Were project results achieved in accordance with their budget and timeframe?

The audit team sampled four projects and observed low delivery in three, where average delivery was 37 percent of their planned resources and budget. Two out of the four projects required project extensions to deliver their planned results (refer to issue 1).

iii. Were project results monitored based on pre-defined monitoring frameworks?

Adequate project oversight systems were in place including completion of project field visits and verification visits. Monitoring data was obtained during visits or from the national implementing partners. Project board meetings were held to monitor project implementation.

(b) Procurement

i. Did procurement processes achieve best value for money with fairness, transparency, and integrity?

The audit team sampled 16 purchase orders with a combined value of $1 million, out of a total of 387 purchase orders totalling $7.7 million. Two exceptions were identified relating to contracts awarded through direct contracting, where inadequate justification was provided for waiving the competitive process and demonstrating how the principle of best value for money was achieved. The total value of the contracts stood at approximately $200,000, representing 20 percent of the total value of the sample reviewed (refer to Issue 4).

ii. Were procurement processes completed in a timely manner?

From the review of the 16 purchase orders sampled, the audit team concluded that the procurement process was timely, and goods and services were provided within the required timeframes.

(c) Finance

i. Were financial transactions processed timely and accurately?

The audit team sampled 20 payment vouchers, with a total value of $4 million, out of a total of 1,502 payment vouchers raised during the audit period, with a total value of $17.2 million. In general, financial transactions were processed timely. The audit team noted two transactions amounting to $3 million that were incorrectly recorded (refer to Issue 3).

OAI made two recommendations ranked high (critical) priority 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.

High priority recommendations, arranged according to significance:

(a) Improve the recording and presentation of project expenditures (Recommendation 3).
(b) Strengthen procurement activities (Recommendation 4).

Medium priority recommendations, arranged according to significance:

(a) Improve the design and implementation of the Country Programme and projects (Recommendation 1).
(b) Clear the fund balances of the projects pending financial closure and ensure that all operationally closed projects are financially closed within the 12-month period (Recommendation 2).

The detailed assessment is presented below, per audit area:

A. Development Activities

1. Country Programme

Issue 1 Low programme implementation and project delivery

Country Offices are expected to deliver on the goals and objectives that have been agreed upon with the respective government, within planned timeframes and budget as defined in the CPD and respective project documents. Offices are expected to address challenges faced during implementation and ensure adequate delivery.

The CPD implementation was low in relation to its budget. According to the 2017–2020 CPD, the Office was to implement $85 million during the programme cycle. As of the end of 2020, the Office implemented $44.5 million (52 percent) of the total CPD budget.

Even though the Office's delivery increased steadily since 2017 (from $6.3 million in 2017 to $18.3 million in 2020), the total CDP implementation was lower than planned. The Independent Country Programme Evaluation completed in 2019 noted that the CPD's delivery targets were unrealistic and did not consider the Office's capacity to implement the programme and mobilize the required resources. In addition, there were challenges in identifying funding for the democratic governance portfolio due to the Country's high-income classification.

The Office had also underperformed in delivering against the available programme resources, as evidenced by challenges in programme implementation. The average delivery over available programme resources during the CPD period was 57 percent compared to the Regional Bureau for Africa average of 71 percent.

The audit team observed low delivery in three out of the four sampled projects. At the time of the audit mission, the three projects, on average, delivered 37 percent of their total project budgets. Specifically:

- Project 90446 started in June 2016 with a budget of $4,664,521, and expenditures of $2,760,944 (59.2 percent of its budget) as of the date of the audit. The project was due to end in June 2021. The Office explained that the project was under investigation from mid-2019 to March 2021. During this time, and on the advice of Headquarters, project implementation was intentionally slowed so as not to compromise the process and potential findings. The audit team also noted delays in the start of the project, which further contributed to the low implementation.

- Project 126860, a COVID-19 response project, started in June 2020 with an end date of March 2021. The project had a budget of $1,805,143 and expenditures, as of the date of the audit, of $247,370 (13.7 percent of its total budget). The implementation delays were due to lengthy approval processes from government stakeholders, as well as the time required to complete procurement. The project has now been extended to September 2021 in order to deliver its planned results.

- Project 102319, under the governance portfolio, started in 2017 and had a budget of $3,359,950; however, the Office was only able to mobilize resources amounting to $1,347,611. The resources committed by donors either did not materialize or were partially received. As of the date of the audit, the project's expenditure amounted to $509,955 (38 percent of the available resources). The project end date was 31 December 2020, but an extension was recently agreed upon with the Government to utilize the remaining available funds.

The Office explained that the low delivery during 2020 was caused by the impact of the COVID-19 pandemic.

Weak Country Programme and project design may lead to shortfalls in the implementation and delivery of development results, which may cause reputational damage to UNDP.

Priority	Medium (Important)
Recommendation 1: The Office should improve the design and implementation of the Country Programme and projects by: (a) ensuring adequate capacities and resources are available to implement its programme and projects; and (b) developing acceleration plans to expedite the implementation of the Country Programme and projects.	
Management action plan: To ensure improvement in the Country Programme implementation against the budget, the Office will take the following actions: **Project 90446:** The project has now developed an action plan and sought and received approval for a project extension to accelerate delivery. The extension has been granted for up to 31 December 2022.	

Project 126860: The project, in agreement with the key beneficiary institution, and endorsement of the primary funder, have agreed to a project extension to 30 September 2021. Various major procurements are ongoing and a comprehensive project team is being recruited to ensure adequate follow up and monitoring of activities.

Project 102319: The Office agreed with the Government to extend the project to complete planned activities with the balance of government resources. The Office commenced the process of terminal evaluation to close the project and develop a successor project with the new socioeconomic context of the Country, which has changed.

Estimated completion date: 31 December 2022

2. Project Administration

Issue 2 Projects pending financial closure

According to the 'UNDP Programme and Operations Policies and Procedures', once project implementation has come to an end, the project should be classified as "operationally closed" to enable the Office to carry out closure activities. Once this is finalized, the project should, within 12 months, then be "financially closed."

There were nine projects that were operationally closed but should have been financially closed because more than 12 months elapsed since the projects ended. The Office explained that all of the projects had been financially closed but were reopened by the Office of Financial Resources Management because of minimal balances in their accounts. The projects could not be closed as their balances and entries needed to be cleared and finalized prior to financial closure.

After the audit, the Office closed four out of the nine projects.

By not financially closing projects, there is a risk that unauthorized expenditures may be posted to the projects.

Priority Medium (Important)

Recommendation 2:

The Office should liaise with the Office of Financial Resources Management to clear the fund balances of the projects pending financial closure and ensure that all operationally closed projects are financially closed within the 12-month period.

Management action plan:

All nine projects had been financially closed but were reopened by the Office of Financial Resources Management (OFRM). With guidance from OFRM, the Office will close the six projects that have a balance of 0.01 cent or less.

The remaining other three projects that have minimal balances of $-2.68, $1.17 and $51.82, respectively, will be closed.

Estimated completion date: 30 July 2021

Incorrect posting of financial transactions

Issue 3

The International Public Sector Accounting Standards (IPSAS) require expenditure to be recorded in the projects where they were incurred.

Expenditures of three projects amounting to $3 million were incorrectly charged to the 'Inclusive Development and Public Sector Efficiency' (IDPSE) project. In December 2020, the Office was allocated $3 million in core funds by the Regional Bureau for Africa to be used in the implementation of three projects (Green Climate Fund project, COVID-19 Mauritius project and the Mainstreaming Biodiversity project). The funds were channeled through the IDPSE project as this was the only project funded by the Target for Resource Assignment from the Core (TRAC) funds; the funds had to be utilized by 31 December 2020. As a result, the expenditure of the IDPSE project was overstated by $3 million while the other three projects' financial statements were understated by the same total amount as of 31 December 2020.

Inaccurate financial information and reports may lead to making incorrect financial decisions.

Priority	High (Critical)
Recommendation 3: The Office should improve the recording and presentation of project expenditures by: (a) reversing the recording of the expenditures incorrectly charged to the IDPSE project; and (b) ensuring that expenditures are posted to the correct projects.	
Management action plan: Following consultation with the Regional Bureau for Africa, it has been established that the financial year 2020 accounts are closed. The Office, with support from the Bureau, is adjusting the transactions against financial year 2021 accounts to ensure correct attribution without impacting the balance sheet of 2021 accounts. **Estimated completion date:** 15 July 2021	

B. Operations/Procurement

1. Goods and Services

Issue 4 Improper use of direct contracting method

To be effective, procurement processes in UNDP must contract the required services and products ensuring value for money, with fairness, transparency, and integrity. To that end, UNDP relies on competitive procurement processes wherever possible. The 'UNDP Programme and Operations Policies and Procedures' establish the circumstances when direct contracting may be applicable. Complex procurements should be supported through adequate planning, including a risk assessment.

The audit team reviewed a sample of 16 purchase orders totalling $1 million out of 387 purchase orders raised during the period valued at $7.6 million. Within the sample, two contracts valued together at approximately $200,000 were awarded through direct contracting without meeting the permissible justifications for waiving the competitive process and without an adequate assessment on how value for money was achieved. Both contracts, awarded to the same vendor, were related to the implementation of the National Laboratory Information Management System (LIMS).

The Office's justification for direct contracting in relation to the first contract, amounting to $24,975, was that the nature and technicality of services required were not available on the market. However, there was inadequate evidence of market research analysis being completed by the Office to make this determination. The second contract for the second phase of LIMS, valued at $174,249, was part of a direct contracting process with a total value of $849,991 that was approved by the Regional Advisory Committee on Procurement. The contract for the partial amount of $174,249 was issued following Regional Advisory Committee on Procurement advice to sign contracts only for the amount of funds available. This procurement was awarded on the basis of genuine exigency for the requirement as well as compatibility and consistency with existing equipment, systems or technologies, whereby any change may have a direct impact on life cycle or sustainability for the end users. However, there was no previous proper determination of consistency and compatibility as required by the UNDP policy. In addition, the value for money analysis was inadequate since prices were benchmarked against those of the first contract and the total amount was compared against the estimated budget.

Regarding the genuine exigency for the requirement, the Office explained that the required services were urgently needed in a COVID-19 crisis situation for testing and tracking of COVID-19 cases throughout the Country and the Office needed to meet the Government's request within a short turnaround time. However, the services required were to be provided for two years, starting in October 2020, and proof of exigency was not adequately substantiated by the Office. The combined value of contracts awarded to the vendor for the LIMS system was $874,966.

The use of the inappropriate procurement method and strategy by the Office was due to the inadequate planning and risk assessment.

Inadequate procurement methods may hinder the competitiveness, fairness, and transparency of the procurement processes. Failure to comply with UNDP requirements on direct contracting and value for money may impact the Office's reputation and lead to financial loss.

Priority High (Critical)

Recommendation 4:

The Office should strengthen its procurement activities by:

(a) conducting adequate planning and risk assessment in order to select an appropriate procurement strategy and method;
(b) using the direct contracting modality only when valid justification exists and value for money is ensured, documenting the process properly; and
(c) conducting early consultation with the Regional Advisory Committee on Procurement when dealing with time-critical transactions.

Management action plan:

The Office will ensure that detailed documentation of all the rationale on procurement decisions taken is in place and will continue consulting the Regional Advisory Committee on Procurement.

Estimated completion date: 15 July 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 not included in this report.